

CARLISLE CITY COUNCIL

Report to:- **COUNCIL**
Date of Meeting:- 07 November 06

Agenda Item No:- **18(iii)**

Public

Operational

Delegated: Yes

Accompanying Comments and Statements

	Required	Included
Environmental Impact Statement:	No	No
Corporate Management Team Comments:	Yes	Yes
Financial Comments:	Yes	Yes
Legal Comments:	No	No
Personnel Comments:	No	No
Impact on Customers:	No	No

Title:-

REVIEW OF THE NEW 'FREE' CONCESSIONARY FARES SCHEME

Report of:-

Director of Corporate Services

Report reference:-

CORP 57/06

Summary:-

Special Council of the 23rd February 2006 resolved that the Executive should review the Council's 'free' concessionary fares scheme after 5 months. The report to the Executive of the 25th September 2006 (attached) reported on this review advising that the new concessionary fares scheme has proved very popular with ridership trends up by 43.7%. Due to increased ridership payments to operators were likely to be £146,000 over budget available (now likely to be in the £75,000 - £100,000 range). After considering the options set out in the report the Executive resolved to recommend to Council that the current scheme be maintained in 2006/07. Also that Council be asked to agree a supplementary estimate to be actioned at 2006/07 year end when the actual overspend is known.

Recommendation:-

The Executive having undertaken the five-month review recommend that the current scheme be continued for the remainder of 2006/07. The City Council is informed that it is estimated that this would lead to a deficit in budget provision of £146,000 (see note) which would need to be addressed later in 2006/07. **Note:** Now estimated to be in the £75,000 - £100,000 range.

Contact Officer:

Peter Mason

Ext: 7270

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None



PORTFOLIO AREA: ENVIRONMENT AND INFRASTRUCTURE

Date of Meeting: 25th September 2006

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: REVIEW OF NEW 'FREE' CONCESSIONARY FARES SCHEME

Report of: Director of Corporate Services

Report reference: RB09/06

Summary:

This report advises on the results of the review, it further advises the Executive on implications of success of the scheme in increasing significantly concessionary fares ridership. The review suggesting that the arrangements have been so successful in encouraging concessionary bus travel that the cost of remuneration to bus operators is predicted to be up to £96,000 above target (subject to renegotiated generation factor being agreed with bus operators).

Recommendations:

The Executive is asked to note the results of the review of the Concessionary Fares Scheme based on the initial 5 months of the new 'free arrangements'.

- (i) The Executive is asked to consider which of the 4 options noted in 5.3 of the report to recommend to full Council in addressing the predicted concessionary fares budget shortfall.
- (ii) The Executive is asked to note that the Council will have the opportunity to further review the Concessionary Fares Scheme during the 2008/9 budget process taking account of the factors noted in 5.4 of the report.
- (iii) The Executive is asked to endorse the decision to increase the flat rate for 'out of district' bus travel to £1.00 (w.e.f. 3rd September 2006) to better reflect Council policy of a 60% concession on such bus journeys.

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Ext: 7270

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

Note: in compliance with section

CARLISLE CITY COUNCIL

To: THE EXECUTIVE

RB09/06

Date: 25th September 2006

REVIEW OF NEW 'FREE' CONCESSIONARY FARES SCHEME

1. INTRODUCTION

- 1.1 Special Council of the 23rd February 2006 resolved that the Executive should review the Council's Concessionary Fares Scheme, after five months when actual ridership figures are available and following the responses to the representations made to the Minister for Local Government and Secretary of State for Transport.
- 1.2 The current concessionary fares scheme enables passholders to benefit from free concessionary travel '24/7' within the district and 60% concession on journeys within Cumbria 'outside' the district (where bus journeys start or finish in Carlisle).
- 1.3 This report advises on the results of the review, it further advises the Executive on implications of the success of the scheme in increasing significantly concessionary fares ridership.
- 1.4 An early review date for the scheme was recommended to the Executive.
 - (i) to protect the Council's interests if actual pensioner ridership was significantly above predicted ridership under the new free scheme i.e. 30% increase predicted.
 - (ii) To enable consideration of the Council's aspirations to improve the scheme further if actual ridership was below predictions and therefore below current base budget available (hence the Council reducing the recommended 6 month review to a review after 5 months at Council on the 23 February 2006).

2. REVIEW FINDINGS

2.1 Ridership

The new concessionary fares scheme has proved very popular with concessionary pass holders. Based on April to August ridership trends there has been a 43.7% increase in ridership. This is well above the estimated increased ridership built into 2006/7 budget of 30% (based on consultation with concessionary pass holders):-

<u>Number of concessionary bus journeys</u>	<u>April-August 2005</u>	<u>April-August 2006</u>	<u>% increase</u>
Stagecoach	572,331	820,937	43.4%
Other operators (estimate)	8,579	14,321	66.9%*
Total	580,910	835,258	43.7%

* Still under investigation

- 2.2 Experience from Wales (who introduced off-peak free concessions 2 years ago) is that ridership trends increase over time before settling down. It is therefore suggested that current increased ridership trends of 43.7% (compared to April 2005) will now settle down (or possibly reduce).

2.3 Bus Pass Take Up

There has also been a significant and continuing increase in bus pass take-up by qualifying residents that have not obtained a pass in the past. i.e.:-

Bus Passes issued

	<u>2005</u>	<u>2006</u>	<u>% increase</u>
March	*141	540	283%
April	193	*780	304%
May	128	421	229%
June	155	394	154%
July	184	291	58%
August	166	387	133%
	869	2284	191%

* estimates

This increases overall estimated passholder take up from 12,000 to 13,400 or 12%

3 Payments to Operators

- 3.1 Above estimate ridership trends at 43.7% and increased bus pass take up have increased reimbursement costs of payment to operators. It is therefore suggested that the likely cost of the current Concessionary Fares scheme over the full 2006/07 year could be in the region of £1.688 million based on April to August figures.
- 3.2 Early evidence therefore suggests that based on information currently available concessionary fares expenditure is likely to be over the 2006/07 budget provision available of £1.542m by in the region of £146,000.

4 Other investigations progressed to inform the review

4.1 In reviewing the Concessionary Fares scheme over the 5 months review period the following factors have been investigated.

4.2 Government Grant

Attached is a letter in response to the Council's and local MP's representations on the unfairness and inequitable nature of concessionary fares grant distribution. In summary the Minister for Local Government defends the grant distribution mechanism as fair. However he suggests that the new comprehensive spending review (timetabled for 2007) for the 2008/09 and 2009/10 settlement provides an opportunity to take a long hard look at issues such as the long term funding of concessionary fares. In the circumstances there will be no grant distribution amendments available to influence this review.

4.3 County Council liaison

4.3.1 A meeting held between the Portfolio Holder and Council Officers and County Council (Officer) counterparts resulted in the County agreeing 'in principle' to support further representations to be made to the Department of Transport. Representations being in regard to it being much fairer to allocate concessionary fares grant on a County wide rather than District basis i.e. the grant settlement to Cumbria as a whole is fair. It is only when it is split down (basis of allocation) to a district level that significant gainers (other Cumbria Districts) and losers, Carlisle become apparent, see appendix 1. However as noted in 4.1 above no grant amendments will be forthcoming until the 2008/9 RSG settlement.

4.3.2 Further representations will be made to the Minister of Local Government early in 2007 when the full picture from 2006/7 and its implications are known.

4.4 Generation Factor

4.4.1 The generation factor allows the Council to share the financial cost of increased bus fare income generated with the operators who benefit from increased ridership i.e. the Council currently pays the operators 72.5p in the pound of the cost of actual bus fares.

4.4.2 Council Officers have held several meetings with Stagecoach in an effort to renegotiate the generation factor agreed with the introduction of the free scheme i.e. attempting to increase the generation factor (which will 'reduce' the payment to the operator) to take account of increased ridership trends.

4.4.3 Negotiations have been difficult due to

- (i) The Council having to negotiate with Stagecoach on its own as the NOW card consortium (supported by the County Council) are not in a position to challenge the current generation factor i.e. no ridership figures for 2005/6 to make comparisons.
- (ii) Trends from Wales suggesting that ridership will settle down over time at a lower rate.
- (iii) Some of the increased ridership (approx 12%) is in respect of new Concessionary pass holders obtaining a pass to use the bus now that it is free.

4.4.4 Nevertheless the Chief Executive of Stagecoach has conceded in principal a compromise generation factor proposal which will reduce the Council's exposure to payments to operators by approximately £30,000 in 2006/7, £60,000 over a full year. Information on any changes in generation factor agreed should be available to report verbally at the Executive meeting.

4.5 Neighbouring Authorities Experience of Concessionary Fares

4.5.1 Eden, Copeland and Allerdale allow free concessionary ridership 24/7 within Cumbria. South Lakes offer free travel off peak free and half fare travel at other times and on all journeys within Cumbria and Lancashire's NoW card area and local journeys starting or finishing in the NoW card area. Barrow offers free travel within the district and from 1st October 2006 will offer free travel on Stagecoach services within Cumbria.

	Additional Government grant provided to meet statutory concession	Total Budget Cost of Scheme 2006/7	Expenditure to 31/8/06 Allerdale 31/7/06	Likely year end position	% increase / decrease on budget
Eden	£214,985	£213,000	£81,175	£194,820	(9%)
Allerdale	£758,744	£675,600	£484,637	£1,163,130	72%
Copeland	£587,657				
South Lakes	£498,344	£407,000	£306,000	£576,000	41%
Barrow	£855,752				
Carlisle (for comparison purposes)	£751,669	£1,542,000	£703,253	£1,687,800	9%

4.5.2 Similar information has been requested from Barrow and Copeland Borough Councils.

4.5.3 As other Councils cannot breakdown concessionary ridership by number of journeys undertaken few if any lessons can be learnt from other concessionary fares arrangements within Cumbria (other than additional RSG grant has been more than adequate to fund new and generous free concessionary fares schemes).

4.5.4 **Meeting with Cumbria Concessionary Fares Practitioners**

A meeting has been arranged for 29th September 2007 to ascertain whether there are any prospects in the medium term for the introduction of identical schemes across Cumbria based on experience of the scheme within each district to date. However with the RSG grant allocation being so favourable to other Cumbrian Authorities the chances of any agreement are slim.

4.6 **Consultation with Concessionary pass holders**

Carlisle's concessionary pass holders are currently being consulted (see attached) to ascertain information on

- additional pensioner ridership
- reason for using bus etc.
- bus travel before 9:30
- bus journeys outside the district boundary

The results of the consultation will be available in October 2006 and will inform the longer term arrangements.

5. **Options for the future**

5.1 As detailed in the findings due to increased concessionary ridership currently being above estimates at 43.7% (estimate 30%) and increased pass take up by eligible residents remuneration to bus operators is forecast to be significantly above budget. Remuneration to operators based on current ridership trends will be £1.688m compared to budget available of £1.542m.

5.2 An improved generation factor (see 4.3 above) and a possible slight reduction in ridership trends (if experience in Wales is mirrored in Carlisle) could reduce 2006/7 bus operator remuneration by approximately £50,000 leaving a shortfall of £96,000

5.3 **Short term**

In the short term as indicated in 4.1 above there is no prospect of additional government grant until the 2008/9 financial year. In the circumstances the Council has 4 broad options to consider in the short term i.e. 1st September 2006 to 31st March 2008 (but October implementation date).

Option 1

If the Council restricted the scheme to free 24/7 concessionary travel within the district and discontinued the 60% concessionary for outside district travel (currently £1.00 see note) this measure would save the Council in the region of £90,000 per annum (£45,000 in 2006/7). Up to 2,000 concessionary pass holders currently use their bus pass to travel to places in Cumbria outside the district boundary.

Option 2

If the Council restricted the scheme to 'off peak' free travel within district and 60% concession for 'out of district' bus travel then savings would be made. The extent of the savings cannot be quantified without further consultation with passholders on bus pass usage before 9:30am (Monday to Friday).

Option 3

If the Council restricted the concessionary travel to 'off peak' times within the district only. Again whilst no ridership figures are available for concessionary travel before 9:30am the numbers are likely to be significant and this measure would probably address the current budget shortfall in full.

Option 4

Alternatively the Council would need to agree a supplementary estimate in the region of £96,000 in 2006/7 (to be actioned at year end when actual budget position determined), or approximately £51,000 (£96,000 - £45,000) if the Council opted for options 1 or 2. Also a non recurring budget bid for 2007/8 of £96,000 to maintain the current scheme arrangements to 31.3.2008.

Note Short term flat rate fares negotiated with Stagecoach i.e. 50p (1.4.06-2.9.06) and £1.00 (3.9.06 – to date), see officer decision notice, have been subject to adverse comment from concessionary passholders. Flat rate fare increased to £1.00 to better reflect Council policy of 60% concession on out of district ridership, particularly after the 10% increase in fares introduced by the bus companies in July 2006. The Executive is asked to endorse this decision.

5.4 Long Term

The Council will have the opportunity to review the Concessionary Fares Scheme again during the 2008/9 budget process taking account of the Council's RSG concessionary fares grant allocation for 2008/9 and the longer term concessionary ridership statistics which will then be available.

6 CONSULTATION

6.1 Consultation proposed 4.7 of the report

6.2 This report will be considered by Infrastructure Overview and Scrutiny Committee on 26th October 2006.

7 FINANCE

Comments included in the report.

8 LEGAL COMMENTS

Not Applicable

9 CORPORATE COMMENTS

SMT fully support the findings of this review.

10 RISK MANAGEMENT ASSESSMENT

Robust monthly investigations of ridership trends will be actioned. Risk reduction measures will be initiated if ridership deviates from predicted trends.

11 EQUALITY ISSUES

Not Applicable

12 ENVIRONMENTAL IMPLICATIONS

Positive as the enhanced Concessionary Fares Schemes encourages more use of public transport i.e. 43.7% increase based on April – September ridership figures.

13 CRIME AND DISORDER IMPLICATIONS

Not Applicable

14 RECOMMENDATIONS

The Executive is asked to note the results of the review of the Concessionary Fares Scheme based on the initial 5 months of the new 'free arrangements'.

- (i) The Executive is asked to consider which of the 4 options noted in 5.3 of the report to recommend to full Council in addressing the predicted concessionary fares budget shortfall.
- (ii) The Executive is asked to note that the Council will have the opportunity to further review the Concessionary Fares Scheme during the 2008/9 budget process taking account of the factors noted in 5.4 of the report.
- (iii) The Executive is asked to endorse the decision to increase the flat rate for 'out of district' bus travel to £1.00 (w.e.f. 3rd September 2006) to better reflect Council policy of a 60% concession on such bus journeys.

15 REASONS FOR RECOMMENDATIONS

To meet re Full Council resolution to undertake a 5 month review of the new 'free' concessionary fares scheme.

Revenues & Benefits

Carlisle

11 September 2006

APPENDIX 1

Projected Impacts by District (Cumbria Schemes)

District	Additional reimbursement for existing opassholders	Reimbursement for existing adult passengers	Allowance for additional costs	Inflation allowance (12% over 2 years)	Total increase in reimbursement	Proposed additional Revenue Grant allocation	Increase as % of Revenue Grant allocation
Allerdale	£279,373	£55,874	£19,734	£42,598	£397,579	£758,744	52%
Barrow	£254,961	£63,740	£21,080	£40,774	£380,555	£855,752	44%
Carlisle	£569,055	£142,264	£48,277	£91,152	£850,748	£751,669	113%
Copeland	£161,633	£32,326	£10,970	£24,591	£229,520	£587,657	39%
Eden	£63,175	£12,635	£4,288	£9,612	£89,710	£214,985	42%
South Lakeland	£230,961	£46,192	£15,676	£35,139	£327,968	£498,344	66%
CUMBRIA Total	£1,559,158	£353,032	£120,024	£243,866	£2,276,080	£3,667,151	62%

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

Note: in compliance with section



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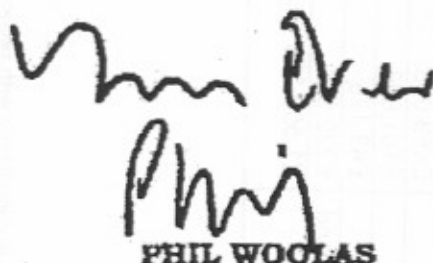
27 FEB 2006

Dear Eric

Thank you for your letter of 13 January. Since then we have of course confirmed the settlements for 2006/07 and 2007/08, in which Carlisle receives grant increases of 4.2% and 5.4%, respectively.

On your specific issue of the funding of concessionary fares, as you say, the Government have provided extra funding which correctly reflects the costs of fare fares. We consulted extensively on the distribution of the additional money, and the settlement reflects the fairest way of sharing out the money. It takes account of factors that reflect support for the disabled and the needs of areas where take-up is likely to be highest. We listened carefully to all points made by those who responded to the consultation on our proposals and the settlement provides the framework for delivering effective local services.

I quite take your point that it might be sensible to review whether running and funding separate concessionary fares schemes at the level of each district council is the best way to deliver this. In the short term, I think we have found the fairest way forward we can. In the slightly longer term, the next Comprehensive Spending Review provides a good opportunity to take a long hard look at issues such as the long term funding of concessionary fares.


PHIL WOOLAS