

Strathclyde Concessionary Travel Scheme Joint Committee



Draft Revenue Budget 2020/21

Date of meeting 06 March 2020

Date of report 20 February 2020

Report by Treasurer

1. Object of report

To present to the Committee a proposed draft revenue budget for the financial year 2020/21, 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. The outline of the 2021/22 budget is also presented for noting at this stage.

2. Background

The Scheme continues to experience financial sustainability issues 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. These issues and potential funding options were detailed in a report to the Committee, *Review of Strathclyde Concessionary Travel Scheme*, on 20 September 2019. This report can be found at http://www.spt.co.uk/documents/latest/CTJC200919_Agenda7.pdf.

In addition to the budget for 2020/21 a budget has been drafted for 2021/22, but due to the one-year funding constraints the budget is only indicative at this time. The local authorities that fund the Scheme are sympathetic to the issues that one-year budgeting can cause, however they are also constrained by the fact that they receive a one-year settlement from the Scottish Government.

In an earlier paper to this Committee, *Proposed Fare Increase and Review of Scheme* approval for an increase to concession fares in 2020/21 was proposed. The proposed budget for 2020/21 has been drafted based on the impact of implementing the proposed fares increase.

3. Current Position and Outline of Proposals

As noted from the Revenue Monitoring Report for Period 11 being presented to this Committee both passenger numbers and reimbursement payments trends have been increasing year on year and this trend has continued in the financial year 2019/20. This will increase operator reimbursements and further impact on the reserves balance for the Scheme, reducing it to £0.521m by the end of the current financial year assuming year end projections materialise in 2019/20.

The proposed budget has been drafted taking account of: -

- forecast patronage in line with scheme trends. Patronage on a net basis has increased by 4% in 2019/20 compared with 2018/19 (Quarters 1 to 3) and this increase along with prior year trends has been forecast into the proposed budget;

- revised operator reimbursement levels, based on 2019/20 actuals and including projections for fare increases across all scheme operators. The proposed budget takes account of the 2.4% average fares increase by Scotrail, the proposed average 3% increase in Subway adult fares and assumes that ferry operators will increase their fares at some stage in the financial year 2020/21;
- reduced requisition from local authorities; and
- an increase in the basic concessionary single and return fares of 50p in line with the *Proposed Fares Increase and Review of Scheme* paper tabled at this Committee and the projected impact on operator reimbursement payments.

The current budget has been drafted whilst taking account of the external environment. For 2020/21 the Local Authority funding settlement has been estimated at a reduction of 0.44%. This represents the average reduction in the floor calculation for all local authorities in Scotland. This will not be finalised until the Scottish Parliament agree the full budget and may therefore be subject to late changes.

Taking the above into account, including the level of funding available from member local authorities, expected forecasts for patronage, the Scheme's sustainability moving forward and implementing the proposed fares increase, it is recommended to agree a budget of £4.176m for 2020/21 funded by £4.022m local authority requisition and £0.154m of reserves. If the proposed budget is approved the revised reserve balance will be £0.367m at the end of the financial year 2020/21. This initial measure of increasing the basic concessionary fares by 50p on singles and returns gives the scheme some respite in the short term pending a review of the Scheme, with a specific focus on exploring options to ensure its future financial sustainability.

Should the floor position change from 0.44%, this will be reflected in the level of reserves drawn, and the Committee will be advised accordingly.

The draft budget can be found at appendix 1 and the proposed requisition levels can be found at appendix 2.

A do nothing option was considered where no fares increase was recommended. Based on this the total net expenditure budget for 2020/21 would be £5.095m with proposed requisition income from local authorities estimated to be £4.022m. This would leave a shortfall of £1.073m in the budget. This would be partially offset by utilising the remaining projected reserves balance of £0.521m, but there would still be a shortfall in the 2020/21 budget of £0.552m. In order to balance the budget, the Scheme would require to increase the requisition from local authorities by 13% in comparison to 2019/20 requisition levels. This is clearly unlikely given reductions in local authority funding over recent years which has reduced by almost 6% since 2016/17. This option highlights the need for an increase to concessionary fares in order to protect the scheme in the short term and create a balanced budget for 2020/21 as detailed in the report, *Proposed Fare Increase and Review of Scheme*, tabled at this Committee.

4. Conclusion

The draft budget which incorporates the proposed increase in the basic concessionary fare of 50p on both singles and returns recognises the ongoing financial pressures facing the Scheme and protects the viability of the Scheme in the short term.

5. Committee action

The Joint Committee is recommended to approve:

- the proposed budget of up to £4.176m for financial year 2020/21, noting that it requires approval of the proposed concessionary fares increase;
- requisitions totalling £4.022m, a reduction of 0.44% compared to 2019/20; and
- note an estimated draw on reserves of £0.154m.

6. Consequences

Policy consequences	<i>A review of the scheme will be completed in 2020/21</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>

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Title **Treasurer/Secretary**

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Concessionary Travel Scheme

Proposed Revenue Budget 2020/21

	Current Year		Proposed	Draft
	Budget 2019/20	Projected outturn 2019/20	Budget 2020/21*	Budget 2021/22*
Payments to Operators	4,268,551	4,518,551	3,825,410	3,812,980
Administration & Overheads	322,484	286,984	357,044	319,408
Total expenditure	4,591,035	4,805,535	4,182,454	4,132,387
Interest received	(18,000)	(18,000)	(6,500)	(6,500)
Total Expenditure	4,573,035	4,787,535	4,175,954	4,125,887
Funded by:				
Requisition	(4,039,493)	(4,039,493)	(4,021,719)	(4,021,719)
CTS Reserves	(533,542)	(748,042)	(154,235)	(104,169)
Total Income	(4,573,035)	(4,787,535)	(4,175,954)	(4,125,887)
Projected Reserves Balance	735,302	520,802	366,566	262,398

*Includes impact of proposed concession fares increase as per the Proposed Fare Increase and Review of Scheme report tabled at this Committee.



Proposed Council Requisition - CTS

Financial Year 2020/21

	Requisition Financial Year 2019/20	Proposed Financial Year 2020/21
Argyll and Bute	206,593	204,168
East Ayrshire	234,698	233,631
East Dunbartonshire	226,863	225,884
East Renfrewshire	180,238	179,132
Glasgow	839,853	835,091
Inverclyde	157,405	155,692
North Ayrshire	285,687	283,940
North Lanarkshire	567,361	565,466
Renfrewshire	320,471	320,323
South Ayrshire	263,023	262,195
South Lanarkshire	594,683	594,159
West Dunbartonshire	162,619	162,037
Total Requisition	4,039,493	4,021,719

1. The above is based on a reduction of 0.44% to the overall requisition between 2019/20 and 2020/21.
2. Change in % allocation to Councils due to update on the latest Mid Point population survey (mid-2018)