



Department for **Transport**

From the Secretary of State

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Leader's Office

13th January, 2012

Dear Mr Martin,

Thank you for your letter of Friday 2 December 2011 regarding the future provision of concessionary travel in Cumbria.

With regard to funding for the ENCTS, you will be aware that, since April 2010, all central Government funding for concessionary travel is provided through the Department for Communities and Local Government's (DCLG) Formula Grant system,

Formula Grant is unhypothecated which gives local authorities freedom and flexibility about how they use their funding. As such, it is not possible separately to identify amounts within the grant provided for any particular service, including concessionary travel.

The overall level of grant was decided in the 2010 Spending Review and, whilst there is no doubt that the settlement was tough, the overall level of funding was set to be sufficient to enable local authorities to deliver effective local services, whilst ensuring that authorities do not set excessive council tax increases.

However, I would draw your attention to the Government's response to the recent consultation on the proposals to radically reform the way in which local authorities are funded. Published by DCLG on 19 December, the response proposes to introduce a new the Business

Rates Retention system from April 2013 to provide all authorities with the opportunity to retain a proportion of the business rates collected in their area. To ensure a stable starting point for all authorities, the baseline for the new scheme will be calculated using 2012/13 Formula Grant. DCLG has, however, committed to updating all existing datasets and to consider the case for limited technical adjustments to the relative need formulae for the cost of rural services and concessionary travel and the resource equalisation component in establishing baseline funding levels. The full consultation response can be found here:

<http://www.communities.gov.uk/publications/localgovernment/resourcereviewgovtresponse>

Therefore, in the new system, it might be possible to improve the Concessionary Travel Relative Needs Formula based on new data that has recently become available (which has a better relationship with bus service density and patronage). My Department will be in touch with local authorities with further details about this shortly. I hope this will help address your concerns.

You also expressed concern about concessionary travel reimbursement and the impact of the twenty per cent reduction in Bus Service Operators Grant (BSOG). I accept that improvements can be made in the way in which local authorities negotiate with bus operators. That is why my Department recently provided updated guidance to assist local authorities calculate more accurate reimbursement, give effect to the 'no better off or no worse off' principle and achieve efficiency savings. The new guidance should deliver reimbursement rates of around 40 to 50 per cent on average. Whilst guidance cannot cover all local eventualities, it does nevertheless provide a solid starting point for negotiations and helps the parties involved reach a better deal.

I hope this helps clarify the position.

Best wishes,

Justin

JUSTINE GREENING