

Strathclyde Concessionary Travel Scheme
Joint Committee



Update on 2017/18 scheme costs and proposed revenue budget for financial year 2018/19

Committee Strathclyde Concessionary Travel Scheme Joint Committee

Date of meeting 23 February 2018

Date of report 12 February 2018

Report by Treasurer

1. Object of report

To provide the Committee with an update on the scheme costs and patronage in 2017/18 and to recommend a revenue budget for financial year 2018/19.

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 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 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.

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 £2.00 and Ferry £2.80 for a return.

2.2 Current Year

Appendix 1 contains the Revenue Monitoring Report as at Period 10, ending 6 January 2018. The revenue forecast outturn is anticipated to be £4.193m, an adverse variance of £0.021m. The £0.021m overspend is comprised of a £0.053m overspend on operator payments offset by a £0.035m underspend in employee costs and £0.003m in under recovery of Bank Interest.

The overspend in operator payments has been driven by higher than anticipated operator fares increases and strong concession patronage growth.

At 31 March 2017, the scheme held reserves of £1.689m. Based on the forecast outturn at P10 there will be a reduction to reserves of £0.021m in 2017/18, resulting in a revised balance of £1.668m.

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

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.

In response to the pressures, concessionary fares were increased in 2017/18 but they were not increased during the three financial years beforehand despite increases to standard operator fares which affects the level of reimbursement. For example, this financial year alone has seen an increase of 3.6% to rail travel ticket costs.

It is proposed that basic concessionary fares should be increased in 2018/2019 as detailed in the table below:

Service	2017/18		2018/19	
	Single	Return	Single	Return
Standard	£1.00	£1.40	£1.00	£1.50
Ferry over 10 nautical miles	£2.00	£2.80	£2.00	£2.90

The Standard Concession and Ferry Concession fares for single journeys will remain at the same level as 2017/18 and there is a proposed increased for both return fares. 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 reimbursement levels, it is recommended to agree a budget of £4.233m for 2018/19 (see Appendix 2) funded by £4.089m local authority requisition and £0.143m of reserves.

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 2017/18 actuals and projections; and
- reduced requisition from local authorities.

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

4. Conclusion

This budget takes account of the ongoing 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 and a draw on scheme reserves.

5. Committee Action

The Joint Committee is recommended to:

- note the forecast outturn for 2017/18;
- approve the increase in concessionary fares for 2018/19; and
- approve the proposed budget of £4.233m for financial year 2018/19, noting the Local Authority requisition split per Local Authority (Appendix 3).

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:	<i>Maintenance of access to public transport for concession card holders.</i>

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

Name Gordon Maclennan

Title Chief Executive

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



Concessionary Travel Budget Report

For Year 17/18 Period 10 ending 06-Jan-2018

	Year to Date				Annual Budget			
	Actual	Budget	Variance	Variance %	Projected Outturn	Annual Budget	Variance	Variance %
EXPENDITURE								
Employee Costs								
Salaries	95,895	119,184	23,289	20%	125,366	154,939	29,573	19%
Other Employee Costs	23,327	28,012	4,685	17%	30,671	36,415	5,744	16%
Sub Total Employee Costs	119,221	147,195	27,974	19%	156,037	191,354	35,317	18% 1
Supplies & Services	53,133	89,231	36,098	40%	116,000	116,000	-	0%
Transport & Plant Costs	-	77	77	100%	100	100	-	0%
Third Party Payments								
Other Third Party Payments	3,025,553	2,984,912	(40,641)	(1%)	3,933,221	3,880,386	(52,835)	(1%) 2
Sub Total Third Party Payments	3,025,553	2,984,912	(40,641)	(1%)	3,933,221	3,880,386	(52,835)	(1%)
TOTAL EXPENDITURE	3,197,907	3,221,415	23,508	1%	4,205,358	4,187,840	(17,518)	(0%)
INCOME								
Interest Received	(10,283)	(11,539)	(1,256)	11%	(12,000)	(15,000)	(3,000)	20%
TOTAL INCOME	(10,283)	(11,539)	(1,256)	11%	(12,000)	(15,000)	(3,000)	20%
Net Total	3,187,625	3,209,877	22,252	1%	4,193,358	4,172,840	(20,518)	(0%) 3

Notes:

1. Projected underspend is due to vacant posts within the department.
2. Projected overspend is primarily due to higher than anticipated operator fare increases and patronage growth.
3. Projected overspend will be met from reserves.



Concessionary Travel Scheme

Proposed Revenue Budget 2018/19

	Approved Budget 17/18 £	Projected Outturn 17/18 £	Draft Budget 18/19 £
Payments to Operators	3,880,386	3,933,221	3,954,621
Administration & Overheads	307,454	272,137	290,565
Total expenditure	<u>4,187,840</u>	<u>4,205,358</u>	<u>4,245,186</u>
Interest received	(15,000)	(12,000)	(12,000)
Total Expenditure	<u>4,172,840</u>	<u>4,193,358</u>	<u>4,233,186</u>
Funded by:			
Requisition	(4,172,840)	(4,172,840)	(4,089,383)
CTS Reserves	0	(20,518)	(143,803)
Total Income	<u>(4,172,840)</u>	<u>(4,193,358)</u>	<u>(4,233,186)</u>
Surplus/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>
Projected Reserves Balance	<u>1,689,370</u>	<u>1,668,852</u>	<u>1,525,049</u>



**Strathclyde Concessionary Travel Scheme
Draft Member Authority Contributions 2018/19**

Unitary Authority	Approved 17/18	Movement	Proposed 18/19	Movement
Argyll and Bute	172,888 -	3,528	169,430 -	3,458
East Ayrshire	237,477 -	4,846	232,728 -	4,750
East Dunbartonshire	214,556 -	4,379	210,265 -	4,291
East Renfrewshire	174,082 -	3,553	170,600 -	3,482
Glasgow	1,030,599 -	21,033	1,009,987 -	20,612
Inverclyde	167,776 -	3,424	164,421 -	3,356
North Ayrshire	277,185 -	5,657	271,641 -	5,544
North Lanarkshire	563,058 -	11,491	551,797 -	11,261
Renfrewshire	326,689 -	6,667	320,156 -	6,534
South Ayrshire	259,119 -	5,288	253,936 -	5,182
South Lanarkshire	574,562 -	11,726	563,071 -	11,491
West Dunbartonshire	174,848 -	3,568	171,351 -	3,497
UA Contribution Totals	4,172,840	-2.0%	4,089,383	-2.0%

Note 1: contribution from each local authority is based on 30 June 2003 population estimates for residents 60 years and older, with the exception of Argyll & Bute Council whose share is based on the 30 June 2003 total population figure.

Note 2: Assumptions are being made that we will reduce LA payments to us by 2% per annum.