

Addendum to Report CORP 65/7

Concessionary Fares Specific Grant 2008/9 'National' Concessionary Fares Scheme

- 1.0 On the 7th December the Government advised the Council on the specific grant allocation to fund the enhanced 2008 National Concessionary Fares Scheme i.e. passholders can now travel 'off peak' on any local bus service nationally (England and Wales) free of charge.
- 2.0 The Government after consulting with Authorities opted for an enhanced version of option 4 i.e. grant calculation based on eligible population / passenger journeys / overnight visitors / retail floor space.
- 3.0 The Council's grant of £492,000 under the revised formulae whilst more than originally expected (£402,000) is still considered inequitable compared to other Cumbria Districts allocations i.e.

	Estimated Ridership 2007/08	Grant £
Allerdale	632,843	512,000
Barrow	1,145,796	365,000
Carlisle	2,132,664	492,000
Copeland	492,869	208,000
Eden	68,346	346,000
South Lakeland	507,822	855,000

As can be seen South Lakeland with a quarter of Carlisle's Concessionary Ridership is receiving almost twice the grant and Eden with less than a thirtieth of Carlisle's ridership is receiving only a third less.

- 4.0 It is due to some districts being significant gainers i.e Eden, Allerdale and South Lakeland with large numbers of overnight visitors (but underdeveloped bus infrastructure) and other districts being big losers (including Carlisle) with less overnight visitors (but well developed bus infrastructure) that districts in Cumbria (unlike others e.g. Lancashire) are unwilling to pool the grant received on a Cumbriawide Basis.
- 5.0 The specific grant received will fund an increase in ridership of 22.5% in 2008/09. This compares with 16% average noted in original paper (see 1.4.i of main report).

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

Unfortunately there is no accurate method of calculating what the actual increase in ridership is likely to be (see attached which indicates the Department of Transport will not give out the ridership information on which they base their assumptions). The growth in passenger ridership will be in the following areas.

- (i) Carlisle passholders using the bus, free of charge, when boarding buses in Carlisle for journeys to neighbouring cities and towns like Newcastle (will be particularly popular), Penrith, Keswick, Whitehaven, Workington, Wigton etc.
- (ii) Passholders from neighbouring districts boarding at Carlisle for their journeys home.
- (iii) Visitors to Carlisle (with bus passes) from England and Wales using Carlisle buses.

Note (i) and (ii) above due to length of journeys will be amongst the most expensive fares from Carlisle e.g. Carlisle – Newcastle.

Also in the past actual concessionary ridership trends (and costs) in Carlisle have been significantly higher than estimated ridership trends (see 1.4 of main report).

However the figure of 16% average increase in ridership was suggested in the main report due to the new 'National' Free Concessionary Fares Scheme .

6.0 It is therefore suggested that for 2008/9 budget projections, the Council assumes that increased ridership will be 18.5% i.e. approximately half way between two figures which is as good an estimate as any (with no supporting evidence) The position can be reviewed during 2008/9 based on actual concessionary ridership statistics. Obviously if ridership increases above this percentage then so too will the cost to the Council i.e. if ridership increases to the higher figure of 22.5 % then the cost to the Council will increase by an additional £90,000.

7.0 Based on this assumption (18.5% increase in ridership) the cost of the Concessionary Fares Scheme in 2008/9 will be:

2008/9 Budget Requirement	£
Payment to Operators	2,468,650
Bus Fare Inflation (say 5%)	120,900
Smartcard Infrastructure and Pass	23,800
Issues Costs	<hr/>
	£2,613,350

8.0 Base budget available 2008/09 (after inflationary increase):

Base Budget	£1,849,100
Specific Grant 2008/9	£492,000
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	£2,341,100

9.0 The projected budget shortfall based on the assumption of ridership of 18.5% set out in the addendum is therefore £272,250.

10.0 However members should consider whether they want to agree a contingency of £90,000 within 2008/9 base budgets to reduce the risk of an overspend in 2008/9 should the 22.5% increased ridership projections prove more accurate.

11.0 The current 2008/9 budget projections are based on the locally enhanced 24/7 Concessionary Fares Scheme. If the Council was to revert to the statutory off peak scheme the projected budget shortfall would reduce to approximately £157,250.*

* Note assumptions are based on 8.5% of passenger ridership being at peak times and assuming a third of such passengers would delay their journeys to benefit from free off peak travel.

12.0 Revised Recommendations

Members are asked to:

- (i) Note the revised 2008/9 estimated budget shortfall (see Budget Pressures Paper on the agenda) on the Concessionary Fares Scheme of:
 - (a) £272,250 if maintaining the current 24/7 scheme or;
 - (b) £157,250 if reverting to the statutory 'off peak scheme'.
- (i) Decide whether to agree a £90,000 contingency within 2008/9 base budgets to reduce the risk of an overspend as noted in 10 of the addendum.
- (ii) Make such recommendations to Council so that any revised scheme can be notified to Stagecoach (see 3.3 of main report).

Concessionary Fares Update

12 December 2007

Introduction

This note gives an update on the LGA's lobbying on behalf of member councils which will face extra costs as a result of changes to concessionary bus fares.

Latest news: special grant funding announcement

When the new concessionary fares scheme was announced, the government said it would provide £212 million for councils in England to fund it. The Department for Transport has now announced the provisional allocation between councils of a Special Grant to support the extension of free travel for the over 60s and some disabled people from April 2008.

This announcement partly reflects what councils asked for. The LGA argued that the additional money for the national concession should be paid via special grant, and it is pleasing that the government has listened. This will

- ensure that each authority knows exactly how much funding it will receive
- helps councils on the grant floor, as the special grant will be additional to their block grant; and
- will potentially allow the flexibility to revise the distribution of the funding within the three year period if the distribution turns out to be very different from the costs councils actually face.

However, the LGA, reflecting the views of member councils, also argued that any distribution formula was inevitably likely to produce the wrong result for many individual councils, leaving some short of money to fund the concessionary fares scheme. Our initial analysis of the funding allocation suggests that we were correct in our view. In a number of areas, the funding allocation is well below councils' estimate of the likely costs to them of the extension to the national scheme. Nottingham faces an estimated shortfall of £1.65 million, Brighton and Hove £1.8 million and Southampton, £1.54 million.

These councils and many others will face hard choices in finding the extra funding for the scheme, including having to consider cuts in services and increases in council tax. The final distribution will be subject to a Parliamentary scrutiny before the Local Government Finance Settlement in late-January/early-February and we will use this opportunity to make further representations.

It is disappointing that Government is not intending to make the most of the flexibility afforded by Special Grant arrangements to ensure that councils are not left out of pocket in implementing the national scheme. The LGA argued on behalf of member councils that that the government should provide for part of the grant to be held in reserve and used as a contingency fund, to help councils that faced significant shortfalls. Our early analysis of the provisional allocation suggests that a contingency fund would have been the best way to deal with the expected shortfalls.

briefing

What happens now

We are now lobbying to ensure that Government takes advantage of the flexibility provided by Special Grant to re-visit the funding distribution within the three-year CSR period to allow a fairer allocation of the grant once the true costs of the scheme in individual areas is known. The lack of a contingency provision increases the importance of keeping options for distribution in 2009/10 and 2010/11 open. In order to ensure this review takes place at the earliest opportunity, we need to make sure that we have accurate data about the costs of the new scheme. We are asking the Department for Transport to make sure that a mechanism is in place to collect financial returns from all Transport Concession Authorities to provide the basis for a review to take place.

We have also queried the Department for Transport's assumption that the £212 million provided for the national extension in 2008/09 is sufficient, although the government has so far been unwilling to disclose the calculations on which this figure is based. We are also concerned that the funding announced for 2009/10 and 2010/11, with provisions of £217m and £223m respectively, may not adequately reflect the costs in those years. More passes in circulation with higher usage and real terms fare increases will see costs rise considerably, very likely in excess of the proposed 2.5% increase in grant provision. For this reason, we are also urging Government to keep the amount of funding open to review in years 2009/10 and 2010/11.

Action for councils

It will be important to work out how many councils expect to face a shortfall in funding as a result of this announcement, and also to work out whether the overall picture calls into question the total amount of grant budgeted by the government. We would be grateful if individual councils could let us know how their estimate of the **extra** cost they face from the introduction of the new national concessionary fares scheme compares to the provisional allocation of grant announced by the government. A link to the grant table is here:

<http://www.dft.gov.uk/pgr/regional/buses/concessionary/nbcfaddtngrants>

Please send any information you are able to share with us to info@lga.gov.uk; it would be helpful if you could indicate whether you would like us to keep the information confidential.

We expect that many councils will be making representations directly to the Department for Transport about their grant allocations. It would help our lobbying on behalf of all councils if you could copy us in to any representation you send. This should also be sent to info@lga.gov.uk.