

**Concessionary Fares**

**Director/Head of** Georgina Ayling, Interim Head of Finance and  
**Department:** Business Development  
**Report Author:** Paul Robson, Accountant

**Recommendation - that members:**

- a) note the potential overspend of £142K against budget for the current year for Council's mandatory element of the concessionary travel arrangements following the introduction of the Government's scheme which has now been in operation for a full year (N.B. that Council's discretionary schemes are more cost effective than the mandatory one)
- b) note the potential overspend of £142K against budget for the current year for Council's local concessionary travel arrangements following the introduction of the Government's mandatory scheme which has now been in operation for a full year
- c) note the additional operational and financial implications of the Government's new mandatory country-wide concessionary travel scheme due for implementation on 1 April 2008 and the potential increase in costs of £240K
- d) consider, at their discretion, to extend the mandatory national scheme (applicable to those aged 60 and over) to include disabled persons and the cares of children with a disability under the age of 10 classed and also to cover minor ad hoc administrative burdens related to replacement of lost cards at little extra cost to the Council.

**1. BACKGROUND**

Members will be aware that, with effect from 1 April 2006, district councils were required to allow eligible persons to travel free at off peak times in the borough. Copeland extended the scheme to allow eligible persons to travel free 24/7 throughout Cumbria.

The Chancellor of the Exchequer announced in his 2006 budget speech that the concessionary travel scheme would be extended to allow eligible persons to travel anywhere in the country at off peak times. When this announcement was made, it was not clear how the scheme would be run and the funding mechanism that would be introduced to allow the country-wide scheme to run effectively.

Since this announcement, officials of the Department of transport and Department of Communities and Local Government have been working to provide local authorities with directions as to how the scheme would be implemented.

In April 2005 a working group involving the County Council and Cumbrian Districts was set up and this group continues to meet and is currently working together to ensure that the required arrangements are put into place with effect from 1 April 2008.

## **2. ISSUES TO BE CONSIDERED**

### **2.1 Current Situation**

#### **Mandatory**

The mandatory concessionary travel scheme is made available to eligible persons by use of a smart card, known as the NoWcard. This card is heavily funded by the Department of Transport. The smart card has been introduced into depots across Cumbria run by Stagecoach. The consortium is making arrangement to introduce the technology to other operators in Cumbria.

One of the advantages of using smart card technology is that councils will have accurate usage figures of journeys taken place and ensure that bus operators are reimbursed correctly.

#### **Discretionary**

Copeland currently offers 2 local discretionary concessionary travel schemes to eligible persons as an alternative to the statutory bus pass scheme as follows:

- \* Vouchers with a reimbursement value of £15, and
- \* Senior Citizens Rail Card (1 year trial basis).

As previously mentioned Copeland currently extends the mandatory scheme to 24/7 bus travel and also provides concessions for companions of eligible disabled persons.

### **2.2 Extended Concessionary Travel arrangement from 1 April 2008**

From 1<sup>st</sup> April 2008 all eligible persons will be to travel free anywhere in the country and the latest information received from the Department of Transport indicates that it will be the responsibility of the Concessionary Travel Authority (CTA) to reimburse the operator for the journey taken from point of boarding regardless of the place of residence of the customer.

A new national smartcard is to be produced and the Department of Transport made grant funding of £4 per card available to all CTA's towards their perceived additional costs. Bureau arrangement are being trialed in Cumbria and

Lancashire at the present time as it is believed that such an arrangement will reduce the administrative burden to CTA's and should increase clarity for bus service operators also.

The Government has set aside £250m for the introduction of the national scheme and believes that the new scheme should be cost neutral to tax payers. There is growing concern amongst district councils with high tourist levels that they could be financially disadvantaged in that the funding awarded will not take into account increased population from tourism boarding the bus in their area. The financial burden will be largely dependant on the level of bus service available in the borough. Other local authorities in the country already complain of under-funding for the existing scheme which has resulted in them having to cut other services in order to subsidise the scheme.

### **2.3 Financial Implications**

#### **2007/2008 Budget**

The final outturn position for 2006/07 showed a saving against budget of £25.7k which £25k was approved to be carried forward to assist in supporting the introduction of the country wide statutory scheme. Based on current usage, the projected out-turn indicates an overspend of £142k against the approved budget, including the £25.7k brought forward. This potential overspend position is due to an increase in the usage of the statutory NoWcard scheme.

At present, under the mandatory scheme, there are 6,500 cards in use at a cost of £38 per user as at 31 August 2007 by financial year end the cost per user will rise to £90. With regard to the discretionary rail card scheme, there are currently 1,200 in issue. Based on latest information, it is anticipated that on average 40 per month will be issued for the remainder of the financial year and Vouchers in issue are expected to be fully used by financial year end.

#### **2008/2009 Estimate**

Estimated figures are based on current arrangements.

All Concessionary Travel Authorities in Cumbria and beyond are concerned that the impact of the changes are very difficult to predict from a financial viewpoint, and will only be known after experiencing the National Scheme for a period of time. For resource planning purposes three scenarios have been worked through.

Appendix A sets out 3 scenarios;

- \* Most Likely
- \* Best Case and
- \* Worst Case.

Based on these scenarios, and measured against the 2007/08 approved base budget, it is estimated that concessionary travel will show an overspend between £180k and £400k with most likely being in the region of £240k.

Figures have been based on not only the mandatory scheme, but also to continue both the Railcard scheme and Voucher Scheme at current levels.

As an incentive to eligible users to take up the discretionary voucher scheme, using the most likely scenario, a 25% increase of £5 to £20 worth, could result in a breakeven if 285 eligible users took them up at the expense of the mandatory NoWcard, assuming everything else remained equal.

After that each further eligible user utilising the voucher scheme instead of the NoWcard, a saving of £70 would be estimated, which equates to £70k. per 1000 eligible users.

## **2.4 Future Policy**

Members will also have to consider adopting a policy covering the following issues:

### **Replacement Railcards**

If a customer loses a railcard, or does not receive, for the Council to replace it will cost a minimum of £16.50, whereas the customer will be charged only £5 if deal directly with the station. The cost implication to the council is minimal.

### **Disabled Children under the age of 10.**

A child under the age of 10, whether disabled or not is legally required to have a companion when travelling on public services. If a pass was issued to the disabled child under 10 to cover a companion, again this will have minimal impact on the council due to the small number of applicants anticipated.

### **Disabled Railcards**

Because of the small numbers of applicants envisaged, the cost per card would be substantially more than the normal railcard, priced at a maximum of £18. Entitlement to a disabled railcard may be confusing as the rail entitlement criteria is not the same as the concessionary one. Potential eligible users may meet one criteria but not the other.

If Members wish to give concession to a disabled applicant companion it would have to be in the form of vouchers.

The financial impact to the Council will be minimal due to the small numbers estimated.

### **Companion Passes on new National Scheme**

From 1<sup>st</sup> of April when the new scheme comes in, there will not be entitlement to companions on a national basis.

If Members wished to consider giving companions the concession it would be limited to travel in Cumbria.

The financial impact to the Council again will be minimal in terms of the whole concessionary scheme.

### **3. CONCLUSION**

Conclude that the financial implicated budget pressure is in the region of £140k. in 2007/08, and £240k. in 2008/09 onwards, and that if Members were to extend the National Scheme to other vulnerable people the impact would be negligible.

#### **List of Appendices**

Appendix A – Financial Evaluation for 2007/08 and 2008/09

#### **List of Background Documents:**

Monthly management monitoring statements – August 2007

Concessionary travel usage analysis

Publications from the Lancashire and Cumbria wide Group

#### **List of Consultees:**

Finance and Business Development

In-house Concessionary Travel Project Team

#### **CHECKLIST FOR DEALING WITH KEY ISSUES**

Please confirm against the issue if the key issues below have been addressed.

This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	None
Impact on Sustainability	None
Impact on Rural Proofing	None
Health and Safety Implications	None
Impact on Equality and Diversity Issues	None
Children and Young Persons Implications	None
Human Rights Act Implications	None
Monitoring Officer Comments	None
S 151 Officer Comments	Figures provided in the estimates are based on the latest available financial and activity based information

CONCESSIONARY TRAVEL

FINANCIAL EVALUATION FOR 2007/08 AND 2008/09

	2007/08 7 Month Projection (1 Sept to 31 March 2008)		Total	Best Case Scenario 2008/09		Most Likely Scenario 2008/09		Worst Case Scenario 2008/09	
	Period 5 to 31 Aug 2007	£	£	76% Uptake No.	Cost per user £	80% Uptake No.	Cost per user £	90% Uptake No.	Cost per user £
Approved Budget	227,458	318,441	545,898						
Approved carry forward	10,417	14,583	25,000						
<b>Total Budget</b>	<b>237,874</b>	<b>333,024</b>	<b>570,898</b>						
<b>Actual</b>									
Statutory NoWcards (bus passes)	260,742	350,000	610,742	6,800	90	7,500	611,674	9,200	827,558
Discretionary Scheme									
Vouchers	20,497	33,600	54,097	4,000	15	4,000	60,000	4,000	60,000
Railcards (issued)	19,883	4,620	24,503	939	16.50	939	15,494	939	15,494
<b>Total</b>	<b>40,380</b>	<b>38,220</b>	<b>78,600</b>	<b>5,700</b>	<b>50</b>	<b>5,700</b>	<b>89,192</b>	<b>5,700</b>	<b>89,192</b>
Administration Costs									
Admin costs of NoWcards and Railcards	8,000	11,200	19,200				20,000		20,000
Other Printing	3,763	0	3,763		4,000		4,000		4,000
Postages	127	50	177		200		200		200
<b>Total Projection</b>	<b>11,890</b>	<b>11,250</b>	<b>23,140</b>	<b>13,200</b>	<b>0</b>	<b>13,200</b>	<b>24,200</b>	<b>14,900</b>	<b>24,200</b>
<b>OVERSPEND ON BUDGET</b>			<b>712,482</b>				<b>725,065</b>		<b>940,950</b>
			<b>141,584</b>				<b>179,167</b>		<b>395,052</b>

Assumptions

- 1 Rail card and Voucher discretionary schemes are all based on current usage.
- 2 % uptake of statutory scheme is based on total eligible persons currently living in Copeland of 16,511.
- 3 Cost per user of statutory scheme is based on actual current cost to Copeland of £37.48 as at 31 August 2007, projected forward at similar usage to financial year end
- 4 Administrative costs are estimated in line with 2007/08 projected outturn.

Most Likely Scenario

NoWcards currently in issue is 6,521.  
Based on an increase in users of 15% at the current estimated cost of £90 per user per annum

Best Case Scenario

Based on an increase in users of 4% at the current estimated cost of £90 per user per annum

Worst Case Scenario

Based on an increase in users of 47% at the current estimated cost of £90 per user per annum  
This meets Government target of 90% uptake by all eligible users