



Subsidised bus service contract recommendations: financial implications

Committee Operations

Date of meeting 6 November 2020

Date of report 20 October 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 and the scale of the forecast deficit reported to the most recent Strategy and Programmes Committee, 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 | £11,211,801 | £1,558,356 |

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.

Further changes since the last committee are now incorporated into the net projected outturn. These include further alignment of My Bus services for the remainder of the current financial year. Included within this are the termination of 3 My Bus contracts and the suspension of a further 4. Based on current demand, potential further restrictions and a general reduction in My Bus users over the winter period, it is not anticipated that the suspended contracts will be reinstated before the end of the financial year.

In addition to this 8 My Bus contracts have been redeployed to support maintaining essential local services which means that operators, in most cases will go back to normal 100% contract payment while allowing SPT to utilise the My Bus provision to support services in the SPT area.

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 a decrease in costs of £28,522 against the 2020/21 budget. The net impact is detailed below:

| 2020/21 | Net Approved Budget | Net Projected Outturn | Variance |
|-------------------------|---------------------|-----------------------|-------------|
| Subsidised bus services | £12,770,157 | £11,183,279 | £1,586,878* |

*Please note the positive variance forecast above is essential to SPT achieving a balanced budget for 2020/21. For further information please see http://www.spt.co.uk/documents/latest/SP280820_Agenda4.pdf

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 28 August 2020 Strategy and Programmes report '*Updated Financial Forecast for the financial year 2020/21*' 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 during 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. A key concern within this is the significant risk to the commercial market when financial support from the Scottish Government reduces or ceases. This would in turn create demand for SPT to provide further support, with significant network gaps in the bus market potentially arising as commercial operators withdraw services.

Members of the Operations Committee are reminded that in the Financial Implications paper at the 21 August 2020 committee it was noted that the level of support to My Bus operators would be reviewed. Since the last Committee a significant exercise has been undertaken to review the My Bus provision required for the future. This has resulted in a number of service changes which are detailed above. These changes were determined by reviewing patronage numbers on trial services, current and future demand and lockdown measures in place. This will continue to be monitored and SPT will react to any significant changes in demand accordingly.

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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