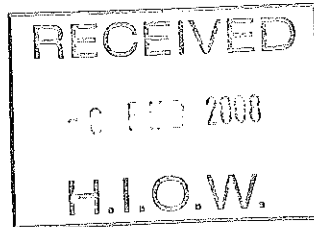


Department for
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Moyle

Dear Cllr Smith,

Thank you for the letter of 13 December regarding the distribution of funding to local authorities for concessionary travel. Please accept my apologies for this late response.

It is in the interests of both central and local Government to ensure that local authorities are adequately funded for statutory concessionary fares, and the Government has already provided an extra £350 million in 2006/07 and £367.5 million in 2007/08 to councils for this. Moreover, £212 million of additional funding is being made available to authorities in England to cover the extra costs associated with the new England-wide national bus concession commencing on 1 April.

This extra funding will be distributed to local authorities by a formula-based special grant. This was the method requested by the LGA. The Department's recent consultation on the funding distribution offered four formula options, based on data that is likely to be closely related to the key drivers of the extra cost of the new concession. The options were formulated following informal consultation with the Department for Transport's Concessionary Fares Working Group which includes representatives of all tiers of local authority as well as bus operators.

Our proposed distribution formula is based on the most popular option in the consultation responses. Following comments received during the consultation, adjustments were made to the weightings to the data used for this option: eligible population, bus patronage, overnight visitors and retail floor space but now split in slightly different proportions. This change will result in a funding distribution that better reflects where the likely burden of costs of the national bus concession will fall between different categories of authority.

On 6 December the Government announced the provisional allocations of the £212 million extra grant funding. As you know, under this proposal the local authorities in Hampshire and the Isle of Wight would receive special grant for 2008/09 in addition to the funding they already receive for concessionary fares through the formula grant process

(RSG) which would represent an increase of between 17% and 49% against what they spent in the last full financial year,

Each authority's provisional allocation for 2008-09 and the following two years is available on the Department's web site at:

<http://www.dft.gov.uk/pgr/regional/buses/concessionary/nbcfaddtngnarts/> and a report on the proposed special grant distribution will be laid before the House of Commons in due course.

We believe this extra funding is fully sufficient to meet the extra costs, based as it is on generous assumptions around fares, pass take up rate, extra journeys and additional costs. In addition to the special grant distribution, the Department will be paying authorities around £31 million this year for the cost of issuing the national bus passes.

The special grant funding is only to meet the additional costs of the new concession. Funding for concessionary fares has traditionally been routed through the formula grant process (RSG), as part of the overall local government finance settlement and existing funding will continue to be distributed in this way. This is consistent with the wishes of local government to have freedom and flexibility in how they use their funding.


Authorities have, and will retain, the discretion to offer local benefits over and above the statutory entitlement to their residents if they so choose. However these enhancements are not funded centrally but by each local authority based on its judgement of local needs and its overall financial priorities. It is therefore for local authorities to develop and implement affordable schemes with local bus providers which deliver effective concessionary travel to meet their statutory responsibilities.

We have no plans to review the historic allocation of concessionary fares funding to date as this would create significant funding uncertainty for authorities. If, after further consultation, it was decided to move responsibility for concessionary travel from lower tier (district councils) to upper tier (county councils), then that may provide an opportunity to review concessionary fares funding in the round. However, the next realistic opportunity to introduce such a radical change would be at the start of the next three year local government finance settlement.

The Government recognises that any allocation by formula will always be imperfect, but it remains the fairest acceptable route for grant distribution. With colleagues in CLG and HM Treasury we will course keep the total funding required for the statutory concession under review.

I hope this helps clarify the position.

Yours sincerely,



PP **Richard Bruce**