

## Update on 2016/17 scheme costs and proposed revenue budget for financial year 2017/18

**Committee** Strathclyde Concessionary Travel Scheme Joint Committee

**Date of meeting** 24 February 2017

**Date of report** 8 February 2017

### Report by Treasurer

#### 1. Object of report

To provide the Committee with an update on the scheme costs and patronage in 2016/17 and to recommend a revenue budget for financial year 2017/18. In addition, to consider recommendations to increase the concessionary fare applicable within the local scheme.

#### 2. Background

##### 2.1 Prior Years

In December 2008 the Joint Committee, following an assessment of patronage, increased operator costs and requests for scheme extensions, instigated a review of the entire Strathclyde Concession Scheme. The major recommendations were:

- (1) Replace original SCTS aims with proposed revised scheme objectives.
- (2) Increase the basic concessionary fare on rail and subway by a maximum of 20p at that time.
- (3) Re-introduction of a basic concessionary fare on ferry services included within SCTS, consistent with rail and subway.
- (4) Introduce a price differential between the single and return basic concessionary fare (e.g. Single = 60p, Return = £1).
- (5) Impose a cap on the level of annual reimbursement by mode and operator.

For 2010/11, the Joint Committee agreed to implement recommendations (1) to (4), with recommendation (5) to be considered for future implementation. This recommendation was subsequently re-assessed in 2012/13 following discussion with all affected operators and an agreement to implement a series of reduced operator reimbursement rates.

For 2013/14, the Joint Committee agreed to increase the basic concessionary fare on all modes by 10p on a single and 10p on a return, making the single fare 90p and the

return fare £1.30. This was to mitigate the impact on Scheme costs of the January 2013 increase in average First ScotRail and Ferry fares.

In 2014/15, 2015/16 and 2016/17 no changes to the scheme rules or applicable fares were made.

## 2.2 Current Year

Members received an update on patronage and re-imburement expenditure for Q1 and Q2 at the Committee on 4 November 2016. The cumulative patronage change to Q3 is detailed in the table below:

	<b>Patronage Change Compared to 2015/16 Periods Q1-Q3</b>
<b>Rail</b>	+0.2%
<b>Subway</b>	-13.3%
<b>Ferry</b>	+3.0%

\*Subway services were suspended for the period 2 July 2016 – 10 August 2016 in order to carry out planned essential engineering works, and significant works affecting all rail services in Q1 and Q2 are likely to have impacted on concession patronage.

Taken together, the above patronage change results in an overall reduction of 1.6% on total travel for the period, resulting in a corresponding reduction in expenditure of approximately £12,300.

The current forecast for year-end patronage levels intimate a year on year percentage reduction of 0.8%.

## 2.3 Current Year

Appendix 1 contains the revenue monitoring report as at Period 10, ending 07 January 2017. The revenue forecast outturn is anticipated to be £4.180m, a positive variance of £0.149m. This has arisen as a result of a reduction in the amounts being reimbursed to Ferry Operators and savings generated through the further roll out of the Road Equivalent Tariff (RET).

In addition, as detailed above, the closure of both the Subway and the engineering works at Queen Street Station has had an effect on patronage and therefore reimbursement levels.

At 31 March 2016, the residual scheme held reserves of £1.667m. Based on the forecast outturn at P10 there will be an addition to reserves of £0.078m in 2016/17.

Reserves are necessary to ensure the longer term viability and sustainability of the Scheme at a time of reduced funding from member local authorities, anticipated operator fare increases and levels of demand for travel.

## 3. Outline of Proposals

Concessionary fares have not been increased during the last three financial years, despite increases to standard operator fares which affects the level of re-imburement. For example, the average fare increase on rail alone during this time is around 6%. It is

proposed that basic concessionary fares should be increased in 2017/2018 as detailed in the table below:

Service	2017/18	
	Single	Return
Standard	£1.00	£1.40
Ferry over 10 nautical miles	£2.00	£2.80

A full list of all ferry routes and fares showing the level of discount is shown at Appendix 3 for members' attention. Whereas for rail journeys greater than 10 track miles it is proposed the fare remains unchanged at half fare.

Taking the above into account, the level of funding available from member local authorities and expected forecasts for patronage and operator re-imbursement levels, it is recommended to agree a budget of £4.173m for 207/18 (see Appendix 2) funded by £4.173m local authority requisition. The local authority requisition has been reduced by 2% from the previous year. This budget reflects:

- forecast patronage in line with scheme trends;
- revised operator reimbursement levels, net of forecast fare increases, based on 2016/17 actuals but also taking to account RET savings; and
- increased concessionary fares.

These proposals are designed to maintain the overall scheme within levels affordable to funding authorities.

#### 4. Conclusion

This budget takes account of the on-going pressures facing local authorities which have a need to reduce their overall expenditure. However, the overall reduction in funding is being managed with a small increase in concession fares.

#### 5. Committee Action

The Joint Committee is recommended to:

- note the forecast outturn for 2016/17;
- approve the increase in concessionary fares for 2017/18; and
- approve the proposed budget of £4.173m for financial year 2017/18.

#### 6. Consequences

Policy consequences:	<i>The proposed budget would continue to support the aims of the scheme.</i>
Legal consequences:	<i>None.</i>
Financial consequences:	<i>As outlined in the report</i>
Personnel consequences:	<i>None</i>

Equalities consequences: *Maintenance of access to public transport for concession card holders.*

Risk consequences: *Without continued management of the costs of the scheme there is a risk that the scheme may become unaffordable to the public purse.*

**Name** Valerie Davidson

**Title** Treasurer

*For further information, please contact Neil Wylie, Director of Finance & HR, on 0141 333 3380.*



## Revenue Monitoring Report - Concessionary Travel

For Year 16/17 Period 10 ending 07 January 2017

	Year to Date				Annual Budget				Notes
	Actual	Budget	Variance	Variance %	Projected Outturn	Annual Budget	Variance	Variance %	
<b>EXPENDITURE</b>									
<b>Employee Costs</b>									
Salaries	110,405	129,172	18,766	15%	141,802	167,923	26,121	16%	1
Other Employee Costs	26,737	35,477	8,740	25%	34,161	46,120	11,959	26%	1
<b>Sub Total Employee Costs</b>	<b>137,142</b>	<b>164,648</b>	<b>27,506</b>	<b>17%</b>	<b>175,963</b>	<b>214,043</b>	<b>38,080</b>	<b>18%</b>	
<b>Supplies &amp; Services</b>	<b>87,882</b>	<b>91,154</b>	<b>3,272</b>	<b>4%</b>	<b>118,500</b>	<b>118,500</b>	<b>-</b>	<b>0%</b>	2
<b>Transport &amp; Plant Costs</b>	<b>-</b>	<b>77</b>	<b>77</b>	<b>100%</b>	<b>-</b>	<b>100</b>	<b>100</b>	<b>100%</b>	
<b>Third Party Payments</b>									
Other Third Party Payments	2,972,222	3,050,979	78,757	3%	3,905,397	4,015,943	110,546	3%	3
<b>Sub Total Third Party Payments</b>	<b>2,972,222</b>	<b>3,050,979</b>	<b>78,757</b>	<b>3%</b>	<b>3,905,397</b>	<b>4,015,943</b>	<b>110,546</b>	<b>3%</b>	
<b>TOTAL EXPENDITURE</b>	<b>3,197,246</b>	<b>3,306,858</b>	<b>109,612</b>	<b>3%</b>	<b>4,199,860</b>	<b>4,348,586</b>	<b>148,726</b>	<b>3%</b>	
<b>INCOME</b>									
Interest Received	(15,856)	(15,385)	472	(3%)	(20,000)	(20,000)	-	0%	
<b>TOTAL INCOME</b>	<b>(15,856)</b>	<b>(15,385)</b>	<b>472</b>	<b>(3%)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>-</b>	<b>0%</b>	
<b>Net Total</b>	<b>3,181,390</b>	<b>3,291,474</b>	<b>110,084</b>	<b>3%</b>	<b>4,179,860</b>	<b>4,328,586</b>	<b>148,726</b>	<b>3%</b>	

### Notes

1. Based on current establishment position
2. Current underspend due to timing issues in respect of expenditure/budget phasing.
3. Underspend due to savings as a result of the roll out of the final phase of Road Equivalent Tariff (RET)



## Concessionary Travel Scheme

Proposed Revenue Budget 2017/18 and 2018/19

	Budget 16/17 £000	Proposed Budget 17/18 £000	Draft Budget 18/19 £000
Payments to Operators	4,015,943	3,880,386	3,794,687
Administration & Overheads	332,643	307,454	309,696
Total expenditure	<u>4,348,586</u>	<u>4,187,840</u>	<u>4,104,383</u>
Interest received	(20,000)	(15,000)	(15,000)
<b>Total Expenditure</b>	<b><u>4,328,586</u></b>	<b><u>4,172,840</u></b>	<b><u>4,089,383</u></b>
Funded by:			
Requisition	(4,258,000)	(4,172,840)	(4,089,383)
CTS Reserves	(70,586)	0	0
<b>Total Income</b>	<b><u>(4,328,586)</u></b>	<b><u>(4,172,840)</u></b>	<b><u>(4,089,383)</u></b>
<b>Surplus/(Deficit)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Projected Reserves Balance</b>	<b><u>1,744,837</u></b>	<b><u>1,744,837</u></b>	<b><u>1,744,837</u></b>

Appendix 3

Route	Operator	Area	Single	Return	Single Saving	Return Saving
Gourock - Dunoon	Argyll Ferries	Cowal	£ 4.50	£ 7.65	<b>-78%</b>	<b>-82%</b>
Largs - Cumbrae	CalMac	Cumbrae	-	£ 3.20	-	<b>-56%</b>
Tarbert - Portavadie	CalMac	Cowal and Kintyre	£ 2.60	£ 5.20	<b>-62%</b>	<b>-73%</b>
Wemyss Bay - Rothesay	CalMac	Bute	£ 3.05	£ 6.10	<b>-67%</b>	<b>-77%</b>
Colintraive - Rhubodach	CalMac	Bute	£ 1.10	£ 2.20	<b>-9%</b>	<b>-36%</b>
Oban - Craignure	CalMac	Mull	£ 3.45	£ 6.90	<b>-71%</b>	<b>-80%</b>
Lochaline - Fishnish	CalMac	Mull	£ 2.30	£ 4.60	<b>-57%</b>	<b>-70%</b>
Tobermory - Kilchoan	CalMac	Ardnamurchan & Mull	£ 2.65	£ 5.30	<b>-62%</b>	<b>-74%</b>
Oban - Lismore	CalMac	Lismore	£ 2.65	£ 5.30	<b>-62%</b>	<b>-74%</b>
Fionnphort - Iona	CalMac	Iona	£ 1.65	£ 3.30	<b>-39%</b>	<b>-58%</b>
Port Askaig - Oban	CalMac	Colonsay	£ 9.30	£18.60	<b>-78%</b>	<b>-85%</b>
Ardrossan - Brodick	CalMac	Arran	£ 3.75	£ 7.50	<b>-47%</b>	<b>-63%</b>
Claonaig - Lochranza	CalMac	Arran	£ 2.80	£ 5.60	<b>-29%</b>	<b>-50%</b>
Tarbert - Lochranza	CalMac	Arran	£ 2.80	£ 5.60	<b>-64%</b>	<b>-75%</b>
Kennacraig - Port Ellen	CalMac	Islay	£ 6.50	£13.00	<b>-69%</b>	<b>-78%</b>
Kennacraig - Port Askaig	CalMac	Islay	£ 6.50	£13.00	<b>-69%</b>	<b>-78%</b>
Port Askaig - Colonsay	CalMac	Colonsay	£ 4.00	£ 8.00	<b>-50%</b>	<b>-65%</b>
Oban - Colonsay	CalMac	Colonsay	£ 7.15	£14.30	<b>-72%</b>	<b>-80%</b>
Tayinloan - Gigha	CalMac	Gigha	£ 2.50	£ 5.00	<b>-60%</b>	<b>-72%</b>
Oban - Coll	CalMac	Coll and Tiree	£10.30	£20.60	<b>-81%</b>	<b>-86%</b>
Oban - Tiree	CalMac	Coll and Tiree	£10.30	£20.60	<b>-81%</b>	<b>-86%</b>
Gourock-Kilcreggan	SPT (operated by Clydelink)	Rosneath	£ 2.60	£ 5.00	<b>-62%</b>	<b>-72%</b>
McInroy's Point-H'Quay	Western Ferries	Cowal	£ 4.40	£ 8.60	<b>-77%</b>	<b>-84%</b>
Kerrera-Oban	Kerrera Ferry	Isle of Kerrera	£ 3.00	£ 4.50	<b>-67%</b>	<b>-69%</b>
Port Appin-Lismore	Argyll & Bute Council	Lismore	£ 1.80	£ 3.60	<b>-44%</b>	<b>-61%</b>
Port Askaig-Feolin	Argyll & Bute Council (operated by ASP)	Port Askaig	-	£ 1.75	-	<b>-20%</b>
Cuan Ferry	Argyll & Bute Council	Cuan	-	£ 2.00	-	<b>-30%</b>
Easdale Ferry	Argyll & Bute Council	Easdale	-	£ 2.00	-	<b>-30%</b>