



Update on 2015/16 scheme costs and proposed revenue budget for financial year 2016/17

Committee Strathclyde Concessionary Travel Scheme Joint Committee

Date of meeting 18 March 2016

Date of report 24 February 2016

Report by Treasurer

1. Object of report

To provide an update on the scheme costs in 2015/16 and to seek agreement of the Joint Committee to the revenue budget for financial year 2016/17.

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 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 deferred in 2012/13 following discussion with all affected operators and the implementation of reduced operator reimbursement rates.

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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 and 2015/16, no changes to the scheme rules or applicable fares were made.

2.2 Current year

2.2.1 Members attention is drawn to the following key points arising from the monitoring of the first 3 quarters of 2015/16 of which Q1 and Q2 was reported to the Committee on 6 November 2015.

- Concession patronage increased by 5% in Q1 but decreased by 4% in Q2 and Q3 compared with the equivalent periods in 2014/15. This reflects a cumulative deduction of 1% compared to the respective quarters in 2014/15.
- Demand for concessionary rail travel increased by 7% in Q1 but decreased by 5% and 2% in Q2 and Q3 respectively compared with the same period in 2014/15.
- Demand for concessionary ferry journeys in Q1, Q2 and Q3 in total has decreased by 2% during 2015/16 in comparison to 2014/15.
- Concession journeys on Subway in Q1 and Q2 remained in line with patronage totals for the respective quarters in 2014/15. However patronage numbers decreased by 3% in Q3 compared to 2014/15.
- Concession reimbursement increased by 1% in Q1 and decreased by 6% and 4% in Q2 and Q3 compared with the same quarters in 2014/15.
- Overall, concession reimbursement total costs during 2015/16 Q1, Q2 and Q3 decreased by £99,000 compared with the same period in 2014/15. This was an overall decrease in reimbursement costs of 3%.

2.2.3 Members are therefore requested to note the reduction in demand and reimbursement observed during Q2 and Q3 in 2015/16. Members are once again reminded that Q2 in 2014/15 saw a significant increase in concessionary journeys taken believed to have been as a result of the 2014 Commonwealth Games.

3. Current year

3.2.1 Appendix 1 contains the revenue monitoring report as at Period 11, ending 30 January 2016. The revenue forecast outturn is anticipated to be £4.332m, which equates to an underspend of £0.150m. The underspend relates to a reduction in the amounts being reimbursed to Ferry Operators and savings generated through the introduction of the Road Equivalent Tariff (RET).

3.2.2 At 31 March 2015, the residual scheme held reserves of £1.640m. Based on the forecast outturn at P11 there will be a draw on reserves of £0.074m in 2015/16. This forecast draw is in accordance with the programme of reserves reduction.

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4. Outline of proposals

For 2016/17, there are again no proposals to change the scheme rules or applicable fares.

It is proposed at this stage to set a budget of £4.329m for 2015/16 (see Appendix 2) funded by £4.258m local authority requisition (no increase on 2015/16) and a £0.071m draw on reserves. This budget reflects:

- forecast patronage in line with scheme trends;
- revised operator reimbursement levels, net of forecast fare increases, based on 2015/16 actuals but also taking to account RET savings, the Subway suspension in summer 2016 and the impact of the Queen Street tunnel improvement project.

These proposals are designed to maintain the overall scheme within levels affordable to funding authorities, and to continue to utilise reserves prudently in support of the scheme.

5. Conclusion

This budget is in line with the tiered approach originally endorsed in 2011/12 for the immediate 3 year period following, updated in subsequent years, and with the funding capacity of the 12 member authorities.

6. Committee Action

The Joint Committee is recommended to:

- note the forecast outturn for 2015/16;
- approve the proposed budget of £4.329m for financial year 2016/17;

7. 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:	<i>Maintenance of access to public transport for concession card holders.</i>
Risk consequences:	<i>Without continued management of the costs of the scheme there is a risk that the scheme may become unaffordable to the public purse.</i>

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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 15/16 Period 11 ending 30-Jan-2016

	Year to Date				Annual Budget				Notes
	Actual	Budget	Variance	Variance %	Projected Outturn	Annual Budget	Variance	Variance %	
EXPENDITURE									
Employee Costs									
Salaries	141,029	135,173	(5,856)	(4%)	159,750	159,750	-	0%	1
Other Employee Costs	31,038	36,396	5,358	15%	38,013	43,013	5,000	12%	1
Sub Total Employee Costs	172,067	171,569	(498)	(0%)	197,763	202,763	5,000	2%	
Supplies & Services	91,217	97,731	6,513	7%	115,500	115,500	-	0%	
Transport & Plant Costs	-	85	85	100%	100	100	-	0%	
Third Party Payments									
Other Third Party Payments	3,423,327	3,543,924	120,597	3%	4,038,274	4,188,274	150,000	4%	2
Sub Total Third Party Payments	3,423,327	3,543,924	120,597	3%	4,038,274	4,188,274	150,000	4%	
TOTAL EXPENDITURE	3,686,612	3,813,308	126,697	3%	4,351,637	4,506,637	155,000	3%	
INCOME									
Interest Received	(16,520)	(21,153)	(4,633)	22%	(20,000)	(25,000)	(5,000)	20%	3
TOTAL INCOME	(16,520)	(21,153)	(4,633)	22%	(20,000)	(25,000)	(5,000)	20%	
Net Total	3,670,091	3,792,155	122,064	3%	4,331,637	4,481,637	150,000	3%	

Notes

1. Based on current establishment position.
2. Underspend due to ferry operators now being reimbursed on island resident fare rather than standard peak fare and savings as a result of the Road Equivalent Tariff (RET)
3. Due to reducing interest rates and cash balances.



CTS Proposed Revenue Budget 2016/17

	Budget 15/16 £000	Proposed Budget 16/17 £000
Payments to Operators	4,188,274	4,015,943
Administration & Overheads	318,363	332,643
Total expenditure	<u>4,506,637</u>	<u>4,348,586</u>
Interest received	(25,000)	(20,000)
Total Expenditure	<u>4,481,637</u>	<u>4,328,586</u>
Funded by:		
Requisition	(4,258,000)	(4,258,000)
CTS Reserves	(223,637)	(70,586)
Total Income	<u>(4,481,637)</u>	<u>(4,328,586)</u>
Surplus/(Deficit)	<u>0</u>	<u>0</u>
Projected Reserves Balance	<u>1,566,582</u>	<u>1,495,996</u>