



## Proposed Revenue Budget 2025/2026

**Date of meeting** 14 March 2025

**Date of report** 25 February 2025

### Report by Treasurer

#### 1. Object of report

To present to the Committee for approval a proposed revenue budget for the financial year 2025/2026, outlining the assumptions made in the preparation of the budget and to advise the Committee of the proposed local authority requisitions to support the Strathclyde Concession Travel Scheme ("the Scheme"). The outline of the 2026/2027 budget and the Long Term Financial Forecast is also presented for noting at this stage.

#### 2. Background to report

Members will be aware from previous reports provided to Committee that since 2023/2024 there has been a strong recovery in passenger numbers using the Scheme. Indeed 2023/2024 was the first year since 2019/2020 when a draw on reserves was required to support the scheme.

This is against a backdrop of the downturn in passenger numbers and consequently reimbursement in the years prior as a result of the global pandemic. This allowed the scheme to build up much needed reserves and as a result the financial position and sustainability of the scheme improved in the short term.

Approval was given at the Committee meeting of 12 March 2021 for a new half fare with cap structure to be introduced following the recommendations of the in-depth review carried out in 2020. However, due to reduced operator reimbursement costs over recent financial years as a result of the pandemic, the immediate financial pressures previously being experienced by the Scheme were eased in the short term. The result was that no changes to fares were made in the 2024/2025 financial year.

In the current financial year however, as reported in the '*Revenue Monitoring Report as at 1 February 2025, Period 11*', there has been a continuing recovery in terms of scheme patronage which is now in line with pre pandemic levels. This increase in patronage and reimbursement in 2024/2025 now means that costs of the Scheme have now increased to a level which is higher than the funding the Scheme receives via the local authority requisition. This requires to be built into future budget projections to ensure the Scheme is sustainable in the long term, taking all factors into consideration including future patronage levels, operator fares, local government funding settlements and Scheme reserves balances.

In addition to the budget for 2025/2026, a draft budget for 2026/2027 has been prepared but due to the one-year funding constraints reflecting the local government budget settlement process the budget is only indicative at this time.

### **3. Outline of proposals**

#### **(i) Revised Fare Structure**

The significant increase in concessionary travel demand since 2023/2024 has resulted in a corresponding increase in reimbursement to Scheme operators. The impact of this is a projected draw on reserves of £1.186m in 2024/2025 which is not a sustainable position in the long term.

As members will be aware, at the September 2024 Committee, implementation of the new fare structure was approved and will be implemented at the beginning of the 2025/2026 financial year. The Committee's decision to approve the introduction of the new fare structure was considered necessary in light of ongoing budget pressures, and the risk to the short to medium term sustainability of the Scheme. The new fare structure will help safeguard the longer term financial sustainability of the Scheme which, in part, takes account of funding reserves held. While no fare increase is ever welcome, the reality is that the scheme is a supplementary and locally funded addition to the national free bus scheme. The fare increase continues the scheme at a time when many other local schemes have been removed.

The financial modelling of options undertaken during the scheme review estimated that a cost saving of £1.6m could be achieved under a 'half-fare to a cap' structure and could help stabilise the scheme for a longer period of time. This was the only option shown to still retain generous travel discounts whilst at the same time helping ensure financial sustainability. However members are reminded that the costs of the scheme are directly influenced by demand which has limited control levers. The modelled impact is based on best estimates but may be more or less depending on card holder behaviours and decisions.

As discussed in the '*Performance and Reimbursement Update: 2024/2025 Quarters 1-3*' paper presented at this Committee the impact of the revised fare structure will see an increase to the majority of concessionary fares however some fares will be capped in recognition of the impact on rural lifeline routes. Given that these journeys involve longer and more expensive trips, appropriately capped fares were identified to be the most equitable solution to mitigate against otherwise expensive trips.

#### **(ii) 2025/2026 Budget Proposal**

The budget has been prepared on the basis of the revised fare structure being implemented in April 2025. It assumes that there will be a small reduction in passenger numbers as a result of the new fare structure. Operator reimbursement is anticipated to decrease by £1.652m in 2025/2026 when compared to 2024/2025. Scheme members fare increases in 2025/2026 are also factored into projection as detailed in the '*Performance and Reimbursement Update: 2024/2025 Quarters 1-3*' paper at this Committee. The implementation of the revised fare structure in 2025/2026 will allow the Scheme to establish a new baseline for travel demand, operator reimbursement and Scheme reserves.

Budgeted costs for the administration of the Scheme and support to card holder costs are slightly higher than 2024/2025. Increased salary costs reflecting the implementation of the COSLA pay award for 2024/2025 and an estimation of the 2025/2026 pay award along with increased employer national insurance contributions which come into effect in April 2025 have been built into the 2025/2026. This includes an increase in the contribution rate from 13.8% to 15% coupled with a reduction in the threshold for when employers need to start paying contributions from £9,100 to £5,000. Income from

interest received is expected to reduce in 2025/2026 compared to the 2024/2025 projected outturn reflecting the anticipated reduction in interest rates and cash balances.

The Local Authority funding settlement for 2025/2026 has been agreed as an increase of 2.04% compared to 2024/2025, in line with the local government budget settlement and consequently the proposed Scheme requisition level of £4.178m for 2025/2026 mirrors that estimate.

Taking the above into account, including the level of funding available from member local authorities and expected forecasts for patronage, the first year of the new half fare scheme allows for a contribution to reserves which partially replenishes the amount drawn down in 2024/2025. By year two this amount reduces significantly and by year three onwards the scheme is reliant on further draw downs from reserves. While not ideal it does ensure that the scheme is financially viable over a longer term.

It is therefore recommended to agree a budget of £3.752m for 2025/2026 funded by £4.178m local authority requisition. This will allow a transfer to reserves of £0.427m in 2025/2026 and £0.072m in 2026/2027. From 2027/2028 the scheme will require to draw £0.125m from reserves to breakeven, rising to £1.245m by 2032/3033. Thereafter, without further intervention, the scheme goes into deficit. These figures are based on the best estimates of patronage and consequential operator reimbursement.

If the proposed budget is approved, the revised reserve balance is forecast to increase to £4.266m at the end of the financial year 2025/2026. The proposed revenue budget can be found at Appendix 1 and the proposed requisition including the split per Local Authority can be found at Appendix 2.

### **(iii) Long Term Financial Forecast**

A long term financial forecast of the Scheme was undertaken to provide reassurance that the revised fare structure would assist provide more financial stability to the Scheme. Members will recall that in the long term financial forecast tabled at the March 2024 committee as part of the Proposed Revenue Budget 2024/2025 paper detailed that reserves would be fully extinguished during the 2027/2028 financial year. However, the updated Long Term Financial Strategy found in Appendix 3 shows that as a result of the revised fares structure reserves can be sustained until the end of the financial year 2032/2033.

This further supports the view that the introduction of the new fare structure is necessary in 2025/2026. This forecast, which can be found in Appendix 3, projects financial costs and funding for the next 10 years and is based on a number of assumptions. These include annual year on year increases in operator fares, patronage and administrative costs of supporting the scheme, including employee costs, supplies and third party payments. It also assumes a flat requisition from 2026/2027 onwards from our Local Authority partners.

## **4. Conclusion**

In the current financial year, there has been a continuing recovery in terms of scheme patronage which is now in line with pre pandemic levels. This increase in patronage and reimbursement in 2024/2025 now means that costs of the Scheme has now increased to level which is higher than the funding the Scheme receives via the local authority requisition which is not a sustainable position in the long term.

The implementation of the new fares structure in April 2025 will safeguard the longer term future of the Scheme taking cognisance of the long term financial forecast. It will allow the Scheme to establish a new baseline for travel demand, operator reimbursement and Scheme reserves in future financial years.

## 5. Committee action

The Committee is recommended to approve:

- (i) the proposed budget of £3.752m for financial year 2025/2026;
- (ii) requisitions totalling £4.178m for 2025/2026, a 2.04% increase compared to 2024/2025; and
- (iii) a transfer to reserves of £0.427m in 2025/2026 based on budget projections.

## 6. Consequences

Policy consequences	None directly.
Legal consequences	Required to set a balanced budget.
Financial consequences	As outlined in the report.
Personnel consequences	None directly.
Equalities consequences	None directly.
Risk consequences	None directly.
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* at [stuart.paul@spt.co.uk](mailto:stuart.paul@spt.co.uk)



## Concessionary Travel Scheme

Proposed Revenue Budget 2025/2026

	Current Year		Proposed	Draft
	Budget 2024/2025	Projected outturn 2024/2025		
Payments to Operators	4,745,050	5,145,050	3,492,448	3,737,660
Administration & Overheads	408,361	408,361	421,687	462,951
<b>Total expenditure</b>	<b>5,153,411</b>	<b>5,553,411</b>	<b>3,914,135</b>	<b>4,200,611</b>
Interest received	(122,461)	(272,461)	(162,458)	(95,168)
<b>Total Expenditure</b>	<b>5,030,950</b>	<b>5,280,950</b>	<b>3,751,677</b>	<b>4,105,444</b>
Funded by:				
Requisition	(4,094,841)	(4,094,841)	(4,178,376)	(4,178,376)
CTS Reserves	(936,109)	(1,186,109)	426,699	72,932
<b>Total Income</b>	<b>(5,030,950)</b>	<b>(5,280,950)</b>	<b>(3,751,677)</b>	<b>(4,105,444)</b>
<b>Projected Reserves Balance</b>	<b>5,025,625</b>	<b>3,839,516</b>	<b>4,266,214</b>	<b>4,339,146</b>



## Proposed Council Requisition - CTS

Financial Year 2025/2026

	Requisition Financial Year 2024/2025	Proposed Financial Year 2025/2026
Argyll and Bute	208,316	212,944
East Ayrshire	235,547	239,216
East Dunbartonshire	232,824	236,793
East Renfrewshire	186,531	190,763
Glasgow	842,114	857,135
Inverclyde	163,385	166,303
North Ayrshire	285,924	290,776
North Lanarkshire	569,806	582,318
Renfrewshire	332,217	340,999
South Ayrshire	261,416	267,075
South Lanarkshire	611,333	624,738
West Dunbartonshire	165,427	169,315
<b>Total Requisition</b>	<b>4,094,841</b>	<b>4,178,376</b>

### Notes

1. Assumes 2.04 increase in the overall requisition.
2. Change in % allocation to Councils due to update on the latest Mid Point population survey for over 60's (mid-2023).

**Concessionary Travel Scheme 2025/2026 - Long Term Financial Forecast**

Cost	Year 1 2025/2026	Year 2 2026/2027	Year 3 2027/2028	Year 4 2028/2029	Year 5 2029/2030	Year 6 2030/2031	Year 7 2031/2032	Year 8 2032/2033	Year 9 2033/2034	Year 10 2034/2035
<b>Administrative costs - Travel Card Unit</b>										
Salaries	£262,855	£271,642	£281,149	£290,990	£301,174	£311,715	£322,625	£333,917	£345,604	£357,701
Other employee costs	£48,132	£80,609	£77,316	£80,022	£82,823	£85,722	£88,722	£91,827	£95,041	£98,368
Supplies and Services	£62,700	£62,700	£63,954	£65,233	£66,538	£67,868	£69,226	£70,610	£72,023	£73,463
Other Third Party Payments	£48,000	£48,000	£48,960	£49,939	£50,938	£51,957	£52,996	£54,056	£55,137	£56,240
<b>Total Administrative costs</b>	<b>£421,687</b>	<b>£462,951</b>	<b>£471,380</b>	<b>£486,184</b>	<b>£501,473</b>	<b>£517,262</b>	<b>£533,569</b>	<b>£550,411</b>	<b>£567,805</b>	<b>£585,771</b>
Interest Received	-£162,458	-£95,168	-£76,079	-£76,079	-£66,189	-£52,289	-£33,988	-£11,896	-£1,162	£0
<b>Payments to Operators</b>										
Rail Passengers Projected	3,717,664	3,773,429	3,830,031	3,887,481	3,945,793	4,004,980	4,065,055	4,126,031	4,187,921	4,250,740
Rail Reimbursement Projected	£2,432,252	£2,544,381	£2,660,023	£2,780,921	£2,907,314	£3,039,451	£3,177,595	£3,322,016	£3,473,002	£3,630,850
Average Cost Per Trip	£0.65	£0.67	£0.69	£0.72	£0.74	£0.76	£0.78	£0.81	£0.83	£0.85
Subway Passengers Projected	962,008	976,438	991,085	1,005,951	1,021,040	1,036,356	1,051,901	1,067,680	1,083,695	1,099,950
Subway Reimbursement Projected	£398,580	£417,170	£436,131	£455,953	£476,676	£498,341	£520,990	£544,669	£569,425	£595,305
Average Cost Per Trip	£0.41	£0.43	£0.44	£0.45	£0.47	£0.48	£0.50	£0.51	£0.53	£0.54
Ferries Passengers Projected	572,429	581,016	589,731	598,577	607,555	616,669	625,919	635,308	644,837	654,510
Ferries Reimbursement Projected	£661,616	£776,109	£811,383	£848,261	£886,814	£927,120	£969,257	£1,013,310	£1,059,365	£1,107,513
Average Cost Per Trip	£1.30	£1.34	£1.38	£1.42	£1.46	£1.50	£1.55	£1.59	£1.64	£1.69
<b>Total Passengers Projected</b>	<b>5,252,102</b>	<b>5,330,883</b>	<b>5,410,846</b>	<b>5,492,009</b>	<b>5,574,389</b>	<b>5,658,005</b>	<b>5,742,875</b>	<b>5,829,018</b>	<b>5,916,453</b>	<b>6,005,200</b>
<b>Total payments to operators</b>	<b>£3,492,448</b>	<b>£3,737,660</b>	<b>£3,907,537</b>	<b>£4,085,135</b>	<b>£4,270,804</b>	<b>£4,464,912</b>	<b>£4,667,842</b>	<b>£4,879,996</b>	<b>£5,101,792</b>	<b>£5,333,668</b>
<b>Total Concessionary Scheme Costs</b>	<b>£3,751,677</b>	<b>£4,105,444</b>	<b>£4,302,837</b>	<b>£4,495,239</b>	<b>£4,706,088</b>	<b>£4,929,885</b>	<b>£5,167,423</b>	<b>£5,418,511</b>	<b>£5,668,435</b>	<b>£5,919,439</b>
<b>Council requisition</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>	<b>£4,178,376</b>
<b>Draw on Reserves</b>	<b>-£426,699</b>	<b>-£72,932</b>	<b>£124,462</b>	<b>£316,864</b>	<b>£527,712</b>	<b>£751,509</b>	<b>£989,048</b>	<b>£1,240,135</b>	<b>£1,490,059</b>	<b>£1,741,063</b>
<b>Revised Reserves Balance</b>	<b>-£4,266,215</b>	<b>-£4,339,147</b>	<b>-£4,214,685</b>	<b>-£3,897,822</b>	<b>-£3,370,109</b>	<b>-£2,618,600</b>	<b>-£1,629,552</b>	<b>-£389,417</b>	<b>£1,100,642</b>	<b>£2,841,705</b>

**Assumptions**

- Annual increase in employee costs projected at 3.5%.
- All other administrative costs increased annually from 2026/2027 onwards in line with Office of Budget Responsibility CPI forecasts.
- Interest received projections based on reserves held, annual cashflow and projected rates.
- Payment to operators estimate based on 2024/2025 projections and factoring in reductions in reimbursement to operators based on the half fare structure being implemented in April 2025. Also assumes a 3% increase in fares and a 1.5% increase in passenger numbers annually from 2026/2027 onwards.
- Requisition from Councils to fund Scheme assumed flat from 2025/2026 onwards.
- Based on the forecast, and assuming passenger numbers and fare increases are in line with projections then reserves will be fully extinguished towards the end of the financial year 2033/2034.