Strathclyde Concessionary Travel Scheme
Joint Committee

Final Outturn for financial year 2022/2023 and Revenue Monitoring Report as at 19 August 2023, Period 5

Date of meeting 29 September 2023 **Date of report** 6 September 2023

Report by Treasurer

1. Object of report

To advise members of the Committee of the final outturn for the financial year 2022/2023 and also to report on revenue expenditure incurred at the end of Period 5 (19 August 2023), including the projected outturn to the end of the current financial year.

2. Background

The Strathclyde Concessionary Travel Scheme revenue budget for 2022/2023 was set at £4.059 million. The budget covers the cost of operator reimbursement, scheme administration and the issue and management of national entitlement cards.

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. 2022/2023 Final Outturn

The final outturn for 2022/2023 was £3.630m, resulting in a positive variance of £0.429m against the approved budget. The £0.429m underspend is comprised of a £0.372m underspend in operator payments, £0.018m underspend in employee costs and a small overspend in other costs of £0.014m. Interest received was also £0.054m higher than budget due to increased cash balances and interest rates. Operator reimbursement payments for 2022/2023 were £3.415m which represented a 28% increase compared to 2021/2022. This was a result of increased patronage and fare increases by scheme members

The overall underspend of £0.429m was added to reserves resulting in a revised reserve balance of £5.025m. Reserves are necessary to ensure the longer term viability and sustainability of the Scheme at a time of uncertainty in local authority funding settlements, anticipated fare increases and future patronage levels.

A further increase in reserves in 2022/2023 puts the Scheme in a stronger financial footing and allows the Scheme to continue sustainably in its current format in the short term at least. The final budgetary control report for the financial year 2022/2023 can be found at Appendix 1.

4. 2023/2024 Current Position

Since the beginning of the financial year there has been further positive signs of recovery in terms of patronage with passenger numbers averaging around 85% of pre-Covid levels in the first quarter of the financial year for concessionary travel. Caledonian MacBrayne are currently in the process of implementing a new ticketing system therefore we are awaiting their first quarter passenger numbers. At this stage we have projected them to be consistent with 2022/2023. Although this is a further recovery compared to 2022/2023, it is still lower than pre pandemic demand levels.

However as a result of increased passenger numbers post Covid and annual fares increases by scheme members the cost of the Scheme is now more closely aligned to annual budgets and funding. While the impact of the pandemic over recent years has resulted in underspends in operator reimbursement which in turn allowed the Scheme to build up reserve balances it was clear that these underspends were only temporary and not sustainable. This can be seen from operator reimbursement costs in 2023/2024 to date. Performance levels and analysis can be found in the '*Performance and reimbursement update on 2022/2023 year-end and on 2023/2024 quarter 1'* paper at this Committee.

Taking all of the above into consideration, reimbursement to operators for the financial year is projected to be in line with the approved budget. This assumes that current trends in passenger numbers and operator reimbursement seen in the financial year to date will be sustained to the end of the financial year and would represent an increase in operator reimbursement of £0.462m (14%) when compared with 2022/2023.

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 £0.100m in 2023/2024. This is a result of increased interest rates received for current cash balances, due to the knock on effect of further increases to UK base rates, which are expected to remain at higher rates than anticipated for longer. The overall projected outturn position for the financial year can be seen in Appendix 2 and an underspend of £0.100m is projected at this stage. However, members are reminded that there is a significant level of uncertainty around this estimate and it will be closely monitored.

As noted in the Proposed Revenue Budget 2023/2024 paper approved in March 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.

At this stage given that passenger numbers have still not recovered fully to pre pandemic levels, the current projected outturn for 2023/2024 and current reserve balances of £5.025m gives the Scheme some headroom to defer the implementation of the new fares structure until April 2024 or potentially later in 2024/2025. The 2024/2025 proposed budget paper which will be presented to the next Joint Committee will consider the most appropriate timeline for the implementation of new fares taking into consideration the factors mentioned above.

5. Conclusions

Although the impact of increased reserves resulting from reduced passenger numbers and reimbursement to operators in 2022/2023 give the Scheme an improved short term financial base position, it does not negate the need to implement a new fare structure at some stage in the future to protect the long-term viability of the Scheme. In 2023/2024, all budget lines will continue to be monitored closely to ensure projections are as accurate as possible.

6. Committee action

The committee is recommended to note:

- the final outturn position for 2022/2023;
- the projected outturn position for 2023/2024 based on the information available at the end of P5; and
- the implementation of the new fare structure will be considered in the Proposed Revenue Budget 2024/2025 paper going to the next Joint Committee.

7. 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 Neil Wylie

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

For further information, please contact *Neil Wylie, Treasurer*, on *0141 333 3380*.

Appendix 1

Concessionary Travel Revenue Monitoring Report

For Year 22/23 Period 13 ending 31-Mar-2023

	Year to Date				Notes
	Actual	**Budget**	**Variance**	**Variance %**	
EXPENDITURE					
Employee Costs					
Salaries	168,219	181,656	13,438	7%	
Overtime	-	1,000	1,000	100%	
Other Employee Costs	47,311	51,090	3,779	7%	
Sub Total Employee Costs	215,530	233,747	18,217	8%	1
Supplies & Services	55,882	57,100	1,218	2%	
Third Party Payments					
Operator Reimbursement	3,414,555	3,786,883	372,328	10%	2
Other Third Party Payments	47,182	31,000	(16,182)	(52%)	3
Sub Total Third Party Payments	3,461,737	3,817,883	356,146	9%	
TOTAL EXPENDITURE	**3,733,149**	**4,108,730**	**375,581**	**9%**	
INCOME					
Interest Received	(103,541)	(50,000)	53,541	(107%)	4
TOTAL INCOME	**(103,541)**	**(50,000)**	**53,541**	**(107%)**	
Net Total	**3,629,608**	**4,058,730**	**429,121**	**11%**	

Notes

1. Small underspend in year due to vacant posts in the establishment during the course of 2022/2023.
2. Passenger numbers and reimbursement to operators have increased in comparison to 2021/2022. However passenger numbers and consequently operator reimbursement have not fully recovered to Pre Covid levels and this is represented in the final position against budget in 2022/2023.
3. Based on the costs of maintenance support from the Improvement Service and post office charges for ferry cards.
4. Due to high cash balances increased interest rates.

Appendix 2

Concessionary Travel Revenue Monitoring Report

For Year 23/24 Period 5 ending 19-Aug-2023

	Year to Date				Annual Budget				Notes
	Actual	**Budget**	**Variance**	**Variance %**	**Projected Outturn**	**Annual Budget**	**Variance**	**Variance %**	
EXPENDITURE									
Employee Costs									
Salaries	89,742	89,742	-	0%	232,948	232,948	-	0%	
Overtime	-	385	385	100%	1,000	1,000	-	0%	
Other Employee Costs	24,340	24,340	-	0%	63,181	63,181	-	0%	
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Sub Total Employee Costs	114,083	114,468	385	0%	297,129	297,129	-	0%	
Supplies & Services	23,357	25,079	1,723	7%	65,100	65,100	-	0%	
Third Party Payments									
Operator Reimbursement	1,542,393	1,493,387	(49,006)	(3%)	3,876,451	3,876,451	-	0%	1
Other Third Party Payments	4,378	18,107	13,729	76%	47,000	47,000	-	0%	1
Sub Total Third Party Payments	1,546,771	1,511,494	(35,277)	(2%)	3,923,451	3,923,451	-	0%	
TOTAL EXPENDITURE	**1,684,210**	**1,651,041**	**(33,169)**	**(2%)**	**4,285,680**	**4,285,680**	-	0%	
INCOME									
Interest Received	(97,780)	(56,941)	40,838	(72%)	(247,806)	(147,806)	100,000	(68%)	2
TOTAL INCOME	**(97,780)**	**(56,941)**	**40,838**	**(72%)**	**(247,806)**	**(147,806)**	100,000	(68%)	
Net Total	**1,586,430**	**1,594,099**	**7,669**	**0%**	**4,037,875**	**4,137,875**	**100,000**	**2%**	

Notes

1. Current position due to timing issues in respect of expenditure/budget phasing.
2. Increased income anticipated due to current rates and cash balances.