

Report of	Meeting	Date
Assistant Chief Executive Statutory Finance Officer	Council	26 Feb 2008

Appendix 7

CONCESSIONARY TRANSPORT SCHEME 2008

PURPOSE OF REPORT

- To appraise Members of the impending introduction of the new national free scheme for travel and the impact it is likely to have financially on the Council.

RECOMMENDATION(S)

- That the report be noted.

EXECUTIVE SUMMARY OF REPORT

- The report summarises the fact that:
 - A new free travel concession scheme will be implemented from April 2008 .
 - The total costs of the scheme are almost impossible to predict, as is the impact on Chorley Council.
 - Extra funding has been received by all the authorities in Lancashire providing a scheme, but this may not be sufficient to cover the increase in total costs.
 - To mitigate some of the financial risk some of the local discretions around travel hire have been removed but there will be little impact on Chorley residents.
 - The Lancashire Authorities are currently working on arranging a pooling system whereby the current costs of the scheme plus the extra grant raised will be pooled. This is likely to mean paying into the pool £938k in 2008/09.

BACKGROUND

- This report provides information on the new 2008 national scheme for concessionary transport. The key issue within the report is the potential financial implications for the Council arising from the new scheme.

POTENTIAL FINANCIAL IMPLICATIONS OF THE NEW SCHEME

- There are some, potentially significant, financial implications of the new national scheme to consider namely:

- The change in the basis of cost allocation from residence to beginning of the journey.

Under the new scheme Chorley will be responsible for the Concessionary travel costs of all journeys beginning in their area.

As this is a change to the current basis of cost allocation, it is likely that there will be significant 'shifts' in costs between authorities, but it is not possible to accurately predict what the shifts could be. This change in cost allocation is possible due to the introduction of smartcard technology which will be able to record individual journeys.

- Estimated potential additional cost of new schemes

A key issue for the Council is the potential costs of the new scheme. It is possible using a number of assumptions to calculate a potential additional cost for Lancashire. It must however be noted that such estimates are speculative and do not purport to be a robust analysis of any potential cost increase.

The broad assumptions are that:

- Pass take up will increase by 20%
- Publicity for new scheme will increase journey by 10%
- New passholders will make a proportion of the current trips made by existing cardholders.

6. The table below provides an estimate of the total additional costs of the new scheme in Lancashire based upon these assumptions.

Estimated cost of existing scheme 2007/08	£ 19.0
Assumed inflation for 2008/09 at 5%	<u>1.0</u> 20.0
Estimated additional costs	
i) Cost of current 50p scheme becoming free	1.2
ii) Cost of 10% extra trips	2.6
iii) Cost of extra card take up 20%	<u>1.4</u>
Estimated total cost for 2008/09	25.2

7. Therefore based upon these assumptions, costs would increase in the order of £5.2m for the new scheme in 2008/09.

8. It is not known whether the assumptions set out above are accurate. Whilst based on the government expectations, experience shows that concessionary passenger behaviour does not always conform to expectations. In terms of sensitivity analysis, if the assumptions are changed to:

- increased ridership of 15% rather than 10%
- additional take up of 30% rather than 20%

then the additional costs would be £7.2m rather than £5.2m.

FUNDING THE SCHEME

9. The Lancashire districts are currently working on setting up a Pooling arrangement (excluding community transport) with an annual review mechanism whereby the estimated cost of the scheme for 2007/08 of £19m will be pooled along with the extra grant that the district received from the Government which amounts to £5.6m. Therefore the pool for 2008/09 will be £24.6m and a shortfall will arise if the current assumptions are proven.

Clearly if the sensitivity analysis shows both take up and ridership increases even further then this gap would widen, with all authorities having to take up a share of the deficit.

PLANNED MITIGATION

10. To mitigate some of the financial risk some of the current discretionary element of the scheme ie free travel before 9.30am and travel after 11.30pm will be stopped. This means that the full statutory scheme will be implemented.
11. In terms of the Councils budget, it has been constructed on the following basis:

	£000	
Payments to the Pool	938	£728k cost 07/08 less community transport £65k plus additional grant £275k
Community transport	65	
Extra allowance for growth	207	
Gross Cost	1210	
Less Grant	(275)	
Net Cost in Budget 2008/09	935	

The budget therefore allows for a 68% increase over and above that originally budgeted in 07/08 of £556k and an increase of £28% based upon the expected costs in 2007/08 which is more than the 20% assumption made regarding potential increases in cost outlined in this report

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(BUSINESS TRANSFORMATION)

There are no background papers to this report.

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Gary Hall	5480	18/02/08	ACE(BT)/Reports/2008/Council/ Concessionary Travel