



Final Outturn for financial year 2023/2024 and Revenue Monitoring Report as at 17 August 2024, Period 5

Date of meeting 20 September 2024

Date of report 2 September 2024

Report by Treasurer

1. Object of report

To advise members of the Committee of the final outturn for the financial year 2023/2024 and also to report on revenue expenditure incurred at the end of Period 5 (17 August 2024), including the projected outturn to the end of the current financial year.

2. Background

The Strathclyde Concessionary Travel Scheme revenue budget for 2023/2024 was set at £4.138 million. The budget covers the cost of operator reimbursement, scheme administration and the issue and management of national entitlement cards.

The Joint Committee approved a balanced budget for 2024/2025 on 23 March 2024. This balanced budget provided for a net revenue budget of £5.031m, funded by local authority requisitions of £4.095m and a draw on reserves of £0.936m. It was set on the basis of the best estimate of patronage numbers and consequential operator reimbursement. It was also agreed at this meeting that there would be a pause in the implementation of the new fares structure until April 2025.

3. 2023/2024 Final Outturn

The final outturn for 2023/2024 was £4.203m, resulting in a negative variance of £0.065m against the approved budget. The £0.065m overspend is comprised of a £0.200m overspend in operator payments, partially offset by increased interest received of £0.132m and a small underspend in other costs of £0.003m. Interest received was higher than budget due to increased cash balances and favourable interest rates. Operator reimbursement payments for 2023/2024 were £4.077m which represented a 23% increase compared to 2022/2023. This was due to a combination of increased patronage and fare increases by scheme members.

The number of journeys made in 2023/2024 was equivalent to pre-covid levels, however, the increase was driven in part by the easing of concessionary travel rules on ScotRail during their off peak fares pilot. It was agreed with ScotRail that the pilot would not adversely affect the financial position of the scheme.

The overall overspend of £0.065m was funded from reserves resulting in a reduced reserve balance of £5.199m. Reserves are necessary to ensure the long term viability and sustainability of the Scheme at a time of uncertainty in local authority funding settlements, anticipated fare increases and future patronage levels.

The closing reserve position for 2023/2024 puts the Scheme in a strong financial footing which allows the Scheme to continue sustainably in its current format until April 2025. The final budgetary control report for the financial year 2023/2024 can be found at Appendix 1.

4. 2024/2025 Current Position

Since the beginning of the financial year there have been further increases in passenger numbers. These have increased by an average of 34% compared with the same quarter in 2023/2024. This increase, is partly, as a result of ScotRail's peak fare removal pilot. Further details regarding this pilot and its impact are provided in the '*Performance and Reimbursement Update: 2023/2024 year-end and interim 2024/2025 outlook*' included at this committee.

The pilot is due to end on the 27 September 2024. It is anticipated that passenger numbers for ScotRail will slightly reduce after this date when peak-time concessionary travel restrictions will be re-introduced and this has been built into year end projections. In terms of reimbursement, in line with arrangements agreed with ScotRail in 2023/2024 regarding the peak fare removal pilot, reimbursement to ScotRail has been capped for the first two quarters of 2024/2025.

Taking all of the above into consideration, reimbursement to operators for the financial year is projected to be in line with the approved budget. This assumes that current trends in passenger numbers will slightly reduce and operator reimbursement seen in the financial year to date will be sustained to the end of the financial year and would represent an increase in operator reimbursement of £0.668m (16%) when compared with 2023/2024.

Administration of the Scheme and support to card holders has continued at normal levels since the start of the financial year and therefore, these costs are in line with budget estimates. Interest received is forecast to exceed budget by £0.100m in 2024/2025. This is a result of increased interest rates received for current cash balances, which are expected to remain at higher rates for longer than initially anticipated. The overall projected outturn position for the financial year can be seen in Appendix 2 and an underspend of £0.100m against the approved expenditure budget is projected at this stage. However, members are reminded that there is a significant level of uncertainty around this estimate which will be closely monitored throughout the remainder of the year.

As noted in the Proposed Revenue Budget 2024/2025 paper approved in March 2024 there will be a pause in the implementation of the new fares structure until April 2025. The proposed draw on reserves in 2024/2025 is £0.836m which would reduce the reserves balance to £4.363m. Current trends in passenger numbers and reimbursement coupled by ongoing annual increases in operators fares means that the current fare structure is no longer viable for the scheme to be sustainable in the long term.

Approval was given at the Committee meeting of 12 March 2021 for a new half fare with cap structure to be introduced following the recommendations of the in-depth review carried out in 2020. However, due to reduced operator reimbursement costs over recent financial years as a result of the pandemic, the immediate financial pressures previously being experienced by the Scheme were eased and the timeline for implementation was pushed back.

Discussions have been held with Scheme operators over recent years to ensure they are operationally ready for the introduction of the new fares structure and understand the potential impact on reimbursement payments. The decision to implement the new fare structure in April 2025 should therefore be relatively smooth. However further engagement will commence with scheme operators in the coming months to prepare them for the implementation of the new half fare structure in April 2025.

5. Conclusions

Although the Scheme is currently on a sound financial footing, increased scheme costs we have seen in 2023/2024 will continue into 2024/2025 and beyond. Patronage is now around pre pandemic levels and the Scheme has seen increased operator reimbursement in 2023/2024 and 2024/2025. Projected costs for 2024/2025 mean that the Scheme will be running at a significant deficit which will require to be balanced by scheme reserves. With increased passenger numbers, reimbursement and operator fare increases likely to continue beyond 2024/2025, the current fare structure is not sustainable in the long term because of the continuous annual draw on reserves required to balance scheme costs.

Therefore, in line with the Committee's previous discussions the new fare structure will be implemented from April 2025. This will safeguard the longer term future of the Scheme and takes cognisance of the long term financial forecast. In 2024/2025, all budget lines will continue to be monitored closely to ensure projections are as accurate as possible.

6. Committee action

The committee is recommended to:

- note the final outturn position for 2023/2024;
- note the projected outturn position for 2024/2025 based on the information available at the end of P5; and
- approve the proposal for the new fare structure to be implemented from April 2025. The implementation will be in line with proposals previously approved in March 2021.

7. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>As outlined in the report.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>None.</i>
Climate Change, Adaptation & Carbon consequences	<i>None directly.</i>

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Strathclyde Concessionary Travel Scheme Joint Committee

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Concessionary Travel Revenue Monitoring Report

For Year 23/24 Period 13 ending 31-Mar-2024

	Year to Date			
	Actual	Budget	Variance	Variance %
EXPENDITURE				
Employee Costs				
Salaries	232,311	232,948	636	0%
Overtime	-	1,000	1,000	100%
Other Employee Costs	63,009	63,181	173	0%
Sub Total Employee Costs	295,320	297,129	1,809	1%
Supplies & Services	68,379	65,100	(3,279)	(5%)
Third Party Payments				
Operator Reimbursement	4,077,178	3,876,451	(200,726)	(5%)
Other Third Party Payments	42,367	47,000	4,633	10%
Sub Total Third Party Payments	4,119,545	3,923,451	(196,093)	(5%)
TOTAL EXPENDITURE	4,483,244	4,285,680	(197,564)	(5%)
INCOME				
Interest Received	(279,831)	(147,806)	132,025	(89%)
TOTAL INCOME	(279,831)	(147,806)	132,025	(89%)
Net Total	4,203,413	4,137,875	(65,539)	(2%)

Notes

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Notes

1. Passenger numbers and reimbursement to operators have increased in comparison to 2022/2023 and are now around pre covid levels. This is represented in the final position against budget in 2023/2024.
2. Due to high cash balances increased interest rates.



Concessionary Travel Revenue Monitoring Report

For Year 24/25 Period 5 ending 17-Aug-2024

	Year to Date				Annual Budget				Notes
	Actual	Budget	Variance	Variance %	Projected	Annual Budget	Variance	Variance %	
EXPENDITURE									
Employee Costs									
Salaries	96,686	96,686	-	0%	253,888	253,888	-	0%	
Overtime	-	381	381	100%	1,000	1,000	-	0%	
Other Employee Costs	13,090	13,090	-	0%	34,373	34,373	-	0%	
Sub Total Employee Costs	109,776	110,157	381	0%	289,261	289,261	-	0%	
Supplies & Services	23,720	24,030	310	1%	63,100	63,100	-	0%	
Third Party Payments									
Operator Reimbursement	1,576,109	1,807,019	230,910	13%	4,745,050	4,745,050	-	0%	1
Other Third Party Payments	17,506	21,326	3,820	18%	56,000	56,000	-	0%	
Sub Total Third Party Payments	1,593,616	1,828,345	234,730	13%	4,801,050	4,801,050	-	0%	
TOTAL EXPENDITURE	1,727,112	1,962,532	235,420	12%	5,153,411	5,153,411	-	0%	
INCOME									
Interest Received	(109,787)	(46,636)	63,151	(135%)	(222,461)	(122,461)	100,000	(82%)	2
TOTAL INCOME	(109,787)	(46,636)	63,151	(135%)	(222,461)	(122,461)	100,000	(82%)	
Net Total	1,617,325	1,915,896	298,571	16%	4,930,950	5,030,950	100,000	2%	

Notes

1. Current position due to timing issues in respect of expenditure/budget phasing. Anticipated that year end reimbursement will be in line with budget.
2. Increased income anticipated due to current sustained rates and cash balances. Any future changes to interest rates may impact on the year end projection.