

Subsidised bus service contract recommendations: financial implications

Date of meeting 22 August 2025

Date of report 4 August 2025

Report by Director of Finance & Corporate Support

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 to report

The 2025/2026 approved budget for support to local tendered services and MyBus contracts increased by £1,068,485 (7.5%) to £15,336,118 when the budget was approved in March 2025. The budget was increased despite the financial challenges that SPT faced and recognising the costs associated with providing supported services in the SPT area given the scale of contract cost increases experienced over the previous 3 years. For context, since 2022/2023 the overall budget has increased by £3,074,321 (25.1%).

To achieve this budget increase, it was necessary to critically review all other expenditure areas with a view to reducing costs and commitments where possible that had the least impact on the services SPT provides. The approved subsidised budget allows limited scope for accommodating expected and unforeseen costs arising from in year contract specification amendments, tender renewals and inflationary increases in contract prices in line with the Conditions of Contract.

The current projected outturn position prior to papers recommended to this Committee is detailed below:

2025/2026	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£15,336,118	£15,234,151	£101,967

During the course of the financial year, actual contract costs continue to 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.

As noted in the April 2025 financial implications paper the supported bus service provision is reviewed on an ongoing basis with mitigations put in place where possible. These include reviewing specifications and altering timetables to ensure the best value possible for each contract is achieved. This has been achieved for some contracts since the last Committee by removing journeys with low passenger numbers or providing scope for optional timetables offering enhanced provision and optional farescale.

3. Outline of proposals

Bus contracts are reviewed and retendered having assessed the current need and existing network provision. At this time, there remain many challenges in the network. SPT continues to review the gaps in the bus network arising from commercial operators' decisions to vary or cancel services and provides direct support in the form of subsidised services in accordance with the SPT Framework for Supporting Local Bus Services, where budgetary constraints allow. Should the Committee accept all the recommendations contained within the following papers, this will result in reduced costs to SPT in 2025/2026 of £36,722 against the current 2025/2026 budget projection. The net impact to SPT's budget is detailed below:

2025/2026	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£15,336,118	£15,197,429	£138,689

If contract cost increases, as a result of financial pressures on bus operators (including inflationary pressures on operational costs and driver shortages) are sustained over the short to medium term this will have a significant impact on future subsidised bus budgets with the potential for reduced network provision or frequency of services especially if the overall funding envelope stays the same or is reduced.

Furthermore, consideration must also be given to the impact on future year budgets when awarding contracts. Although overall increases in contract renewals are not as significant as previous renewals this is partially due to mitigations put in place. These include reviewing specifications and altering timetables to ensure the best value possible for each contract is achieved. This has been achieved for some contracts by removing journeys with low passenger numbers or providing scope for optional timetables offering enhanced provision and optional farescale.

In the worst case scenario this may result in contract cancellations or contracts not being renewed. Options will be assessed and reported to a future committee with a view to reducing the impact on future year budgets taking cognisance of SPT's overall funding available.

4. Committee action

The Committee is asked to note:

- (i) the financial implications of the recommendations relating to the subsidised bus services budget 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;
- (ii) the projected positive variance reported which provides limited scope to support the regional and local network in the remainder of the financial year; and
- (iii) the impact of the current financial pressures on the subsidised bus budget in the short to medium term, including in the current and future financial years. As a result of this, an assessment of the current supported bus service provision will continue in 2025/2026 with a view to reducing overall costs with a view to making the supported service budget more sustainable in 2025/2026 and future financial years.

5. Consequences

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

Financial consequences	<i>As detailed in the report.</i>
Personnel consequences	<i>None directly.</i>
Equalities consequences	<i>Reduced financial flexibility may impact on SPT's ability to support social necessary services.</i>
Risk consequences	<i>None directly.</i>
Climate Change, Adaptation & Carbon consequences	<i>Any reduction in socially necessary bus services may increase personal car usage in the SPT area.</i>

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