



Revenue Monitoring Report as at 3 February 2024, Period 11

Date of meeting 15 March 2024

Date of report 26 February 2024

Report by Treasurer

1. Object of report

To advise the Committee on revenue expenditure incurred at the end of Period 11 (3 February 2024), including the projected outturn to the end of the current financial year.

2. Background to report

The Joint Committee approved a balanced budget for 2023/2024 on 17 March 2023. This balanced budget provided for a net revenue budget of £4.138m, funded by local authority requisitions of £4.138m with no draw on reserves anticipated. It was set on the basis of the best estimate of patronage numbers and consequential operator reimbursement. It was also agreed at this meeting that there would be a pause in the implementation of the new fares structure until April 2024 at the earliest.

3. 2023/2024 current position

Since the last update to Committee in September 2023 there have been further positive signs of recovery in terms of patronage, with passenger numbers for the first three quarters of 2023/2024 around 40% higher than at same period in 2022/2023 at 3.73 million. Although this is a strong recovery compared to 2021/2022 and 2022/2023, it is still lower than pre pandemic demand levels. By way of comparison 2019/2020 patronage numbers were 4.11 million for the same period. Therefore 2023/2024 patronage numbers are around 90% of pre pandemic levels at this stage of the financial year. Further information on performance levels and analysis can be found in the *'Performance and Reimbursement Update: 2023/2024 Quarters 1-3'* paper at this Committee.

In 2023/2024 the scheme has been slightly shielded from increased reimbursement costs due to the Scotrail Off Peak Pilot. This pilot removed peak rail fares across Scotland from October 2023 to the recently extended date of 28 June 2024. The impact of the pilot on operator reimbursement was discussed with Scotrail and a reimbursement capping agreement has been reached with Scotrail which ensures that the scheme will not be financial disadvantaged within the current financial year.

As a result of increased passenger numbers and annual fares increases by scheme members the cost of the overall Scheme is now more closely aligned to annual budgets and funding. Indeed in 2023/2024 it is likely, based on year end projections, that a small draw on reserves may be necessary. While the impact to reserves is minor in 2023/2024 it is clear that this is likely to be the trend moving into future financial years given further increases in patronage numbers and operator fares increases are likely. Assuming funding remains around the same

levels then this may lead to annual budget deficits requiring further, more significant draws on reserves to achieve a balanced budget.

Taking all of the above into consideration, reimbursement to operators for the financial year is projected to be slightly higher than the approved budget. This is based on current trends in passenger numbers and operator reimbursement seen in the financial year to date and also incorporates higher than projected operator fares increases. The projected outturn of £4.076m would represent an increase in operator reimbursement of £0.200m (5%) when compared with 2023/2024 budget.

Administration of the Scheme and support to card holders has continued at normal levels since the start of the financial year and therefore, these costs are more in line with budget estimates. Interest received is forecast to exceed budget by £0.150m in 2023/2024. This is a result of increased interest rates received for current cash balances, due to the knock on effect of higher than anticipated UK base rates, which have remained at higher rates for longer than expected. The overall projected outturn position for the financial year can be seen in Appendix 1 and an overspend of £0.050m is projected at this stage.

As noted at the last Joint Committee in September 2023, there would be a pause in the implementation of the new fares structure until April 2024 at the earliest, with an update being provided to the next Joint Committee on the proposed implementation timeline. Consideration of the implementation date for the change in the fare structure will be based on a number of factors, including current scheme passenger numbers, the projected outturn for the current year, future years' budget requirements, operator fare increases and current reserve balances. This will be covered in more detail in the '*Proposed Revenue Budget 2024/2025*' paper at this Committee which will consider the most appropriate timeline for the implementation of new fares taking into consideration the factors mentioned above.

4. Conclusions

Although the impact of increased reserves resulting from reduced passenger numbers and reimbursement to operators in previous financial years give the Scheme an improved short term financial base position, it does not negate the need to implement a new fare structure to protect the long-term viability of the Scheme given the increased costs that are being seen in 2023/2024. This has been considered when drafting the 2024/2025 budget.

In 2023/2024, all budget lines will continue to be monitored closely to ensure projections are as accurate as possible.

5. Committee action

The Committee is recommended to note the projected outturn position for 2023/2024 based on the information available at the end of P11.

6. Consequences

Policy consequences	None.
Legal consequences	None.
Financial consequences	As outlined in the report.
Personnel consequences	None.
Equalities consequences	None.
Risk consequences	None.

Climate Change, Adaptation & Carbon consequences None directly.

Name Lesley Aird

Title **Treasurer**
Strathclyde Concessionary Travel Scheme Joint Committee

For further information, please contact *Stuart Paul, Head of Finance* on 0141 333 3382



Concessionary Travel Revenue Monitoring Report

For Year 23/24 Period 11 ending 03-Feb-2024

	Year to Date				Annual Budget				Notes
	Actual	Budget	Variance	Variance %	Projected Outturn	Annual Budget	Variance	Variance %	
EXPENDITURE									
Employee Costs									
Salaries	196,669	196,669	-	0%	232,948	232,948	-	0%	
Overtime	-	844	844	100%	1,000	1,000	-	0%	
Other Employee Costs	53,342	53,342	-	0%	63,181	63,181	-	0%	
Sub Total Employee Costs	250,011	250,855	844	0%	297,129	297,129	-	0%	
Supplies & Services	54,955	54,961	6	0%	65,100	65,100	-	0%	
Third Party Payments									
Operator Reimbursement	3,584,579	3,272,742	(311,838)	(10%)	4,076,451	3,876,451	(200,000)	(5%)	1
Other Third Party Payments	41,512	39,680	(1,832)	(5%)	47,000	47,000	-	0%	
Sub Total Third Party Payments	3,626,092	3,312,422	(313,670)	(9%)	4,123,451	3,923,451	(200,000)	(5%)	
TOTAL EXPENDITURE	3,931,058	3,618,238	(312,819)	(9%)	4,485,680	4,285,680	(200,000)	(5%)	
INCOME									
Interest Received	(258,677)	(124,787)	133,891	(107%)	(297,806)	(147,806)	150,000	(101%)	2
TOTAL INCOME	(258,677)	(124,787)	133,891	(107%)	(297,806)	(147,806)	150,000	(101%)	
Net Total	3,672,380	3,493,452	(178,929)	(5%)	4,187,875	4,137,875	(50,000)	(1%)	

Notes

1. Passenger numbers and reimbursement to operators have increased in comparison the financial year 2022/2023 and are now approaching pre covid levels. This is represented in the current position in the year to date against budget. The increased expenditure is also due to fares increases for scheme members being higher than projected. Projected outturn increased due to current overspend position but is partially offset by an adjustment to Scotrail reimbursement in 2023/2024 in respect of off peak fares pilot being in place since October 2023.
2. Due to current cash balances and sustained high rates of interest.