



## Final Outturn for financial year 2019/20 and Revenue Monitoring Report as at 15 August 2020, Period 5

**Date of meeting** 18 September 2020

**Date of report** 31 August 2020

### Report by Treasurer/Secretary

#### 1. Object of report

To advise members of the Committee of the final outturn for the financial year 2019/20 and also to report on revenue expenditure incurred at the end of Period 5 (15 August 2020), including the projected outturn at the end of the current financial year.

#### 2. Background

The Strathclyde Concessionary Travel Scheme revenue budget for 2019/20 was set at £4.573 million. The budget covers the cost of operator reimbursement, scheme administration and the issue and management of national entitlement cards.

Members will be aware that the Committee approved a balanced budget for 2020/21 on 6 March 2020. This balanced budget provided for a net revenue budget of £4.176m, funded by local authority requisitions of £4.040m and a draw on reserves of £0.136m. It was set on the basis of the 2019/20 projected outturn and incorporated forecast increased patronage in line with scheme trends, operator fare increases and a flat requisition from local authorities. The increased costs within the budget were planned to be offset by an increase in the basic concessionary fare of 50p on both singles and returns.

As highlighted in the '*Draft Revenue Budget 2020/21*' report that was approved at the 6 March Committee this action was necessary as the scheme in its current format was not sustainable in the long-term without an increase in funding from local authority partners or significant operational amendments to the scheme structure or fares applicable. This initial measure of increasing the basic concessionary fares by 50p on singles and returns would give the scheme some respite in the short term pending a review of the Scheme, with a specific focus on exploring options to ensure its future financial sustainability. Without this fares increase, the reserves balance would be extinguished in the financial year 2020/21 and also the Scheme would have required increased contributions from its local authority partners to achieve a balanced budget.

#### 3. 2019/20 Final Outturn

The final outturn for 2019/20 was £4.582m, resulting in an adverse variance of £0.009m against the approved budget. The £0.009m overspend is comprised of a £0.060m overspend in operator payments due to increased patronage and fares and also £0.070m in agency staff costs to cover for vacant posts in the travel card unit. This overspend is partially offset by a reduction in card processing and postage costs of £0.066m which includes reimbursement of previous years' card processing overcharges, and a £0.055m underspend in employee costs mainly due to vacant posts.

The final outturn was less than the projected outturn reported to Committee in the *'Revenue Monitoring Report as at 1 February 2020, Period 11'* report at the 6 March 2020 meeting mainly due to a reduced overspend in operator payments. This was a result of reduced passenger numbers in March due to Covid and the resultant lockdown which started on the 23 March 2020.

The opening 2019/20 reserves balance of £1.269m for the Scheme was reduced by £0.542m based on the final outturn for 2019/20. Therefore, the closing reserves balance at 31 March 2020 was £0.727m, the lowest the reserves balance has been since the Scheme commenced in its current format.

See Appendix 1 for the final budgetary control report for the financial year 2019/20.

#### **4. 2020/21 Current Position**

Given recent and ongoing events relating to Covid there are significant movements with regards to passenger numbers and associated reimbursement to Scheme members. In Q1 of the current financial year (April to June) passenger numbers dropped by 94% compared to 2019/20 passenger numbers and total reimbursement amount dropped by 92%. This can be seen in more detail in the *'Performance and Reimbursement Results for 2019/20 Financial Year-end and Update on 2020/21 Quarter 1 Results'* paper at this Committee.

As members will appreciate although financial projections for the remainder of the year are more important now than ever before, the high level of uncertainty on passenger demands makes this extremely challenging to predict with any great certainty for the following reasons:

- How quickly patronage will return, if at all, to pre Covid levels for Scheme members;
- Whether any local lockdowns or second waves will occur and therefore the impact of these both on passenger numbers and the ability to continue operating; and
- The impact of Scheme members' ability to deliver services with reduced capacity.

Reimbursement projections for the remainder of the financial year have been based broadly on a recent review of future public transport use by the Urban Transport Group. Projections for passenger growth up until April 2021 taken from this review have been used for reimbursement projections for Calmac and Scotrail.

The Committee approved a fares increase in March 2020 which was due to be applied in the first quarter of the financial year 2020/21. However due to Covid and the subsequent lockdown the fares increase has been deferred to a later date.

Taking all of the above into consideration, reimbursement to operators for the financial year is projected to be £1.967m, which is a reduction of £1.858m compared to the approved budget. Administration of the Scheme and support to card holders has continued at normal levels since March with no fundamental change to support and output from the Travel Card Unit. The processing of new National Entitlement Cards and renewals continued and call rates remained 50% of pre Covid levels. Therefore, these costs are more in line with budget estimates with only a small projected outturn change under employee costs due to vacant posts. The overall projected outturn position for the financial year can be seen in Appendix 2 and an underspend of £1.884m is projected at this stage. However, members are reminded that there is a significant level of uncertainty around this estimate at this stage and it will be closely monitored. Any projected underspend will be factored into the long term sustainability plans for the scheme.

A root and branch review of the scheme is ongoing to ensure the schemes affordability for the future and an update of the review's progress is included in a separate paper to this

Committee. It is anticipated at this stage that final options will be presented to the Joint Committee as part of the 2021/22 budget planning exercise.

## 5. Conclusions

The Scheme continues to experience financial pressures and this is apparent when considering the final outturn for 2019/20 and the reserves balance at the 31 March 2020. The 2020/21 projected outturn underspend would provide the Scheme with a period of financial support in the short term pending the results of the current fundamental review of the Scheme.

In 2020/21, all budget lines will continue to be monitored closely to ensure projections are as accurate as possible, noting that as a result of Covid, estimates of passenger numbers and operator reimbursement may fluctuate significantly.

## 6. Committee action

The committee is recommended to note:

- the final outturn position for 2019/20; and
- the projected outturn position for 2020/21 based on the information available at the end of P5.

## 7. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>None</i>
Financial consequences	<i>As outlined in the report</i>
Personnel consequences	<i>None</i>
Equalities consequences	<i>None</i>
Risk consequences	<i>None</i>

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**Title** **Treasury/Secretary**  
**Strathclyde Concessionary Travel Scheme Joint Committee**

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# Concessionary Travel Revenue Monitoring Report

For Year 19/20 Period 13 ending 31-Mar-2020

	Year end position				Notes
	Actual	Budget	Variance	Variance %	
<b>EXPENDITURE</b>					
<b>Employee Costs</b>					
Salaries	105,048	151,653	46,605	31%	
Overtime	2,841	1,000	(1,841)	(184%)	
Other Employee Costs	28,492	39,131	10,639	27%	
<b>Sub Total Employee Costs</b>	<b>136,381</b>	<b>191,784</b>	<b>55,403</b>	<b>29%</b>	1
<b>Supplies &amp; Services</b>	<b>59,744</b>	<b>125,700</b>	<b>65,956</b>	<b>52%</b>	2
<b>Transport &amp; Plant Costs</b>	<b>3</b>	<b>-</b>	<b>(3)</b>		
<b>Third Party Payments</b>					
Operator Reimbursement	4,328,278	4,268,551	(59,727)	(1%)	3
Other Third Party Payments	75,556	5,000	(70,556)	(1411%)	4
<b>Sub Total Third Party Payments</b>	<b>4,403,834</b>	<b>4,273,551</b>	<b>(130,283)</b>	<b>(3%)</b>	
<b>TOTAL EXPENDITURE</b>	<b>4,599,962</b>	<b>4,591,035</b>	<b>(8,927)</b>	<b>(0%)</b>	
<b>INCOME</b>					
Interest Received	(18,442)	(18,000)	442	(2%)	
<b>TOTAL INCOME</b>	<b>(18,442)</b>	<b>(18,000)</b>	<b>442</b>	<b>(2%)</b>	
<b>Net Total</b>	<b>4,581,520</b>	<b>4,573,035</b>	<b>(8,485)</b>	<b>(0%)</b>	

**Notes**

1. Due to vacant posts in the 2019/20 establishment. Savings in employees costs are offset by costs associated with agency staff shown under third party payments.
2. Savings due to reduced external card processing costs and postage costs and also reimbursement of previous financial year's card processing overcharges.
3. As a result of increased patronage and reimbursement across rail, ferry and Subway journeys and also includes the impact of fare increases by operators.
4. Costs associated with agency staff brought in to cover for vacant posts and also to clear the backlog of applications (see note 1).



# Concessionary Travel Revenue Monitoring Report

For Year 20/21 Period 5 ending 15-Aug-2020

	Year to Date				Annual Budget				Notes
	Actual	Budget	Variance	Variance %	Projected Outturn	Annual Budget	Variance	Variance %	
<b>EXPENDITURE</b>									
<b>Employee Costs</b>									
Salaries	42,850	57,208	14,358	25%	128,741	148,741	20,000	13%	1
Overtime	-	385	385	100%	1,000	1,000	-	0%	
Other Employee Costs	11,402	15,309	3,907	26%	34,803	39,803	5,000	13%	1
<b>Sub Total Employee Costs</b>	<b>54,252</b>	<b>72,902</b>	<b>18,650</b>	<b>26%</b>	<b>164,544</b>	<b>189,544</b>	<b>25,000</b>	<b>13%</b>	
<b>Supplies &amp; Services</b>	<b>22,264</b>	<b>29,808</b>	<b>7,544</b>	<b>25%</b>	<b>77,500</b>	<b>77,500</b>	<b>-</b>	<b>0%</b>	2
<b>Third Party Payments</b>									
Operator Reimbursement	164,073	1,471,312	1,307,239	89%	1,966,834	3,825,410	1,858,576	49%	3
Other Third Party Payments	4,372	34,615	30,243	87%	90,000	90,000	-	0%	2
<b>Sub Total Third Party Payments</b>	<b>168,445</b>	<b>1,505,927</b>	<b>1,337,482</b>	<b>89%</b>	<b>2,056,834</b>	<b>3,915,410</b>	<b>1,858,576</b>	<b>47%</b>	
<b>TOTAL EXPENDITURE</b>	<b>244,961</b>	<b>1,608,636</b>	<b>1,363,675</b>	<b>85%</b>	<b>2,298,879</b>	<b>4,182,454</b>	<b>1,883,576</b>	<b>45%</b>	
<b>INCOME</b>									
Interest Received	(4,345)	(2,500)	1,845	(74%)	(6,500)	(6,500)	-	0%	4
<b>TOTAL INCOME</b>	<b>(4,345)</b>	<b>(2,500)</b>	<b>1,845</b>	<b>(74%)</b>	<b>(6,500)</b>	<b>(6,500)</b>	<b>-</b>	<b>0%</b>	
<b>Net Total</b>	<b>240,617</b>	<b>1,606,136</b>	<b>1,365,520</b>	<b>85%</b>	<b>2,292,379</b>	<b>4,175,954</b>	<b>1,883,576</b>	<b>45%</b>	

## Notes

1. Due to vacant posts in the 2020/21 establishment.
2. Current position due to timing issues in respect of expenditure/budget phasing.
3. Significant reduction in payment to operators in P1 to P5 based on reduced passenger numbers which is projected to continue until the end of the financial year due to Covid.
4. Due to close management of cash balances and higher balances than anticipated.