

# HAMPSHIRE AND ISLE OF WIGHT LOCAL GOVERNMENT ASSOCIATION

30 November 2007

## THE COMPREHENSIVE SPENDING REVIEW AND CONCESSIONARY BUS TRAVEL

Report by the Director in association with the Chief Financial Officers' Group

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### RECOMMENDATIONS

- (1) That Members consider financial prospects for 2008+;
  - (2) That the Local Government Association and Government Office be advised of the financial difficulties being caused by the Concessionary Fares Scheme; and
  - (3) That the joint recommendations set out in paragraph 11 be supported.
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### INTRODUCTION

1. The purpose of this report is to provide a background for leading members to discuss the financial settlement and prospects for the next three years. It also provides an opportunity to report on one particular area of concern namely the cost of concessionary bus travel.

### THE OVERALL SETTLEMENT

2. In the Local Government Association's (LGA's) view, the 2007 Comprehensive Spending Review (CSR) produced a particularly tough settlement for local government. It has been suggested that the 1% real terms funding increase equates to the funding that local government had called for. However, this is not the case:
  - the LGA's CSR submission outlined that a minimum 1% real terms increase was required to enable local authorities to maintain business as usual, and that a 4.2% increase was required in order to manage and deliver new burdens such as new policies in children's services, additional services to increase numbers of elderly people and rapidly increasing costs of waste management;
  - the minimum 1% increase outlined by the LGA related to the full local government spending baseline (including spending funded by specific grants but excluding school spending). This is around £46bn (exclusive of money provided by council tax). However the 1% increase announced by the Government recently relates only to the general Communities and Local Government grant provided by Government, a baseline of just £24bn;
  - the increase announced so far falls short of the 1% increase called for by the LGA in order to maintain business as usual, and is well below the 4.2 % increase required to deliver the new burdens local government will have to manage over the next three years. Until the specific grant announcements are complete, the LGA will not be able

to tell what the overall grant increase is, and how that compares with what local government has calculated is required.

### CONCESSIONARY FARES

3. Concessionary fares schemes offer discounted travel on local public transport for those aged 60+ and disabled people. The Government's stated policy is to ensure that bus travel remains within the means of those on limited incomes and those who have mobility difficulties. This supports policies to tackle social exclusion and to encourage the use of public transport.
4. In 2000 the Government introduced half-fare travel for eligible residents within their residential area. Since 1 April 2006, eligible people have been given free off-peak local bus travel within their local authority area. As a minimum, passes can be used for off-peak bus travel within the boundaries of the district or unitary authority of residence. In Hampshire the scheme is operated by District Councils. Isle of Wight and Southampton operate their own schemes, as does Fareham Borough Council. Eligible residents in Isle of Wight, Fareham and Southampton get free travel on buses originating in their areas. Portsmouth and all other District Councils in Hampshire operate the Hampshire Farepass scheme allowing eligible residents free travel on off-peak buses originating in Hampshire and Portsmouth.
5. Local authorities can also choose to offer extra benefits such as tokens for use on other forms of transport and use at peak times, rather than just the nationally-funded (in theory) off-peak benefit.
6. From April 2008, under new primary legislation, the local entitlement for free bus travel will be extended to allow off-peak bus travel throughout England. The funding authority will be the Unitary or District authority in which the local travel originates.

### FUNDING

7. The Government will provide a new additional specific grant in 2008-09 of up to £212m a year to pay for the national off-peak concession in England. This is in addition to the extra £350m provided as part of Formula Grant to fund the current minimum concession in 2006-07 (which increased to £367.5m for 2007-08. Note: it is intended to transfer the new specific grant funding into Formula Grant in 2011/12). Any enhancements offered by District and Unitary Councils continue to be funded from their own resources. The new specific grant will be allocated via one of four formulae to each local authority. The formulae are currently the subject of consultation.
8. In the view of all Member authorities, this funding will not be adequate for them. To give just one example, Southampton City Council estimates that the scheme will cost £1.8m next year, but the Government grant, intended to pay for it, will cover only £1.1m if the most favourable distribution formula is used. The problem is that the Government has estimated what the national scheme will cost but there is a very high risk - at the door of the Council Tax payer - that the funding will be inadequate.
9. The risk is partly associated with the lack of information about the additional costs on bus operators created by free travel and its extension nation-wide. Information will become clearer with experience and more particularly with the introduction of smart card technology on buses. However, there is no immediate prospect of bus operators introducing smart card readers in our area.

10. Poor information is at the heart of an existing dispute between Hampshire FarePass authorities and bus operators in relation to 2006/7. Portsmouth City Council estimates that if FarePass loses its dispute with Stagecoach this could cost the Council up to £400,000 in relation simply to that year. When potential deficits for the current year are factored into anticipated shortfalls next year then a very serious situation appears to be developing. Havant Borough Council, as another example, expects to pay £500,000 more this year (2007/08) than forecast. The increase over budget - equivalent to 7% on the Borough Council Tax - will have to be met from budget cuts elsewhere and from reserves. Incidentally, the Government has made it very clear that the new specific grant next year is not intended to help with shortfalls from the current scheme.

#### THE ISSUES FOR UNITARY AND DISTRICT MEMBERS

11. This report is produced mainly to alert Members to the financial issues ahead rather than to suggest ways of minimising them. However the Chief Executives' Group, Chief Financial Officers and the Hampshire Farepass Officers have considered the issues involved and the budgetary implications of the Concessionary Fares scheme. They recommend:
- (1) The Association and Member authorities continue to press for the earliest possible implementation of a national smart card with smart card readers on buses so that costs can be fully traced and audited.
  - (2) Each authority should consider its own local additional concessions (such as tokens and use at peak times).
  - (3) Each authority should respond individually on the preferred grant distribution formula (most have already done so).
  - (4) The Association should put pressure on the Government to fund the scheme adequately - working through the LGA nationally.
  - (5) The Chief Financial Officers Group should continue to monitor the funding of the concessionary fares scheme on a regular basis and alert Members as necessary.

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Comprehensive spending review and concessionary bus travel/reports