



Subsidised bus service contract recommendations : financial implications

Committee Operations

Date of meeting 21 August 2020

Date of report 6 August 2020

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 2020/21 approved budget was increased by £557,458 (4.6%) to £12,770,157 when the budget was approved in March 2020. This increase occurred in an environment where SPT’s overall budget has remained flat. Members are reminded that the net subsidised bus budget as a percentage of SPT’s overall net budget has increased from 33.5% in 2019/20 to 35.5% in 2020/21, which is an increase of 2%. This was to accommodate foreseen and unforeseen costs arising from tender renewals and also inflationary increases on contracts in line with the Conditions of Contract. Members have previously been advised that budget growth of this scale is unsustainable in the longer term given the increasing pressures on SPTs funders and the likelihood of further funding reductions.

This background is highlighted given the events since the approval of the SPT budget which have resulted in considerable pressure on the SPT overall budget. Members of the Operations Committee are reminded that as a result of the significant reduction in SPT income, it is planned to present a draft mid year budget revision to Strategy & Programmes Committee for review. Given the scale of the forecast deficit as previously reported to the Partnership, it is necessary to capture any uncommitted budget estimates at this stage including those within the tendered bus budget.

The opening position prior to the decisions being sought at this meeting is as below:

2020/21	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,770,157	£11,728,038	£1,042,119

The net projected outturn is based on a detailed review of individual contract costs to date and future plans at the time of writing. It incorporates savings in the first quarter of the financial year from reduced My Bus contract payments where operators continued to receive contract payments at 75% of the pre Covid levels, on the basis that should it be necessary they would be willing to redirect the contracted resource onto other duties in support of

maintaining essential services if requested. These contracts were used to support strategic bus routes during the pandemic period where no alternative provision was available.

The net approved budget also includes budget provision for inflationary increases on contracts and increases relating to contract renewals. The approved budget included a 3% increase for inflation and 5% for renewals. Actual inflation that will be applied to contracts in line with the Conditions of Contract in August is 0.84% and contract renewal prices, in most cases were in line with previous contract costs on like for like contracts.

During the course of the financial year actual contract costs will be monitored and compared to budgeted costs. Actual costs are reflected following receipt of the 4 weekly returns, which provide details of services operated and income generated.

3. Proposals

Should the committee accept all the recommendations contained within the following papers, the financial implications will be an increase in costs of £280 against the 2020/21 budget. In nearly all cases financial movements on individual contracts detailed in the 'Contracts awarded under delegated powers' and 'Amendments to subsidised local bus service contracts' papers had already been captured in the net projected outturn above. The net impact is detailed below.

2020/21	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,770,157	£11,728,318	£1,041,839

SPT support 218 registered local bus services, delivered by 18 contractors. SPT also operate 24 'MyBus' and 10 'MyBus Rural' Services

While members are being advised of a positive variance at this stage, members attention is drawn to the fact that SPT's overall financial stability as detailed in the 26 June 2020 Partnership report '*Financial Implications of COVID-19*' is significantly hampered by the current pandemic. This positive variance projected for the year will therefore be required to offset significant reductions in income and assist SPT to move closer to achieving a balanced budget for 2020/21.

The importance of SPT services cannot be underestimated as a key element in the regional network, and of course the response to the disruptions since March. Not only has SPT maintained essential services at a time of vastly reduced commercial operations, but have reallocated resources to ensure that strategic gaps are filled. We will continue to do so in the months ahead where we can but only within the constraints of SPT's financial position in 2020/21 .

With regard to My Bus difficult decisions may be required in the future regarding supporting operators where their contracts are currently suspended. Since March, operators have been receiving 75% of pre Covid levels payments for suspended contracts and this has been greatly appreciated by operators. From the 17 August, 5 contracts are due to commence operation on a trial basis. The remainder of My Bus contracts will remain suspended and have been projected to the end of the financial year at a reduced rate. Any increase in My Bus services will be determined by patronage numbers on trial services, demand and lockdown measures in place. If the remaining services remain suspended moving into the second half of the financial year then this support or level of support will require to be reviewed.

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; and
- note the proposal that the projected positive variance reported will be utilised to support SPT's overall financial position.

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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