



## Final Outturn for financial year 2021/2022 and Revenue Monitoring Report as at 20 August 2022, Period 5

Date of meeting 30 September 2022

Date of report 12 September 2022

### Report by Treasurer

#### 1. Object of report

To advise members of the Committee of the final outturn for the financial year 2021/2022 and also to report on revenue expenditure incurred at the end of Period 5 (20 August 2022), including the projected outturn to the end of the current financial year.

#### 2. Background

The Strathclyde Concessionary Travel Scheme revenue budget for 2021/2022 was set at £4.076 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 2022/2023 on 18 March 2022. This balanced budget provided for a net revenue budget of £4.059m, funded by local authority requisitions of £4.059m with no draw on reserves anticipated. It was set on the basis of the best estimate of patronage recovery 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 January 2023 at the earliest.

#### 3. 2021/2022 Final Outturn

The final outturn for 2021/2022 was £2.940m, resulting in a positive variance of £1.136m against the approved budget. The £1.136m underspend is comprised of a £1.106m underspend in operator payments due to significantly reduced patronage as a result of the Covid pandemic, a £0.017m underspend in employee costs and a small underspend in other costs of £0.007m. Interest received was also £0.006m higher than budget due to increased cash balances.

In light of reduced patronage and operator reimbursement in 2021/2022, £1.136m was added to reserves resulting in a revised reserve balance of £4.596m. Reserves are necessary to ensure the longer term viability and sustainability of the Scheme at a time of uncertainty in local authority funding support in light of the continued local government challenges, anticipated fare increases and levels of demand for travel.

A further increase in reserves in 2021/2022 puts the Scheme in a stronger financial footing and will give the Scheme an opportunity to better navigate its way out of the pandemic in the short term at least. The final budgetary control report for the financial year 2021/2022 can be found at Appendix 1.

#### 4. 2022/2023 Current Position

Since the beginning of the financial year there has been positive signs of recovery in terms of patronage with passenger numbers averaging around 65% of pre-Covid levels in the

first quarter of the financial year for concessionary travel. Although this is a strong recovery compared to 2020/2021 and 2021/2022, it is still significantly lower than pre pandemic demand levels. This is reflected in the projected outturn position shown for operator reimbursement in Appendix 2.

While the impact of the pandemic over recent years has resulted in underspends in operator reimbursements as a result of reduced passenger numbers, these underspends should only be considered as being temporary and unlikely to be sustained at the same levels, if at all moving forward. This will become clearer when travel patterns can be established and sustained over a longer period of time. Performance levels and analysis can be found in the '*Performance and reimbursement update on 2021/2022 year-end and on 2022/2023 quarter 1*' paper at this Committee.

As members will appreciate, it still remains challenging to predict passenger numbers with any great certainty for the following reasons:

- Although passenger number have increased in comparison to 2021/2022 uncertainty remains as whether public transport usage will return fully to pre pandemic levels for Scheme operators;
- The Autumn and Winter months traditionally have a negative impact on passenger number trends, and this may be more acute in the current year due to the increased prevalence of either Covid or other winter viruses being in circulation;
- The impact on Scheme operators' ability to deliver service levels / frequency, due to potential strikes or other factors could also affect the numbers travelling; and
- The impact of the current cost of living crisis which will bring uncertainty and concerns for card holders who may have less disposable income. This may result in reduced social related journeys in this demographic or a move to bus (where possible) which is free to card holders.

Taking all of the above into consideration, reimbursement to operators for the financial year is projected to be £3.287m, which is a reduction of £0.500m compared to 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 £0.642m when compared with 2021/2022.

Administration of the Scheme and support to card holders has continued at normal levels since the start of the pandemic with no fundamental change to support and output from the Travel Card Unit. Therefore, these costs are more in line with budget estimates. The overall projected outturn position for the financial year can be seen in Appendix 2 and an underspend of £0.500m 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. Any projected underspend will be factored into the long term sustainability plans for the scheme.

As noted in the Proposed Revenue Budget 2022/2023 paper approved in March 2022 there would be a pause in the implementation of the new fares structure until January 2023 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 positive projected outturn for 2022/2023 and current reserve balances

of £4.596m gives the Scheme some headroom to defer the implementation of the new fares structure until April 2023 at the earliest. The 2023/24 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 2021/2022 and projected for 2022/2023 will 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 2022/2023, 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 2021/2022;
- the projected outturn position for 2022/2023 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 2023/2024 paper going to the next Joint Committee.

## 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>                      |
| Climate Change, Adaptation & Carbon consequences | <i>None directly.</i>             |

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**Title** Treasurer

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# Concessionary Travel Revenue Monitoring Report

For Year 21/22 Period 13 ending 31-Mar-2022

|                                       | Year end Position |                  |                  |               | Notes |
|---------------------------------------|-------------------|------------------|------------------|---------------|-------|
|                                       | Actual            | Budget           | Variance         | Variance %    |       |
| <b>EXPENDITURE</b>                    |                   |                  |                  |               |       |
| <b>Employee Costs</b>                 |                   |                  |                  |               |       |
| Salaries                              | 153,239           | 166,009          | 12,770           | 8%            |       |
| Overtime                              | -                 | 1,000            | 1,000            | 100%          |       |
| Other Employee Costs                  | 41,766            | 45,247           | 3,481            | 8%            |       |
| <b>Sub Total Employee Costs</b>       | <b>195,006</b>    | <b>212,256</b>   | <b>17,250</b>    | <b>8%</b>     |       |
| <b>Supplies &amp; Services</b>        | <b>57,026</b>     | <b>62,600</b>    | <b>5,574</b>     | <b>9%</b>     |       |
| <b>Third Party Payments</b>           |                   |                  |                  |               |       |
| Operator Reimbursement                | 2,644,770         | 3,750,992        | 1,106,223        | 29%           | 1     |
| Other Third Party Payments            | 50,159            | 52,000           | 1,841            | 4%            |       |
| <b>Sub Total Third Party Payments</b> | <b>2,694,928</b>  | <b>3,802,992</b> | <b>1,108,064</b> | <b>29%</b>    |       |
| <b>TOTAL EXPENDITURE</b>              | <b>2,946,960</b>  | <b>4,077,848</b> | <b>1,130,888</b> | <b>28%</b>    |       |
| <b>INCOME</b>                         |                   |                  |                  |               |       |
| Interest Received                     | (7,543)           | (2,000)          | 5,543            | (277%)        |       |
| <b>TOTAL INCOME</b>                   | <b>(7,543)</b>    | <b>(2,000)</b>   | <b>5,543</b>     | <b>(277%)</b> |       |
| <b>Net Total</b>                      | <b>2,939,417</b>  | <b>4,075,848</b> | <b>1,136,432</b> | <b>28%</b>    |       |

## Notes

1. Significant reduction in payment to operators in the financial year due to reduced passenger numbers as a result of the ongoing Covid pandemic. Although passenger numbers increased in comparison to 2020/21 they were still significantly down from pre covid levels.



## Concessionary Travel Revenue Monitoring Report

For Year 22/23 Period 5 ending 20-Aug-2022

|                                       | Year to Date     |                  |                |             | Annual Budget     |                  |                |            |
|---------------------------------------|------------------|------------------|----------------|-------------|-------------------|------------------|----------------|------------|
|                                       | Actual           | Budget           | Variance       | Variance %  | Projected Outturn | Annual Budget    | Variance       | Variance % |
| <b>EXPENDITURE</b>                    |                  |                  |                |             |                   |                  |                |            |
| <b>Employee Costs</b>                 |                  |                  |                |             |                   |                  |                |            |
| Salaries                              | 70,672           | 69,868           | (804)          | (1%)        | 181,656           | 181,656          | -              | 0%         |
| Overtime                              | -                | 385              | 385            | 100%        | 1,000             | 1,000            | -              | 0%         |
| Other Employee Costs                  | 19,876           | 19,650           | (226)          | (1%)        | 51,090            | 51,090           | -              | 0%         |
| <b>Sub Total Employee Costs</b>       | <b>90,548</b>    | <b>89,903</b>    | <b>(645)</b>   | <b>(1%)</b> | <b>233,747</b>    | <b>233,747</b>   | <b>-</b>       | <b>0%</b>  |
| <b>Supplies &amp; Services</b>        | <b>20,690</b>    | <b>21,962</b>    | <b>1,271</b>   | <b>6%</b>   | <b>57,100</b>     | <b>57,100</b>    | <b>-</b>       | <b>0%</b>  |
| <b>Third Party Payments</b>           |                  |                  |                |             |                   |                  |                |            |
| Operator Reimbursement                | 1,273,945        | 1,456,493        | 182,548        | 13%         | 3,286,883         | 3,786,883        | 500,000        | 13%        |
| Other Third Party Payments            | 13,126           | 11,923           | (1,203)        | (10%)       | 31,000            | 31,000           | -              | 0%         |
| <b>Sub Total Third Party Payments</b> | <b>1,287,071</b> | <b>1,468,417</b> | <b>181,346</b> | <b>12%</b>  | <b>3,317,883</b>  | <b>3,817,883</b> | <b>500,000</b> | <b>13%</b> |
| <b>TOTAL EXPENDITURE</b>              | <b>1,398,309</b> | <b>1,580,281</b> | <b>181,971</b> | <b>12%</b>  | <b>3,608,730</b>  | <b>4,108,730</b> | <b>500,000</b> | <b>12%</b> |
| <b>INCOME</b>                         |                  |                  |                |             |                   |                  |                |            |
| Interest Received                     | (9,813)          | (19,231)         | (9,418)        | 49%         | (50,000)          | (50,000)         | -              | 0%         |
| <b>TOTAL INCOME</b>                   | <b>(9,813)</b>   | <b>(19,231)</b>  | <b>(9,418)</b> | <b>49%</b>  | <b>(50,000)</b>   | <b>(50,000)</b>  | <b>-</b>       | <b>0%</b>  |
| <b>Net Total</b>                      | <b>1,388,496</b> | <b>1,561,050</b> | <b>172,554</b> | <b>11%</b>  | <b>3,558,730</b>  | <b>4,058,730</b> | <b>500,000</b> | <b>12%</b> |

### Notes

1. Passenger numbers and reimbursement to operators have increased in comparison to the first five periods of the financial year 2021/22. However as per for Performance and Reporting paper at this Committee passenger numbers and consequently operator reimbursement have not fully recovered to Pre Covid levels and this is represented in the current underspend in the year to date against budget. Projected outturn reduced based on current passenger trends and reimbursement to operators in the first 5 periods of the financial year being sustained until year end.
2. Current position due to timing issues in respect of budget phasing. Recently increased interest rates will mean increased income in the second half of the financial year.