

# Strathclyde Concessionary Travel Scheme Joint Committee



## Draft Revenue Budget 2019/20

**Date of meeting** 8 March 2019

**Date of report** 8 March 2019

### Report by Treasurer

#### 1. Object of report

To present to the Committee a proposed draft revenue budget for the financial year 2019/20, outlining the assumptions made in the preparation of the budget, and to advise the Committee of the proposed local authority requisitions to support the Concession Scheme.

#### 2. Background

In December 2008 the Joint Committee instigated a review of the entire Strathclyde Concession Scheme following an assessment of patronage, increased operator costs and requests for scheme extensions. 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) Reintroduction 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 arising from 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.

In 2017/18, there were changes made for the first time in four years, 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 standard fare £1.00 and the return fare £1.40. Rail journeys greater than 10 track miles are charged at 50% of the standard rail fare. Ferry fares for journeys greater than 10 nautical miles are capped at £2.00 for a single and £2.80 for a return.

In 2018/19 standard return journey fares increased from to £1.50 and the return journey fare for Ferry over 10 nautical miles increased to £2.90.

The changes are shown in diagrammatical format at Appendix 1.

### 3. Outline of Proposals

The scheme continues to experience financial pressures from the impact of funding pressures on the partner local authorities and from increased operator costs driven by patronage growth and operator fare increases. The scheme in its present format is not sustainable in the long-term without an increase in funding from local authority partners or significant operational amendments to the scheme structure or fares applicable.

A root and branch review of the scheme is required to ensure the schemes affordability for the future. The review will include benchmarking the scheme to other local schemes and stakeholder consultations. The results of the benchmarking exercise and stakeholder consultation will feed into the potential future options. This review will take place in 2019/20, with options presented to the next Committee.

However for the proposed 2019/20 budget it is not proposed to make any amendments to the operation and fares structure of the scheme. The budget has been drafted taking account of:

- forecast patronage in line with scheme trends. Patronage on a net basis has increased by 1% in 2018/19 compared with 2017/18 (Quarters 1 to 3) and this increase along with prior year trends has been forecast into the 2019/20 draft budget;
- revised operator reimbursement levels, based on 2018/19 actuals and including projections for fare increases across all scheme operators. The proposed budget takes account of the 2.8% average fares increase by Scotrail, the proposed average 3.1% increase in Subway adult fares and assumes that ferry operators will increase their fares at some stage in the financial year 2019/20; and
- reduced requisition from local authorities.

With regard to the local authority requisition levels there has been a reduction of 2.27%, which represents the overall average reduction in the floor calculation for all local authorities in Scotland (<https://www.gov.scot/publications/local-government-finance-circular-8-2018-settlement-for-2019-20/>). The methodology of applying the overall change in the floor calculation will be applied in future years also. However, the impact of additional funding into the local government settlement has resulted in the agreed local authority funding change being a cash reduction of 1.22%.

Taking the above into account, the level of funding available from member local authorities and expected forecasts for patronage and operator re-imburement levels, it is recommended to agree a budget of £4.573m for 2019/20 funded by £4.039m local authority requisition and £0.534m of reserves. If the proposed budget is approved, the revised reserve balance will be £0.748m.

The draft budget can be found at Appendix 2 and the proposed requisition levels can be found at Appendix 3.

### 4. Conclusion

This budget takes account of the ongoing pressures facing local authorities which have a need to reduce their overall expenditure. This will result in a real terms cash reduction to

the scheme at a time when the costs of the scheme are increasing. As a result, it will be necessary to make a further draw on the scheme reserves.

## 5. Committee action

The Joint Committee is recommended to:

- approve the proposed budget of up to £4.573m for financial year 2019/20, noting the Local Authority requisition split per Local Authority; and
- note that a full review of the scheme will be undertaken in 2019/20, and options presented to a future Committee.

## 6. Consequences

Policy consequences	<i>A review of the scheme will be completed in 2019/20</i>
Legal consequences	<i>Required to set a balanced budget.</i>
Financial consequences	<i>As outlined in the report.</i>
Personnel consequences	<i>None directly.</i>
Equalities consequences	<i>None directly.</i>
Risk consequences	<i>There is a risk that the scheme will not be able to continue in its current format as it is unaffordable.</i>



**Name** Valerie Davidson  
**Title** Treasurer/Secretary

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

## Summary of Scheme Changes

### 2010-11

- Increased the basic concessionary fare on rail and Subway by a maximum of 20p.
- Re-introduced a basic concessionary fare on ferry services included within SCTS.
- Introduced a price differential between single and return basic concessionary fare i.e. single 60p and return £1.00.

### 2011-12

- Increased the basic concessionary fare from 60p single and £1.00 return to 80p single and £1.20 return.
- Re-introduced a 10 mile basic concessionary boundary for ferry services.
- Re-introduced a cap on concessionary ferry fares for services to designated rural areas beyond 10 miles at 2 x basic concession.

### 2012-13

- Updated operator reimbursement calculations.
- Introduced an evening-peak restriction on rail travel [between 16.30 and 18.00 hrs].
- Basic concessionary fare maintained at 80p single and £1.20 return.

### 2013-14

Basic concessionary fare increased to 90p single and £1.30 return.

### 2014-15

Basic concessionary fare maintained at 90p single and £1.30 return.

### 2015-16

Basic concessionary fare maintained at 90p single and £1.30 return.

### 2016-17

Basic concessionary fare maintained at 90p single and £1.30 return.

### 2017-18

Basic concessionary fare increased to £1.00 single and £1.40 return.

### 2018-19

Basic concessionary return fare increased to £1.50. No change to single fare.



## Concessionary Travel Scheme

Proposed Revenue Budget 2019/20

	Projected Outturn 18/19 £	Budget 18/19 £	Draft Budget 19/20 £
Payments to Operators	4,089,484	3,954,621	4,268,551
Administration & Overheads	297,252	290,565	322,484
Total expenditure	<u>4,386,736</u>	<u>4,245,186</u>	<u>4,591,035</u>
Interest received	(20,000)	(12,000)	(18,000)
<b>Total Expenditure</b>	<b><u>4,366,736</u></b>	<b><u>4,233,186</u></b>	<b><u>4,573,035</u></b>
Funded by:			
Requisition	(4,089,383)	(4,089,383)	(4,039,493)
CTS Reserves	(277,353)	(143,803)	(533,542)
<b>Total Income</b>	<b><u>(4,366,736)</u></b>	<b><u>(4,233,186)</u></b>	<b><u>(4,573,035)</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>1,281,065</u></b>	<b><u>1,414,615</u></b>	<b><u>747,522</u></b>



**Strathclyde Concessionary Travel Scheme  
Draft Member Authority Contributions 2019/20**

<b>Unitary Authority</b>	<b>Approved 18/19</b>	<b>Proposed 19/20</b>
Argyll and Bute	169,430	206,593
East Ayrshire	232,728	234,698
East Dunbartonshire	210,265	226,863
East Renfrewshire	170,600	180,238
Glasgow	1,009,987	839,853
Inverclyde	164,421	157,405
North Ayrshire	271,641	285,687
North Lanarkshire	551,797	567,361
Renfrewshire	320,156	320,471
South Ayrshire	253,936	263,023
South Lanarkshire	563,071	594,683
West Dunbartonshire	171,351	162,619
<b>Total</b>	<b>4,089,383</b>	<b>4,039,493</b>

Note 1: Contribution has reduced by 1.22% from previous year.

Note 2: Apportionment between the authorities is changing for 2019/20 to use the MID 2017 population stats.