



Performance and Reimbursement Update: 2023/2024 Quarters 1-3

Date of meeting 15 March 2024

Date of report 19 February 2024

Report by Treasurer

1. Object of report

To update the Committee on the Strathclyde Concessionary Travel Scheme's performance and reimbursement results for Quarters 1-3 (April-December 2023) of 2023/2024.

2. Background to report

The Committee requires that regular updates be reported to show the latest performance and reimbursement costs of the Scheme. These updates form part of a continuing process to ensure that the Scheme provides good value to its users, helps safeguard the Scheme's sustainability going forward and inform decisions taken by the Committee to implement necessary changes to the Scheme, for example on fares; operator reimbursement formula; and changes to peak-time travel restrictions. A timeline of changes to the Scheme is attached at Appendix 1 and a history of Scheme patronage and reimbursement is presented in Appendix 2.

In recent years – pre the covid pandemic, with the trend highlighting increasing concessionary travel demand and rising reimbursement costs, it was estimated that funding reserves were likely to be exhausted within the next one to two years without intervention. Consequently, the recommendations of an in-depth review, carried out to ensure the Scheme's affordability and sustainability can be maintained moving forward, was approved by the Committee on 12 March 2021. The impact of these approved recommendations would see the current basic concessionary fares replaced by a new "half-fare with cap for longer and rural journeys" structure. This new structure would also reduce the level of operator reimbursement, easing pressure on reserves and is considered essential to sustaining the Scheme financially in the longer-term.

However, the onset of the covid pandemic in March 2020 resulted in the Scheme's funding reserves position changing owing to reduced travel demand and corresponding reductions in reimbursement paid to operators. Considering this, the Committee of 12 March 2021 recommended pausing the introduction of the planned new fares structure until a more appropriate point in time, recognising the then reduced impact on reserves, as well as, more recently, the cost-of-living crisis. The planned fare change has remained paused since.

Moreover, the recovery from the Covid pandemic means that travel demand, including concessionary travel, is now approaching pre-pandemic levels. It is therefore pertinent, at this point, to examine carefully the financial position of the Scheme considering the re-established travel demand and to help inform future budgetary consideration with regard to reserves and fares.

Figures presented in this paper provide an update on performance and reimbursement results for Quarters 1-3 of financial year 2023/2024.

3. 2023/2024 Performance and Reimbursement Quarter 1 to Quarter 3

Tables 1 and 2 below show performance results and reimbursement costs for Quarters 1-3 in financial year 2023/2024 compared with the respective quarters in 2022/2023.

Table 1: Concessionary Patronage for 2023/2024 Quarter 1 to Quarter 3

Patronage (millions)		
Mode	2023/2024 Q1-Q3	Change vs. 2022/2023 Q1-Q3
Rail	2.61	+51%
Ferry	0.40	-1%
Subway	0.72	+35%
TOTAL	3.73	+40%

Table 2: Concessionary Reimbursement for 2023/2024 Quarter 1 to Quarter 3

Reimbursement (£millions)		
Mode	2023/2024 Q1-Q3	Change vs. 2022/2023 Q1-Q3
Rail	2.36	+51%
Ferry	0.75	+2%
Subway	0.27	+37%
TOTAL	3.37	+35%

- 3.1. Table 1 shows that demand for concessionary travel during the first three quarters of 2023/2024 has increased across modes, with an overall patronage increase of 40% when compared with the respective quarters in 2022/2023.
- 3.2. Even though Table 1 shows a marginal reduction of 1% patronage on ferry, members are reminded, that given the lifeline nature of eligible ferry services, the covid impact on concession patronage and the subsequent recovery period has been less pronounced and that concession patronage did not decline to the same extent as other modes during the pandemic. Concession patronage on ferry quickly recovered, exceeding 70% at a time when other modes remained at ~50% patronage.
- 3.3. Table 2 shows that Scheme reimbursement increased by 35% during the first three quarters of 2023/2024 compared with the respective quarters in 2022/2023. Reflecting the patronage levels shown in Table 1, reimbursement levels increased most significantly on rail and Subway.

4. Changes to Participating Operator Fares

- 4.1. Members are reminded that any increases to participating operators' standard fares has the result of increased operator reimbursement payments, thereby placing additional pressures on Scheme budgets and reserves. Whilst basic concession fares have been held at current levels since 2018, participating operator fares have risen. Table 3 below outlines recent and pending fare increases on rail, ferry and Subway.

Table 3: Operator Fare Increases

Mode	Fare
Rail	<ul style="list-style-type: none"> • ScotRail fares last went up on 3 July 2023 by 4.8%. • The next planned increase is 1 April 2024 by 8.7%
Ferry (CalMac)	<ul style="list-style-type: none"> • CalMac fares last went up on 25 March 2023 by 2.1%. • The next planned increase is 29 March 2024 by 8.7%
Subway	<ul style="list-style-type: none"> • Subway fares increased by 5p on 2 January 2024 or around 3% for most passengers. This was the first Subway fare increase since April 2019. • The next planned fare increase is January 2025 by an average of 3%.

4.2. An examination of ScotRail and CalMac fares would indicate considerable fare increases have taken place since pre-pandemic. Estimated increases are as follows:

- ScotRail fares (off-peak) have risen by approximately 22% since 2019 (peak fares have risen by slightly more).
- CalMac passenger fares have risen by approximately 16-17% (accounting for slight discrepancies and rounding across routes) since 2019.

5. ScotRail Peak Fare Removal Pilot

5.1. Members will recall at the last meeting of the Committee¹, a paper was presented informing of ScotRail's intention to pilot the removal of peak rail fares across Scotland for a period of six months from October 2023 and to highlight potential impacts on the Strathclyde Concessionary Travel Scheme.

5.2. Now implemented, it is to be expected that the off-peak fares pilot has had a proportionate impact on concessionary travel demand. Emerging figures would suggest that concessionary travel demand has grown considerably during the pilot to date. This is evident in peak periods, particularly the AM, when concessionary journeys were previously not valid. We understand that journeys between 6am and 9am, now make up 17% of total journeys made throughout the day versus 7% pre-trial. Overall, the uplift in concessionary use has been of the order of 16%, however, it should be highlighted that we await the publication of completed comprehensive data from ScotRail post the pilot period to better understand the fuller impacts, and that these figures present only the interim picture and therefore may be subject to change.

5.3. Members are made aware, that at the time of Transport Scotland's fare increase announcement in December 2023, it was also announced that ScotRail's peak fares removal pilot is to be extended by three months until June 2024.

5.4. With regard to the impacts of the pilot on scheme budgets, a reimbursement capping agreement was reached with ScotRail, ensuring that SCTS will not be financially disadvantaged within the current financial year. Discussions will take place with ScotRail

¹ https://www.spt.co.uk/media/afeozspq/sctsjc290923_agenda9.pdf

to ensure a similar financial position is maintained for the extended period up until 28 June 2024.

6. Conclusions

- 6.1. While results for the first three quarters of the current financial year 2023/2024 show that demand for concessionary travel increased compared with the respective quarters in 2022/2023, it is important to recognise that the comparison 2022/2023 data takes in the period of continuing Covid recovery when patronage levels remained significantly lower across all modes, averaging just 65% of pre-pandemic demand levels.
- 6.2. The first three quarters of the current financial year nonetheless show continued growth in concessionary travel demand, with 1.07 million additional concessionary journeys made when compared with the respective quarters in 2022/2023.
- 6.3. Scheme reimbursement costs have also increased, with an additional £0.88 million paid to participating operators when compared with the first three quarters in 2022/2023.
- 6.4. Based on current trends, it is estimated that the Scheme can expect around 1 million more concessionary journeys to have been made by 2023/2024 financial year end than were made in 2022/2023, with an estimated reimbursement cost increase of approximately £0.85 million.
- 6.5. These increases mean a projected 4.6 million concessionary journeys will have been made by financial year-end 2023/2024 with a corresponding re-imburement of around £4.2 million estimated.
- 6.6. Figures presented to members in this paper show there has been a particularly strong demand for concessionary travel during the current financial year, building upon the increases reported regularly during the covid recovery period since 2021/2022.
- 6.7. An examination of the first three quarters of this financial year 2023/2024 estimates that travel demand will have returned to over 90% of pre-covid levels, nearing those observed last in 2019/2020 when concessionary travel demand peaked. Scheme reimbursement is expected to reach over 95% of pre-pandemic levels as a result of strong concessionary demand and rising operator standard fares.
- 6.8. The impacts of this on the Scheme's current financial position as well as its immediate sustainability are reported separately in the 'Proposed Revenue Budget 2024/2025' paper.

7. Committee action

The Committee is recommended to note the contents of this paper, in particular, the increased concessionary travel demand during the current financial year 2023/2024 and estimates that by financial year end, that concessionary travel demand will be nearing pre-covid levels.

8. Consequences

Policy consequences

The Scheme will continue to meet the RTS Objective "To improve accessibility, affordability, availability and safety of the transport system, ensuring everyone can get to town centres, jobs, education, healthcare and other everyday needs" and its Priority "Improved quality of life"

Legal consequences

None at present.

Financial consequences	Figures presented in this report continue to present a financial risk to the future viability of the Scheme in its present form.
Personnel consequences	None at present.
Equalities consequences	None at present.
Risk consequences	None at present.
Climate Change, Adaptation & Carbon consequences	None directly.

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APPENDIX 1 – History of Scheme Changes

	<p>2013-14</p> <ul style="list-style-type: none"> Basic concessionary fare increased to 90p single and £1.30 return.
<p>2014-15</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at 90p single and £1.30 return. 	<p>2015-16</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at 90p single and £1.30 return.
<p>2016-17</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at 90p single and £1.30 return. 	<p>2017-18</p> <ul style="list-style-type: none"> Basic concessionary fare increased to £1.00 single and £1.40 return.
<p>2018-19</p> <ul style="list-style-type: none"> Basic concessionary return fare increased to £1.50. No change to single fare. 	<p>2019-20</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at £1.00 single and £1.50 return.
<p>2020-21</p> <ul style="list-style-type: none"> Approval by Joint Committee to increase the basic single and return fares by 50p. <i>(Decision taken not to introduce this increase in response to the Covid-19 pandemic).</i> 	<p>2021-22</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at £1.00 single and £1.50 return. <i>(Joint Committee agreed the Review recommendations not to introduce the new fares structure during 2021-22 due to the on-going Covid-19 pandemic).</i>
<p>2022-23</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at £1.00 single and £1.50 return. <i>(Joint Committee agreed to delay introducing the new fares structure in response the latest financial position).</i> 	<p>2023-24</p> <ul style="list-style-type: none"> Basic concessionary fare maintained at £1.00 single and £1.50 return. <i>(Joint Committee agreed to delay introducing the new fares structure in response the latest financial position).</i>

APPENDIX 2 – History of Scheme Changes

Patronage (millions)					
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Rail	3.52	3.52	0.57	1.81	2.32
Ferry	0.67	0.67	0.24	0.50	0.56
Subway	0.91	0.90	0.20	0.51	0.73
Totals	5.10	5.09	1.01	2.82	3.61

Reimbursement (£millions)					
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Rail	2.82	2.97	0.53	1.61	2.10
Ferry	1.00	1.03	0.40	0.86	1.03
Subway	0.30	0.32	0.07	0.19	0.27
Totals	4.12	4.32	1.00	2.66	3.40