

Strathclyde Concessionary Travel Scheme Joint Committee



Proposed Revenue Budget 2022/23

Date of meeting 18 March 2022

Date of report 28 February 2022

Report by Treasurer

1. Object of report

To present to the Committee for approval a proposed revenue budget for the financial year 2022/23, outlining the assumptions made in the preparation of the budget and to advise the Committee of the proposed local authority requisitions to support the Strathclyde Concessionary Travel Scheme ("the Scheme"). The outline of the 2023/24 budget is also presented for noting at this stage.

2. Background

The Committee will be aware that the Covid-19 pandemic over the past 2 years has had significant impacts on travel demand across all transport modes, with patronage reductions peaking at around 95% on some public transport services. At the same time, there has been significantly reduced demand for concessionary travel and, as a result, the financial position and sustainability of the scheme has, in the short term at least, been improved.

Ongoing Covid-19 impacts meant that the immediate financial pressures previously being experienced by the Scheme had eased at the time when budgets were being prepared for 2021/22. The result was that no changes to fares were made in the 2021/22 financial year, however approval was given at the Committee meeting on 12 March 2021¹, for a new half fare with cap structure to be introduced during 2022/23 following the recommendations of the in-depth review carried out in 2020.

In addition to the budget for 2022/23, a draft budget for 2023/24 has been prepared but due to the one-year funding constraints reflecting the local government budget settlement process the budget is only indicative at this time.

3. Current Position and Outline of Proposals

3.1 Current Position

The impacts of Covid-19 over the past two years have been far reaching across society and has affected how people have been able to go about their daily lives. The period saw a variety of travel restrictions introduced by UK and Scottish governments and subsequently public transport patronage, including concessionary travel demand, experienced significant demand reductions throughout the Covid-19 pandemic.

However, as the number of people fully vaccinated has been increasing alongside gradual easing of Covid-19 restrictions, demand for travel has been improving, with this trend considered likely to continue. Furthermore, the recent announcement by the Scottish

¹ https://www.spt.co.uk/media/xdflr2mw/sctsjc120321_agenda5.pdf

Government that from 21 March 2022 all remaining legal restrictions are to be removed further strengthens this view.

The 2022/23 budget has been prepared on this basis with a positive outlook, albeit with a number of unknowns remaining regarding travel demand patterns and how they may ultimately look like as we move into the future. At this stage, it is anticipated that passenger numbers using the scheme will increase to an average of 75% of pre-Covid levels across all modes with adjustments for seasonality. At the time of writing, there is still only 52% of pre-Covid demand but this is expected to rise over the coming months. However, there remains a significant number of unknowns at this stage including:

- there is no clear baseline around passenger numbers and trends;
- the impact of public behaviours on public transport as scheme users adapt to changed circumstances in terms of routines and social related activities;
- how any fare changes made by operators' or the Scheme will impact on patronage;
- how government plans for easing financial support to commercial bus operators may impact bus service provision, which is free for National Entitlement Card holders; and
- the impact of free bus travel for Under 22's with the potential for a shift in current Scheme users to other transport modes as a result of availability of bus services or potential capacity issues.

3.2 Revised Fare Structure Proposal

The implementation of the new fare structure was scheduled to be implemented at the beginning of the 2022/23 financial year. During the course of 2021/22, preparations have been taking place for the introduction of the new fare structure, including discussions with participating scheme operators to understand their requirements, in particular with regard to ticketing to ensure operational readiness and communications in order to raise awareness to concessionary customers of pending changes.

The Committee's decision to approve the introduction of the new fare structure was considered necessary in light of ongoing budget pressures, and a risk to the short to medium term sustainability of the Scheme. In doing so, this Committee decision was taken to help safeguard longer term sustainability of the Scheme which, in part, takes account of funding reserves held.

As at 31 March 2020, the Scheme held a reserve balance of £0.727m. The consequences of this meant the Scheme was unsustainable in its current format and that without intervention all Scheme reserves would be exhausted by the end of the financial year 2021/22, or worse still, the Scheme would be in deficit and at risk of closing permanently.

However, the significant reduction in concessionary travel demand over the past two financial years has resulted in a corresponding reduced reimbursement to Scheme operators. This has enabled the Scheme to build up its reserves, with the reserve balance by 31 March 2022 projected to be £4.610m.

Given the projected increase in reserves balances at the end of 2021/22, it is recommended that the Scheme defer the introduction of half fares structure until at least January 2023 (with an update brought to the Committee at the earliest opportunity in 2022/23). This will allow the Scheme to establish a new baseline in the recovery phase of the Covid pandemic and to assess the impact on concessionary travel, including understanding of the potential new baseline for travel demand, operator reimbursement and Scheme reserves. Furthermore, it

will allow a revised forecast of the necessary timing of the implementation of the revised fare structure.

As detailed above, discussions have been held with Scheme operators over the past year to ensure they are operationally ready for the introduction of the new fares structure and in order that they understand the potential impact on reimbursement payments. Therefore, any decision to implement the new half fares structure later in 2022/23, or in 2023/24, should be relatively smooth.

Members should, however, be aware that any deferment of the planned increases would only be a temporary pause in implementing the new fares structure and it is still required in the medium to longer term to ensure sustainability of the Scheme, as travel demand returns and operators' standard fares begin to increase once again on an annual basis.

3.3 Proposal

As a consequence of the forecast increase in reserves, the budget has been prepared on the basis of no change to the fare structure in 2022/23. The Local Authority funding settlement for 2022/23 has been agreed as a reduction of 0.42% compared to 2021/22, in line with the local government budget settlement and consequently the proposed Scheme requisition level of £4.059m for 2022/23 mirrors that estimate.

Taking the above into account, including the level of funding available from member local authorities and expected forecasts for patronage, it is recommended to agree a budget of £4.059m for 2022/23 funded by £4.059m local authority requisition based on the best estimate of patronage recovery and consequential operator reimbursement. If the proposed budget is approved, the revised reserve balance will remain at £4.610m at the end of the financial year 2022/23. The proposed revenue budget can be found at Appendix 1 and the proposed requisition levels can be found at Appendix 2.

4. Conclusion

The reduction in concessionary travel demand and the level of uncertainty over the past two financial years as a result of the Covid-19 pandemic has resulted in a reduction in payments to operators in both 2020/21 and 2021/22. Subsequently, the Scheme has built up a level of reserves which allows the Scheme to continue sustainably in its current format until at least January 2023, when clearer passenger travel demand patterns may be more established.

As outlined earlier in this report, there remains uncertainty over just what future travel demand patterns will look like and whether or not patronage will return to near pre-Covid levels. However, it is considered likely that the growing trend for travel demand will continue as we see all remaining restrictions lifted from 21 March 2022.

Members are also reminded that Scheme funding pressures are not only the result of strong demand for concessionary travel, but are also impacted by rising operator fares. Given the current global economic situation and the position regarding oil and gas prices, this is likely to mean that the cost of transport will increase during the next year as the cost of operating services becomes more expensive. Under this scenario, with increases in demand the draw-down on the reserves could accelerate.

It is therefore important that that any deferral of fare increases is recognised as a short-term position, arising only as a result of the Covid-19 pandemic and significantly reduced travel demand since March 2020, and that the committee decision to implement the new fares structure will require to be put into effect at a later date in order to safeguard the longer term future of the Scheme. The budget has been drafted with the pandemic still ongoing, but with an optimistic outlook for 2022/23.

5. Committee action

The Joint Committee is recommended to approve:

- the proposed budget of £4.059m for financial year 2022/23;
- requisitions totalling £4.059m, a 0.42% reduction compared to 2021/22; and
- a pause in the implementation of the new fares structure until January 2023 at the earliest, with a report being submitted to the next Joint Committee with an update on proposed implementation timeline.

6. Consequences

Policy consequences	<i>None directly.</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>None directly.</i>

Name Neil Wylie
Title Treasurer

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Concessionary Travel Scheme

Proposed Revenue Budget 2022/23

	Current Year		Proposed	Draft
	Budget 2021/22	Projected outturn 2021/22	Budget 2022/23	Budget 2023/24
Payments to Operators	3,750,992	2,650,992	3,786,883	4,195,953
Administration & Overheads	326,856	280,856	321,847	327,348
Total expenditure	4,077,848	2,931,848	4,108,730	4,523,301
Interest received	(2,000)	(6,000)	(50,000)	(60,000)
Total Expenditure	4,075,848	2,925,848	4,058,730	4,463,301
Funded by:				
Requisition	(4,075,848)	(4,075,848)	(4,058,730)	(4,058,730)
CTS Reserves	0	1,150,000	(0)	(404,571)
Total Income	(4,075,848)	(2,925,848)	(4,058,730)	(4,463,301)
Projected Reserves Balance	3,460,073	4,610,073	4,610,073	4,205,502



Proposed Council Requisition - CTS

Financial Year 2022/23

	Requisition Financial Year 2021/22	Proposed Financial Year 2022/23
Argyll and Bute	205,594	203,924
East Ayrshire	236,853	236,220
East Dunbartonshire	229,431	227,893
East Renfrewshire	181,506	181,198
Glasgow	844,870	839,650
Inverclyde	157,555	156,154
North Ayrshire	287,464	286,217
North Lanarkshire	572,943	571,907
Renfrewshire	325,482	324,549
South Ayrshire	265,434	263,393
South Lanarkshire	604,345	604,449
West Dunbartonshire	164,369	163,174
Total Requisition	4,075,848	4,058,730

Notes

1. The above is based on a requisition reduction of 0.42% compared with 2021/22.
2. Change in % allocation to Councils due to update on the latest Mid Point population survey (mid-2020)