

EXETER CITY COUNCIL**SCRUTINY COMMITTEE – ECONOMY
12 NOVEMBER 2009****EXECUTIVE
24 NOVEMBER 2009****FUNDING OF CONCESSIONARY FARES****1.0 PURPOSE OF REPORT**

- 1.1 This paper advises Members of the recent consultation paper issued on the funding of concessionary fares for 2010/11 and seeks advice on what response to make to the Department for Transport.

2.0 INFORMATION

- 2.1 As Members are aware, whilst the Department for Transport (DfT) initiated a consultation earlier this year on the long term administration of the concessionary fares scheme for implementation from April 2011, the issue regarding the existing underfunding of a range of “hub” authorities around England has remained a high profile concern. The Council has made repeated representations, in conjunction with the City’s MP, that the funding formula is inequitable and requires urgent review. A delegation met the previous Transport Minister, Paul Clarke, in December 2008 and more recently in September of this year a further delegation met the current Transport Minister, Sadiq Khan to press home those concerns once again.
- 2.2 It is therefore very pleasing that the DfT have now issued a consultation paper which sets out their proposals for 2010/11 and seeks responses from authorities, which need to be submitted by 30 December. The consultation paper has been drafted following full returns provided by all of the travel concession authorities in the first year of operation of the new nationwide scheme. The Introduction to the review acknowledges that an examination of the data shows that there are some distributional issues associated with the grant and that “some authorities may have received insufficient funding to cover their additional costs whilst others may have received significantly more than required”. This echoes the advice provided by our transport consultants, TAS, early in 2009 with their interim findings that some authorities were making significant gains, with barely any increase in costs arising from the new concession, and other authorities were making significant losses against costs being incurred. It should be emphasised that the government review concludes that, overall, there is sufficient funding in total to meet the additional costs of the extended concession to local authorities.
- 2.3 The core of the consultation paper is as follows. The DfT emphasises that it is not in a position to retrospectively adjust allocations already made in 2008/09 or for 2009/10 because of course this would create significant uncertainty for a financial year that is past and another which is close to its end. The new proposals are designed to ensure that the available funding is fairly distributed across the country and the revised allocation uplifts the amount paid to those authorities which have experienced shortfalls. The proposed changes in funding are based on comparing the actual costs incurred by authorities in 2008/09 with the previous year under the old scheme in 2007/08. Their assessment also

allows for increase in costs between 2008/09 and 2010/11.

- 2.4 A series of four questions are asked as part of the consultation and the proposed response is shown on the attached schedule in Annex 1. The consultation also asks that the authorities provide any available evidence to support their view on the size of the cost burden which was created by the new concession, and officers intend to do this. Members are asked to agree the draft response in Annex 1 or to advise on any appropriate amendment.
- 2.5 It is important to point out that the additional £1.65 million, which this revised distribution provides to the City, is less than the estimated gap in funding for 2010/11, which is £2.11 million. Nevertheless, in a situation where there has been no adjustment to the funding formula for the previous and current financial years, it is suggested that this proposed settlement is warmly welcomed as it addresses a very large part of the financial gap that has been created. Moreover, Members need to be aware that no further funding is being put into the total amount of Special Grant nationally which still stands at £222 million for 2010/11. So, the 96 authorities which gain in funding are balanced almost exactly by the 94 authorities which will lose. Insofar as a third of those losing authorities are the 33 London Boroughs who may well lobby heavily against any such change in the formula, it is important to be seen to warmly welcome the proposed formula for 2010/11.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The proposal, if endorsed by Parliament, would provide £1.65 million of additional funding for concessionary fares, but the authority will still need to identify budget savings totalling £1 million. These reductions are not of the severity that would have been necessary had the formula remained unchanged. Members also need to be aware that the DfT will need 2-3 weeks to analyse the responses to this consultation and will then need to lay an Order before Parliament for approval. Given that authorities will be setting their Council Tax in February, this does indeed indicate a very challenging timetable for authorities to cope with.

4.0 RECOMMENDATION

- 4.1 Scrutiny is asked to comment on the proposed response to the DfT and Executive to endorse it.

JOHN RIGBY
DIRECTOR ECONOMY AND DEVELOPMENT

ECONOMY & DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None