

Committee report



Subsidised bus service contract recommendations : financial implications

Committee Operations

Date of meeting 25 January 2019

Date of report 9 January 2019

Report by Assistant Chief Executive

1. Object of report

To advise the committee of the financial implications of the subsidised bus contract recommendations being considered at the meeting.

2. Background

The opening position prior to the decisions being sought at this meeting are noted below.

2018/19	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£11,561,918	£11,222,978	£338,940

The previous positive variance of £268,456 reported to committee (9 November 2018) has increased by £70,484 at the time of writing as a result of actual costs being less than budgeted. Actual costs are reflected following receipt of the 4 weekly returns, which provide details of services operated, income generated and any contractual deductions which have been implemented.

The current projected underspend against budget is as a result of contract inflation and contract renewals both being less than originally budgeted. The 2018/19 approved budget increased by £374,018 or 3.3%. This increase has occurred in an environment where SPT's overall budget has reduced by 2%. Members are reminded that the net subsidised bus budget as a percentage of SPT's overall net budget has increased from 29.7% in 2017/18 to 31.3% in 2018/19, which is an increase of 1.6%.

3. Proposals

Should the committee accept all the recommendations contained within the following papers, the financial implications will be an increase in costs of £12,590 against the current 2018/19 forecast. The net impact is detailed below.

2018/19	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£11,561,918	£11,235,568	£326,350

There will be fluctuations in the actual cost of services between now and the year end, but a positive variance is anticipated in line with this projected outturn. While reporting at an individual expenditure head level, members will be aware that all SPT expenditure heads are being closely managed and efficiencies and savings captured to ensure that there is a break even position between both revenue and capital. This positive variance will be utilised as part of this.

Clearly consideration must also be given to the impact on future year budgets when awarding contracts. This is particularly so, as 23 contract awards remain outstanding as detailed in the proposed award paper being considered by the Committee. Operational assessment of initial prices for these contracts were considered as excessive and will be re-tendered with a view to reducing future contract costs. However there is a risk that there will be increased costs for these contracts which will impact on the 2019/20 budget. If all papers before the Committee are approved, there will be projected savings of £121,950 in 2019/20.

4. Committee action

The committee is asked to note the financial implications of the recommendations in the following papers, and give due consideration to this in the course of the decision making. The impact of individual decisions is reported in each paper for consideration.

5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>As detailed in the report.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None</i>
Risk consequences	<i>None.</i>

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