



## **CABINET REPORT**

<b>Report Title</b>	<b>PROPOSED CHANGES TO 2010/11 CONCESSIONARY FARES SPECIAL GRANT</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	16 December 2009
<b>Key Decision:</b>	NO
<b>Listed on Forward Plan:</b>	NO
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Finance and Support
<b>Accountable Cabinet Member:</b>	David Perkins
<b>Ward(s)</b>	Not Applicable

### **1. Purpose**

- 1.1 This report presents the council's response to the Department for Transport (DfT) consultation on changes to the specific grant for concessionary fares in 2010/11 for consideration.

### **2. Recommendations**

- 2.1 Cabinet to agree the consultation response for submission to the Department for Transport.
- 2.2 That Officers write to the local MP's appraising them of the position asking for support to ensure that Northampton Borough Council is fully funded for all aspects of the scheme.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Northampton Borough has had a concessionary fares scheme since before 1985. Prior to the introduction of the basic Government Scheme in 2006/07 the council ran and funded its own scheme giving a half fare concession to older and disabled residents.
- 3.1.2 In 2006/07 the Government introduced its own local concessionary travel scheme for which £350m was made available nationally, and which was distributed as part of the formula grant. Unfortunately the demand in Northampton for the Government scheme outstripped the funding that came into it through the formula grant.
- 3.1.3 In 2008/09 the Government expanded their local scheme to a national level, this time using a specific grant to cover the additional cost.
- 3.1.4 Table 1 – The Overall Concessionary Fares Funding Picture for NBC

	2007/08 £,000	2008/09 £,000	2009/10 £,000	2010/11 £,000
Estimated Formula Grant	1,153	1,165	1,170	1,176
Specific Grant	0	678	693	713
<b>Total Funding</b>	<b>1,153</b>	<b>1,843</b>	<b>1,863</b>	<b>1,889</b>
Costs*	2,228	2,717	3,076	3,703
<b>Overall Funding Shortfall**</b>	<b>1,075</b>	<b>874</b>	<b>1,213</b>	<b>1,814</b>

*\*Actuals per RO Forms 2007/08 & 2008/09, 2009/10 & 2010/11 Latest Forecasts*

*\*\* Estimated for 2009/10 and 2010/11*

- 3.1.5 Overview and Scrutiny undertook a review of the current NBC scheme and made a number of recommendations with regard to expanding the scheme. The table at 3.1.4 underpins the level of underfunding which the authority experiences, which in itself, makes it very difficult for the authority to consider expanding the scheme due to cost.

#### 3.2 Issues

- 3.2.1 The DfT is currently consulting on changes to the distribution of the special grant funding for the extension of the Government concessionary fares scheme from local to national travel, which came into effect on 1 April 2008.
- 3.2.2 The concession now guarantees free off peak local bus travel anywhere in England for people aged 60 or over and eligible disabled people who are resident in England. The scheme defines off peak as travel between 9.30am and 11pm on weekdays and all day on weekends and bank holidays.
- 3.2.3 The consultation expressly does not relate to “historic funding of the statutory concession through Formula Grant”.
- 3.2.4 The additional funding for the national concession is distributed by special grant rather than through the formula grant in response to arguments by local government that this was a more transparent method of distribution.

- 3.2.5 The special grant was originally distributed on a formula linked to variables that were anticipated to correlate to the drivers of extra cost of providing this service.
- 3.2.6 Following the first year of the scheme the Department for Transport has carried out a review of the additional costs incurred by the Travel Concession Authority based on the local authority Revenue Outturn (RO) forms which include specific data on the amounts spent on concessionary fares each year.
- 3.2.7 The DfT argues that because the costs at NBC increased by less than the amount of the special grant in the year of introduction of the additional concession, no additional grant is needed in 2010/11.

3.2.8 Table 2 – Annual Increases in Cost and Specific Grant

	2008/09 £,000	2009/10 £,000	2010/11 £,000
<b>Annual Increase in costs</b>	<b>489</b>	<b>359</b>	<b>627</b>
<b>Annual Increase in Special Grant</b>	<b>678</b>	<b>15</b>	<b>20</b>

- 3.2.9 The difficulty comes in ascertaining the element of the increase in costs that relates purely to the additional element of the concession as opposed to the original local statutory concession that is funded through formula grant.
- 3.2.10 However, given the level of difference between the increase in 2008/09 compared to the cost increase in the year the national concession came in, it is difficult to argue that the authority needs additional funding for that specific element.
- 3.2.11 The issue is that the funding for concessionary fares should not be looked at in specific pieces, but as an overall package. It is only in this context that the RO data is actually meaningful as it relates to the whole scheme not just the new element.
- 3.2.12 Authorities such as NBC that had a good scheme for local people (funded from council tax) before even the first statutory scheme came in would still be disadvantaged if the whole level of Government funding were reviewed against historic RO forms because the increase in cost would be impacted by the costs on the original local scheme. Authorities that had only a limited or no local scheme prior to the statutory scheme would therefore show an increase from £0 and could unfairly benefit.
- 3.2.13 A large number of authorities such as Chesterfield, Cambridge, Oxford, Bath and South Somerset are experiencing dramatic increases in costs of concessionary fares relating to the specific grant element of the scheme, in some cases equivalent in value to 35% on council tax.
- 3.2.14 These and other authorities also identified an issue that the speed of increase in trip volume means that using 2008/09 data to ascertain an appropriate level of grant for 2010/11 does not properly reflect the costs that will be incurred in 2010/11 on the new scheme.
- 3.2.15 The consultation asks very specific questions, the proposed answers to which are contained in appendix 1 to this report.

### **3.3 Choices (Options)**

- 3.3.1 Cabinet is invited to agree the consultation response for submission to the DfT by the closing date of 30 December 2009.
- 3.3.2 Cabinet may decide to amend the response, under the guidance of the Chief Finance Officer, for submission of the amended copy to the DfT.
- 3.3.3 Cabinet may decide not to make a response to the DfT consultation.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

- 4.1.1 There are no specific policy implications arising from this report.

### **4.2 Resources and Risk**

- 4.2.1 There are no specific resources and risk implications arising from this report.

### **4.3 Legal**

- 4.3.1 There are no specific legal implications arising from this report.

### **4.4 Equality**

- 4.4.1 There are no specific equalities implications arising from this report.

### **4.5 Consultees (Internal and External)**

- 4.5.1 Chief Executive and Directors have been consulted through the callover process.

### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 Submitting the local view on relevant Government consultations contributes to the priority of being a well-managed organisation that puts the customer at the heart of what we do.

### **4.7 Other Implications**

- 4.7.1 Not applicable

## **5. Background Papers**

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- 5.1 Cabinet Report 5<sup>th</sup> August 2009 (Response to Government Consultation on Proposed Changes to Concessionary Fares Administration),
- 5.2 DfT Consultation Paper Local Authority Special Grant Funding in 2010/11 for the national bus concession in England  
<http://www.dft.gov.uk/consultations/open/specialgrantfunding/>

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## **Local Authority Special Grant Funding in 2010/11 for the National Bus Concession in England**

### **Draft Response of Northampton Borough Council**

#### **Introduction**

Northampton Borough Council thanks the Department for Transport for the opportunity to comment on this consultation.

We are extremely disappointed to find that it is restricted to the special grant element of the funding because the funding for concessionary fares should not be looked at in specific pieces, but as an overall package. It is only in this context that the RO data is actually meaningful as it relates to the whole scheme not just the new element.

Being an authority that has spent the last 6 years at or very close to the floor, even if there were enough money in the scheme overall, the formula grant element of the distribution, which was originally materially low for this council, has barely increased at all, leaving us about 45% underfunded. This is approximately £800k per annum and increasing, which is equivalent to about 6% on council tax or 20 average posts.

#### ***Question 1 – Is the proposed revised distribution of special grant funding for 2010/11 preferable to the original distribution?***

Northampton Borough Council welcomes the fact that the additional funding for the enhanced statutory scheme was introduced to the funding system transparently through a specific grant.

The revised distribution proposed is preferable to the original in that it deals with the fundamentally flawed allocation to London based authorities, in particular, as explained in the consultation and redistributes the funding to areas needing significantly more.

However the DfT needs to be very confident in the case of small authorities where, in many cases the grant has been halved, that the level of reduction to the grant is appropriate.

We strongly suggest that the most acceptable funding mechanism for a service of this nature would be to overhaul the entire thing and convert to a claim based grant system. This would be where authorities claim the grant funding based on the actual costs of running the Government scheme. Only in this way can the Government be sure that the funding is getting to the right places.

#### ***Question 2 – Are there any factors which mean the revised distribution does not accurately reflect the additional costs of the improved concession being incurred by individual authorities? If yes, please provide details.***

There are factors that mean that the revised distribution may not necessarily reflect the additional costs of the improved concession being incurred by individual authorities.

In particular we have concerns that using 2008/09 actual spend to determine grant levels for 2010/11 ignores the very real issue of significant annual increases in trip volume that are being recognised this financial year, the second year of the national scheme, and expected similar increase in 2010/11 (the year the grant applies).

The issue is that the funding for concessionary fares should not be looked at in specific blocks, but as an overall package. It is only in this context that the RO data is actually meaningful as it relates to the whole scheme not just the new element.

It could be the case that costs of the original statutory scheme had fallen in 2008/09, and that this masks the true cost of the enhancement to that scheme.

Alternatively, it could be the case that the take up of the scheme generally has dramatically increased and that even if the scheme had not been enhanced significant increases in cost might have been seen.

If either of these scenarios is prevalent, it could lead to some authorities being inappropriately rewarded and/or others being inappropriately penalised.

***Question 3 – Are there any reasons why quarterly returns on year to date actual and full year forecast spending on the statutory minimum concessionary travel scheme could not be provided?***

Assuming the deadlines for the information fits in with the council's monitoring timetable on the spending, there are no reasons for not providing this information.

Note that information collected quarterly will not necessarily be comparable across different authorities as it may be distorted by different expenditure profiles and payment arrangements in different authorities. We have an arrangement with the county whereby they use equal portions of budget to allocate the first 6 months, then have a review based on actuals and make equal charges in the next six months with a final wrap up at the year end to cover the full actuals.

***Question 4 – Are there any reasons why annual returns providing details of the reimbursement arrangements entered into with bus operators could not be provided?***

Whilst this information is available, we believe it could be commercially sensitive where a number of bus companies operate in an area and differing reimbursement rates are paid. The release of the reimbursement information could lead to increased spending to bring the companies in line with each other which in turn increases the overall spending pressures on the authority and increased appeals to the department.

If you answered yes to question 2 then you may use this form to explain the factors which mean the revised distribution does not accurately reflect the additional costs of the improved concession being incurred by your authority:

*2a) How much did you spend on concessionary travel in 2007/08?*

£2,228,000

*2b) How much of the spending in a) related to the statutory minimum concession as it was in 2007/08 (i.e. free local bus travel in the TCA area only)?*

The whole of it related to the statutory scheme, there was no additional local scheme.

*2c) If you have been unable to disaggregate spending on the statutory minimum concession, are you able to provide details of spending in 2007/08 on concessionary travel for your passholders outside of your local authority area (e.g. as part of a countywide scheme)?*

N/A

*2d) How much did you spend on concessionary travel in 2008/09?*

£2,717,000

*2e) How much of the spending in d) related to the statutory minimum concession as it was in 2008/09 (i.e. free local bus travel anywhere in England)?*

The whole of it related to the statutory scheme, there was no additional local scheme.

*2f) Please provide details of any differences between the figures provided at a) and d) above and those that you reported to CLG in your 2008/09 Resource Outturn (RO) return and reasons for these differences.*

N/A

*2g) Please provide details of your revenue reimbursement rate, additional cost allowances and average fare used in 2007/08 and 2008/09.*

2007/08 Reimbursement Rate 0.443, Marginal Revenue Costs 4p, Average Fares – Stagecoach £1.38, First £1.27  
Appeal Determination First 0.537 including marginal costs, and Stagecoach 0.625 including marginal revenue costs  
2008/09 Reimbursement Rate 0.516, Marginal Revenue Costs 4.8p, Average Fares – Stagecoach £1.48, First £1.48  
2008/09 Appeal reimbursement rate 0.527 for both companies and 4.7p marginal costs

*2h) Please provide information on the number of concessionary trips in 2007/08 and 2008/09.*

2007/08 2,500,217  
2008/09 2,910,993

*2i) Other than the increase in the number of concessionary trips are there any other exogenous factors that have affected the change in your spending on concessionary travel between 2007/8 and 2008/9? e.g. appeals decisions, changes in discretionary concessions offered.*

As mentioned in 2g above there were separate appeals in both 2007/08 and 2008/09, which resulted in changes to the reimbursement and marginal cost rates.  
There have been no changes to the concessions offered.