



## **Strathclyde Partnership for Transport**

### **Minute of special meeting**

**4 March 2016**

held in the Lewis Room, 131 St Vincent Street, Glasgow

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## **Minute of the special meeting of the Strathclyde Partnership for Transport held in the Lewis Room, 131 St Vincent Street, Glasgow, on 4 March 2016**

**Present** Councillors Jonathan Findlay (Chair), Malcolm Balfour, John Bruce, Gilbert Davidson, Eddie Devine, Allan Falconer, Charlie Gilbert (substitute), Kaye Harmon, Chris Kelly, Robert G MacIntyre, Bobby McDill, Denis McKenna, Frank McNally, Alan Moir, Lawrence O'Neill, Hamish Stewart and Paul Welsh and appointed members Tom Hart, Graham Johnston, Alan Malcolm, Jim McNally and Gavin Scott.

**Attending** Valerie Davidson, Assistant Chief Executive (Business Support); Valerie A Bowen, Senior Committee Officer; Gordon MacLennan, Chief Executive; Eric Stewart, Assistant Chief Executive (Operations); Ronnie Park, Director of Bus Operations; Neil Wylie, Director of Finance & HR and Terry Lynch, Senior Legal Advisor.

### **1. Apologies**

Apologies were submitted from Councillors Tony Buchanan, Bill Grant, Pauline McKeever and David Wilson and appointed members Ann Faulds and Anne Follin.

### **2. Declaration of interest in terms of the Ethical Standards in Public Life etc (Scotland) Act 2000**

The Partnership noted that there were no declarations of interest.

### **3. Proposed Revenue Budget 2016/2017**

There was submitted and approved a report (issued) of 1 March 2016 by the Assistant Chief Executive (Business Support)

- (1) reminding members that, although it had been normal practice to present a draft budget which outlined the budget plans, planning assumptions and proposals pre-Christmas before seeking final approval, the late announcement of the local government settlement and further discussions with funding partners had delayed SPT's budget proposals until this point;
- (2) appending a proposed net revenue budget for 2016/2017 of £38.418m, funded by local authority requisitions of £37.381m together with a Scottish Government grant of £1.037m, which took into account the resources available to SPT's funding partners, and other resources available to SPT such as fare box income;
- (3) intimating that, as SPT was acutely aware of the impact of the local government settlement on all councils and services, the net revenue budget for 2016/2017 had been prepared with a funding requisition equal to the level that had been in place since 2010/2011;
- (4) informing members
  - (a) that a number of cost pressures remained within the proposed budget which would require careful and close management throughout the financial year, including ensuring that socially necessary buses continued to be delivered within an environment of reduced commercial operations, increased demand for Mybus services and preparing all parts of the subway for the next phase of the modernisation project;

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- (b) that an allowance had been made to reflect the operational necessity to suspend subway operations for a short period to allow essential works and to provide bus services to ensure that customers continued to receive an alternative service; and
  - (c) that although it was not proposed to change subway fares or bus station fees at this stage, these would be reviewed as part of the 2017/2018 budget arrangements;
- (5) explaining that, although a draft expenditure budget for 2017/2018 had been appended also, given the timing and nature of the settlement this year and to address the expectation of the funding partners, it would be necessary to identify other areas of savings before a 2017/2018 budget could be approved and work on this issue had already commenced; and
- (6) recommending that the Partnership
- (a) approve a net revenue budget for 2016/2017 at £38.418m; and
  - (b) note the draft 2017/2018 expenditure plan at this stage and that a further report would be submitted to the Partnership on the funding available.

**4. Proposed Capital Programme 2016/2017 to 2018/2019 including the Capital Budget 2016/2017**

There was submitted a report (issued) of 29 February 2016 by the Assistant Chief Executive (Business Support)

- (1) reminding members that SPT normally prepared an aligned three year rolling capital programme and budget which sought to balance the transport project delivery aspirations, available funding and longer-term project planning in line with the objectives of SPT's RTS Delivery Plan;
- (2) intimating that, although SPT had prepared a programme covering the period 2016/2017 to 2018/2019, no funding information for years two or three was known at this stage and therefore approval was being sought only for the capital programme, budget and funding plan for 2016/2017;
- (3) informing members
  - (a) that SPT had received a general capital grant award for 2016/2017 of £16m, which was approximately 30% less than had been expected and, whilst consistent with the level of reduction across all local authorities, when combined with the announcement of only a single year award, this had significant implications for both the future development of SPT's capital plan and for the award of contracts that might run beyond 2016/2017;
  - (b) that the general capital grant award was available to support the non-subway modernisation projects, with spend on subway modernisation and related projects being funded from specific capital grant funding and utilisation of the subway fund and/or borrowings;
  - (c) that although SPT had expected to receive specific subway modernisation capital grant funding of approximately £45m in 2016/2017, only £20m was available with the remaining £25m being re-profiled over future years;

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- (d) that this change in funding profile would necessitate careful management and require the use of the subway fund at an earlier stage than had been anticipated; and
- (e) that in preparation for the introduction of new rolling stock for the Subway, there would be significant investment in the subway infrastructure works programme in 2016/2017 which would be funded through utilisation of the subway fund;
- (4) appending
- (a) summaries of the planned capital programme for 2016/2017 to 2018/2019 and proposed funding plan for 2016/2017 only;
- (b) details of the proposed capital programme, including budget, for 2016/2017;
- (c) details of the indicative capital programme for 2017/2018 to 2018/2019; and
- (d) details of the proposed Grant Awards to SPT's constituent local authorities and other partners for 2016/2017, the early approval of which would enable SPT's constituent authorities and other partners to have the maximum opportunity to deliver to plan and within the financial year;
- (5) advising members
- (a) that specific capital grant funding of £5m had been allocated to the Fastlink project; and
- (b) that there was a proposed revenue contribution to the capital programme of £1.8m to help maintain investment levels, particularly in relation to the grant funded projects with SPT's constituent local authorities and other partners;
- (6) summarising the proposed capital programme, budget and financial plan for 2016/2017 as undernoted :-

	<b>£000</b>
<b>Category 1 Programme</b>	<b>72,435</b>
Funded by:	
General Capital Allocation	10,000
Subway Modernisation (general allocation)	6,000
Specific Capital Grant - Subway Modernisation	20,000
Contribution from Subway Fund	14,750
Specific Capital Grant - Fastlink	5,000
Other grants and contributions	70
Revenue Contribution to the Capital Programme	1,800
Release of Specific Capital Grant	13,350
<b>Available capital funding</b>	<b>70,970</b>
<b>Projected variance</b>	<b>1,465</b>
	<b>£000</b>

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<b>Category 2 Programme</b>	<b>17,885</b>
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- (7) explaining that, as normal, the budget had been set greater than the available funding to ensure that the plan delivery was maximised within the funding available and project delivery movements; and
- (8) recommending that the Partnership
- (a) approve the capital programme, budget and funding plan for 2016/17;
  - (b) note the indicative capital programme for 2017/2018 to 2018/2019; and
  - (c) agree to Grant Fund the Local Authorities or other identified bodies as per Appendix 4 and authorise the Assistant Chief Executive (Business Support) to complete the award letters.

After considerable discussion and having heard Mrs Davidson in answer to members' questions, the Partnership agreed to the recommendations at (8) above.

## **5. Exclusion of press and public**

The Partnership resolved that the press and public be excluded for the next item of business on the agenda, it being considered that otherwise there would be disclosure to them of exempt information in terms of paragraphs 8 and 9 of Part 1 of Schedule 7a to the Local Government (Scotland) Act 1973.

## **6. Subway modernisation: New rolling stock, signalling and control systems, control room and associated equipment**

With reference to the minute of 12 February 2016 (page 5, paragraph 10) when the Partnership had

- (1) been provided with a detailed update on the procurement process for the Subway rolling stock, signalling and associated systems contract;
- (2) approved the consortium (detailed in the report submitted to the meeting) as the preferred bidder; and
- (3) noted also that a special meeting of the Partnership would take place in the near future to consider the next stage,

there was submitted a report (issued to members only) of 26 February 2016 by the Assistant Chief Executive (Operations),

- (a) detailing the overall scope of works, contract costs, programme, delivery arrangements, maintenance and operating strategies, together with commercial and funding arrangements;

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- (b) intimating that the two components of the contract, the Manufacture & Supply Agreement and the Technical Support & Spares Supply Agreement, were based on model forms used in the rail industry, primarily for the supply of trains, and had been amended to incorporate the full scope of works including construction works, signalling and control systems and extensive performance criteria for the full system;
- (c) informing members that negotiations with the preferred bidder, Stadler Bussnang AG/Ansaldo STS consortium, had now been concluded to a point whereby the tender offered by them, which had been assessed in line with specified criteria and represented the best value for SPT, was recommended for approval; and
- (d) advising members that the award of contract would be to Stadler Bussnang AG and Ansaldo STS France, trading as an unincorporated joint venture.

After considerable discussion and having heard Mr Hoskins in amplification of the report and in answer to members' questions, the Partnership agreed

- (i) that SPT enter into the Manufacture & Supply Agreement in the sum of £176,295,295, and the Technical Support & Spares Supply Agreement in the sum of £26,915,610 for a 10 year period (with payments adjusted by Consumer Price Index on an annual basis); and
- (ii) that the Chief Executive be authorised to execute both Agreements and all other contracts, agreements and other documents ancillary thereto.

Arising from discussion on the item, the Chief Executive gave an update on the outstanding issues raised by one of the unsuccessful bidders.

The Chief Executive outlined the basis of the recent correspondence and further explained that legal advice had been obtained to the effect that resolution of the matters would be in the best interests of the Partnership, bearing in mind the irrecoverable costs which would be incurred in defending any legal action.

After considerable discussion of all the issues involved, the Partnership agreed that the Chief Executive be authorised to seek a successful resolution on the terms discussed at the meeting and contained in a statement certified and signed by the chair as relative hereto.