

**Performance and Reimbursement Update: 2022/2023 year-end and interim 2023/2024 outlook****Date of meeting** 29 September 2023**Date of report** 12 September 2023**Report by Treasurer****1. Object of report**

To update the Committee on the Strathclyde Concessionary Travel Scheme's performance and reimbursement results for 2022/2023 financial year-end.

2. Background

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 and helps safeguard the Scheme's financial sustainability going forward. These updates also 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.

In recent years, with the trend highlighting increasing concessionary travel demand and rising reimbursement costs, it was estimated that funding reserves were likely to be exhausted within 1-2 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 2021¹. The impact of these approved recommendations would see the current basic concessionary fares replaced by a new half-fare with cap structure. This new structure would also reduce the level of operator reimbursement and ease pressure on reserves, which was considered essential in sustaining the Scheme financially in the longer-term.

However, the impact of the Covid pandemic means that travel demand - as this report will highlight - is still recovering and public transport patronage, including concessionary travel, has continued to experience reductions in demand compared to the pre-Covid period in 2019/2020. As a result, the Scheme's immediate funding reserves position changed, owing to reduced travel demand and corresponding reductions in reimbursement paid to operators.

Members are reminded that, given the reserves balance towards the end of 2022/2023, it was agreed at the previous meeting of the Committee on 17 March 2023 that the Scheme defer the introduction of the agreed half fares structure until April 2024 at the earliest².

For information, a timeline of changes that have been made to the Scheme is presented in Appendix 1. A history of Scheme patronage and reimbursement is presented in Appendix 2.

¹ https://www.spt.co.uk/media/xdflr2mw/sctsjc120321_agenda5.pdf

² https://www.spt.co.uk/media/dq4lwueu/sctsjc170323_agenda6.pdf

3. 2022/2023 Performance and Reimbursement Year-End

Performance results and reimbursement costs for the financial year-end 2022/2023, compared with 2021/2022, are presented in Tables 1 and 2 below:

Table 1: Concessionary travel patronage for 2021/2022 and 2022/2023.

Patronage	2021/2022	2022/2023
	Millions	Millions
Rail	1.81	2.32
Ferry	0.50	0.56
Subway	0.51	0.73
Totals	2.82	3.61

Table 2: Concessionary travel reimbursement for 2021/2022 and 2022/2023.

Reimbursement	2021/2022	2022/2023
	£Millions	£Millions
Rail	1.61	2.10
Ferry	0.86	1.03
Subway	0.19	0.27
Totals	2.66	3.40

- 3.1. Table 1 shows concessionary travel demand increased significantly in financial year 2022/2023 across all modes with 3.61 million journeys undertaken, representing an overall increase in patronage of 0.79 million compared with financial year 2021/2022.
- 3.2. Table 2 shows Scheme reimbursement was £3.40 million in 2022/2023, an increase of £0.74 million compared with 2021/2022.

4. Conclusions

- 4.1. Results for 2022/2023 financial year-end show a 28% increase in the number of concessionary journeys made compared with 2021/2022.
- 4.2. Correspondingly, Scheme costs increased in financial year 2022/2023, also by 28% with regard to reimbursement payments made to operators when compared with 2021/2022.
- 4.3. By mode, in 2022/2023, concessionary travel demand on rail and Subway was 66% and 82% respectively of pre-Covid levels, while demand for concessionary ferry travel was 83%.
- 4.4. Results for the financial year 2022/2023 indicate a continuing post-covid recovery position for concessionary travel demand. However, members are asked to note that the year-end figures reported in this paper equate, on average across modes, to only 71% of typical pre-Covid concessionary patronage for the financial year and 78% of typical reimbursement costs.

- 4.5. At the time of writing, we await traffic return information from CalMac, meaning we are unable to report full performance figures for the first quarter of the current financial year 2023/2024. However, an analysis of quarter 1 (April-June) returns for rail and Subway would indicate that concessionary travel is recovering further still, with rail demand for the first quarter showing patronage to be 85% of pre-covid levels. Subway concessionary travel demand has in fact increased by 1% compared with the first quarter in 2019/2020. Analysis would suggest that this further recovery started in the final quarter (Jan-Mar) of the last financial year 2022/2023 and continued in the first quarter of this financial year.
- 4.6. Whilst Covid-19 impacts continue to result in savings to scheme re-imburement costs as a result of a reduced number of concessionary travel journeys, as can be seen from this report, year-end figures, alongside a partial quarter 1 analysis, would indicate that concessionary travel demand is recovering strongly. It is important however that travel patterns are monitored over a longer period.
- 4.7. Members are reminded that, as well as concessionary travel demand being a factor determining scheme costs, increases to operators' standard fares also impacts Scheme costs as a result of the reimbursement payments that are made for each concessionary journey based on an agreed formula which uses the operators' standard fare as its base.
- 4.8. In June this year, the Scottish Government announced a fare freeze on Clyde and Hebrides and Northern Isles ferry networks, meaning standard ferry fares would be held at current levels from October 2023 until the end of March 2024.
- 4.9. Following an extended freeze, ScotRail fares increased by 4.8% starting 3 July 2023. However, members are asked to note the planned removal of peak rail fares as part of a six-month pilot period beginning 1 October 2023 for which the implications on SCTS demand at this time remain unknown. A separate paper is being presented to this committee.
- 4.10. SPT is proposing that a modest Subway fare increase scheduled to be introduced from January 2024. This will be Subway's first fare increase since April 2019.
- 4.11. While it appears evident that the effects of the Covid-19 pandemic on travel demand are reducing, members will recognise that the on-going cost of living crisis continues to bring uncertainty and concerns for the people and communities of the west of Scotland and, in particular, for older people who generally rely on lower incomes than the working-age population. Therefore, it is important that officers continue to monitor the emerging situation closely with regard to travel demand, concessionary fares and SCTS budgets and keep the Committee updated on this and other relevant matters including the previously agreed introduction of the new half fare structure.

5. Committee action

The Committee is asked to note the contents of this paper and in particular, the recovery in concessionary travel demand, noting on-going cost of living pressures and recent and planned operator fare changes potentially impacting concessionary travel demand and operator reimbursement.

6. Consequences

Policy consequences	<i>In line with the policies of the new RTS.</i>
Legal consequences	<i>None at present.</i>
Financial consequences	<i>None at present, however, officers must continue to closely monitor concessionary demand,</i>

operator fare changes and assess impacts upon scheme budgets.

Personnel consequences *None at present.*

Equalities consequences *The scheme continues to support positive outcomes for older and disabled people.*

Risk consequences *None at present.*

Climate Change, Adaptation & Carbon consequences *None at present.*

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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: Scheme Patronage and Reimbursement History (5 years)

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