



Subsidised bus service contract recommendations: financial implications

Committee Operations

Date of meeting 5 November 2021

Date of report 21 October 2021

Report by Director Of Finance

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

Members have previously been appraised since the start of the current public health emergency of the ongoing challenges the Covid-19 pandemic has had on the organisation and the financial environment and stability. In providing a balanced SPT budget for 2021/22, an assumption of continued Covid income loss grant from Transport Scotland was made. At the time of writing, Covid support for the Subway beyond September 2021 is currently being discussed with Transport Scotland to give comfort that if working assumptions in respect of Subway income projections change negatively that further financial support would be available if required.

As highlighted to members, it has been necessary to critically review all expenditure areas with a view to reducing the forecast deficit as much as possible. Members have previously been advised that the level of savings needed cannot be achieved without impacts on services either directly or indirectly. The approved budget allowed scope for accommodating foreseen and unforeseen costs arising from tender renewals and also inflationary increases on contracts in line with the Conditions of Contract.

The closing position reported to the August Operations Committee meeting was as follows:

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£10,901,154	£1,440,193

The net projected outturn has decreased by £149,727 since the last Operations Committee and is based on a detailed review of individual contract costs to date and known future plans at the time of writing.

The main change since the last Committee relates to reduced monthly contracts payments for various services as a result of increased patronage in comparison with previous projections. For example, there has been an 85% increase in patronage on subsidised services in the period April 2021 to August 2021 when compared with the same period in 2020. This is very encouraging

and results in increased farebox income for subsidised services which in turn reduces the monthly payments to bus operators.

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

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£10,751,427	£1,589,920

3. Outline of proposals

Bus contracts are reviewed and retendered having assessed the current need and network. Clearly at this time there remains many challenges in the network and the Scottish Government continue to financially support the commercial network. SPT continues to review the gaps in that network to avoid communities being left without transport. Should the committee accept all the recommendations contained within the following papers, this would result in increased costs of £364 against the 2021/22 budget. Other recommendations in the papers directly impact on NHS Lanarkshire and Clyde Gateway. The net impact to SPT's budget is detailed below:

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£10,751,791	£1,589,556

While members are being advised of a positive variance at this stage, given the importance of SPT services as a key element in the regional network, SPT needs flexibility to react to changes in passenger flows, demand for My Bus and the bus market as Covid restrictions ease.

A key concern moving forward beyond this financial year is the significant risk to the commercial market if and when financial support from the Scottish Government reduces or ceases. This could potentially create increased demand for SPT to provide further support, with significant network gaps in the bus market potentially arising as commercial operators withdraw services. SPT will continue to monitor this risk, however any significant increased demand may not be affordable within the anticipated resource availability in the next financial year.

In addition, a further concern which has recently been reported by bus operators is significant driver shortages (due to the combination of Covid impacts, delays in driver training & testing, retirement rates and driver transferring to the haulage industry) and in many cases operators have had to scale back and/or cancel services. This is increasing pressure on bus operators to increase driver wage rates in order to attract and retain drivers. Without urgent action by government, it is likely that SPT may see a negative impact on subsidised bus service delivery and upward pressure on tender returns accordingly.

4. Committee action

The committee is asked to note:

- (i) 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;

- (ii) the projected positive variance reported which may require to be partly utilised later in the financial year to support the regional and local network; and
- (iii) key concerns identified which may impact of the subsidised bus budget in the short to medium term, including in the next financial year.

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>

Name Neil Wylie

Title **Director of Finance**

Name Valerie Davidson

Title **Acting Chief Executive**

For further information, please contact Neil Wylie, Director of Finance on *0141 333 3380*