

## **Report to the Cabinet**

**Report Reference: C-068-2009/10.**

**Date of meeting: 21 December 2009.**



**Epping Forest  
District Council**

**Portfolio: Community Safety and Transport.**

**Subject: Concessionary Fares – Grant Funding Consultation.**

**Responsible Officer: Bob Palmer (01992 564279).**

**Democratic Services Officer: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

**(1) To decide what, if any, response should be made to the Department for Transport Consultation Paper; and**

**(2) To decide what, if any, action should be taken in view of the likely reduction in the Special Grant of the Council for 2010/11.**

### **Executive Summary:**

The Department for Transport has issued a Consultation Paper which proposes to reduce the special grant for concessionary fares to this Council in 2010/11 from £0.25M to £0.12M. If Members want to respond to the consultation a reply must be sent before 5.30pm on 30 December.

An agreement has been entered into with Essex County Council and the other Essex district councils for the funding of concessionary travel in the County. This agreement was based on the original allocation of Special Grant and if this Council was to lose £130,000 of Special Grant and adhere to the existing agreement, funding would have to be allocated from the District Development Fund.

### **Reasons for Proposed Decisions:**

To provide guidance to officers on the approach Cabinet wants to take to the Department for Transport and Essex County Council.

### **Other Options for Action:**

The first options are to respond to the consultation or not. When the Government issues consultations in November that will affect grant for the following April it is unusual for the ultimate outcome to vary significantly from the consultation. However, there is £130,000 of grant at stake so any action that can be taken should be taken.

The second options are to seek to re-negotiate the County wide agreement on concessionary fares or not, this is assuming our Special Grant is reduced. Members may decide at this time to wait for the outcome of the consultation, although early consideration of this issue will assist officers in their dealings with Essex County Council.

### **Report:**

1. When the National Concessionary Fare Scheme was introduced from 1 April 2008 the Government provided a three-year package of special grants to Travel Concession

Authorities (TCAs) to pay for the additional costs of the new system. The Government has always maintained that the additional funds provided in total were more than adequate to meet the additional costs of the new scheme. Through the consultation the Government acknowledges that the allocations of the special grant have not provided appropriate levels of help to some TCAs. It has been well publicised that some TCAs have had to make substantial budget cuts in other service areas to fund concessionary travel, whilst some authorities have arguable received more special grant than they needed.

2. The consultation is only considering re-allocating the grant for 2010/11 and does not propose re-visiting the first two years of the scheme. One of the annual data returns authorities are required to provide to central government is known as the "Revenue Outturn" or "RO" forms. These forms provide a detailed analysis of authorities General Fund spending and have a specific line for concessionary fares. To examine the additional costs of the new scheme the government have looked at the RO forms for 2007/08, the last year of the old scheme, and 2008/09. Having identified the additional costs a comparison has then been done with the special grant that was allocated. Where the amount of grant has exceeded the additional costs, the consultation proposes to reduce the grant by half of that excess amount.

3. Applying the methodology set out above to this authority shows that spending on concessionary fares reduced in 2008/09. The net spend on concessionary fares shown on the RO forms for 2007/08 was £754,000, which reduced to £720,000 for 2008/09. Given a net reduction in concessionary fares spending there is a clear argument that no special grant was needed. If no special grant was needed then the whole amount was excess, but the consultation only seeks to remove half the excess. Consequently the proposed reduction is from £0.25M to £0.12M. The Special Grant received for 2008/09 was £235,000 and some £241,000 is being paid for 2009/10.

#### Consultation Questions

4. The Consultation asks the following four questions:

- *Question 1: Is the proposed revised distribution of special grant funding for 2010/11 preferable to the original distribution?* - Given the proposed reduction of £130,000 in special grant, the original distribution is preferable.
- *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.* – No factors have been identified, as the RO forms are the most accurate data available
- *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?* – There are no technical reasons but this does represent another bureaucratic burden.
- *Question 4: Are there any reasons why annual returns providing details of the reimbursement arrangements entered into with bus operators could not be provided?* – answer as per question 3 above.

5. Member's views are requested on what, if any, response should be made to the consultation.

#### Essex Scheme

6. In March 2009 Cabinet agreed to participate in a scheme co-ordinated by Essex County Council. This involved the transfer of some responsibilities to the County Council and in return the County Council took on the financial risks of the scheme. Agreement was

reached on the financial contributions of Essex districts for 2009/10 and 2010/11. The negotiations to achieve agreement amongst the twelve districts were difficult and extended over a period of time. As part of the financial settlement it was agreed that each district would increase its contribution by any increase in special grant for 2010/11.

7. The Participation Agreement also contains the following term –

*If there is a fundamental change in legislation governing concessionary fares or to the grant methodology employed by central government, or in the case of force majeure, the agreement shall be considered void. It will then be the responsibility of all Parties to renegotiate the apportionment of contributions.*

8. If the changes proposed by the consultation take place it could be argued that they would represent a fundamental change in the grant methodology. It may be possible to seek a re-negotiation of contributions although it needs to be borne in mind that other authorities could claim that this authority is still receiving more grant than is justified by any change in costs.

9. If negotiations were pursued and proved difficult a worst case outcome would be for the authority to be excluded from the co-ordinating arrangements and having to negotiate directly with the bus companies operating in the district. It would be necessary to employ consultants to conduct any such negotiations and the outcome could be a higher reimbursement rate for the bus operators.

10. Member's views are requested on what, if any, action should be pursued before the outcome of the consultation is confirmed.

#### **Resource Implications:**

The Medium Term Financial Strategy has been prepared assuming that Special Grant would be received as previously notified. If the Special Grant is reduced by £130,000 this would need to either be found from the District Development Fund or through negotiating a reduction in the authority's contribution to the Essex Scheme.

#### **Legal and Governance Implications:**

The service is provided under the Transport Act 2000, as amended by the Travel Concessions (Extension of Entitlement) (England) Order 2005.

#### **Safer, Cleaner, Greener Implications:**

There are no environmental implications.

#### **Consultation Undertaken:**

The only other Essex district affected by the consultation is Uttlesford District Council, who may lose £60,000 from their initial allocation of £150,000. An informal discussion has taken place with Uttlesford and it appears they are currently minded to seek a reduction in their contribution to the Essex scheme.

An informal view was also sought from the Passenger Transport Manager at Essex County Council, who responded as follows:

*We would have a problem if you removed £130k from your agreed funding contribution for concessionary fares. Essex already puts in £1M and is committed to put in further funding for 2010/11, (the last year of the voluntary agreement). We agreed to take on the responsibility on the basis of an agreed amount transferring from each district. If the decision is taken to reduce your special grant by £130k we must assume it has been taken on the basis that*

*Epping has received more funding from central government than it needs. When the responsibility transferred to us, 1 April 2009, according to our estimates Epping had at least £308,590 funds for concessionary fares which did not transfer, as you know Lord Hanningfield did ask for this amount to be transferred over to Essex for the general scheme but Epping refused.*

*It is not for us to say how you budget for any overpayment that has been made by central government but we can confirm that if you reduce your contribution to Essex by £130k the future of the existing arrangements will be in jeopardy.*

**Background Papers:**

Report to Cabinet 9 March 2009.

**Impact Assessments:**

Risk Management

There is a high risk of losing £130,000 of Special Grant; the only action that can be taken to mitigate this is to respond to the Consultation.

If a re-negotiation of contributions to the Essex Scheme were pursued, it would need to be undertaken in a way that did not expose the authority to the possibility of losing more than £130,000.

Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?*

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A