



Subsidised bus service contract recommendations : financial implications

Committee Operations

Date of meeting 24 January 2020

Date of report 8 January 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 2019/20 approved budget has increased by £650,781 (5.6%) to £12,212,699. This increase has occurred in an environment where SPT's overall budget has reduced by 1.22%. Members are reminded that the net subsidised bus budget as a percentage of SPT's overall net budget has increased from 31.3% in 2018/19 to 33.5% in 2019/20, which is an increase of 2.2%. This was to accommodate foreseen and unforeseen costs arising from tender renewals throughout 2019/20. 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.

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

2019/20	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,212,699	£11,902,839	£309,860

The previous positive variance of £256,824 reported to committee (8 November 2019) has increased by £53,036 at the time of writing as a result of actual costs being less than budgeted. 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 £32,161 against the 2019/20 budget. The net impact is detailed below.

2019/20	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,212,699	£11,935,000	£277,699

Note: This budget covers 145 Local and Demand Responsive Transport (DRT) contracts delivered by 16 operators.

While members are being advised of a positive variance at this stage, members attention is drawn to the fact that this is only as a result of additional funding being allocated at a late stage in the 2019/20 budget process. Without that the budget would be fully committed at this stage in the financial year.

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. The 16 contracts recommended to be awarded in the proposed awards paper will generate estimated savings of £136,396 in the financial year 2020/21. However, 10 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 2020/21 budget. If all papers before the Committee are approved, there will be projected increased costs of £97,847 in 2020/21 assuming contracts, included within the contracts awarded under delegated powers paper, continue beyond their current end dates.

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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Title **Assistant Chief Executive**

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