



Subsidised bus service contract recommendations: financial implications

Committee Operations

Date of meeting 30 April 2021

Date of report 13 April 2021

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 2021/22 approved budget for support to local tendered services and MyBus contracts decreased by £428,310 (3.3%) to £12,341,347 when the budget was approved in March 2021. The budget was decreased in recognition of the financial challenges that SPT faced in 2021/22 in achieving a balanced budget and took into consideration the projected outturn for 2020/21 which was reported to committee in January. Members have previously been advised that budget growth of the scale seen in previous financial years was unsustainable in the longer term given the increasing pressures on SPT's local authority funders and the impact of Covid on SPT's financial position.

Members have been appraised throughout 2020/21 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 will be forthcoming but by no means is this a given and discussions continue on this matter with funding confirmed at this stage to the end of June 2021. As highlighted to members, since the start of the financial year 2020/21 when the pandemic started 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.

3. Proposals

Bus contracts are reviewed and retendered having assessed the current need and network. Clearly at this time there remain many challenges in the network and Scottish Government continue to support the commercial network. SPT continues to review the gaps in that network to minimise communities being left without transport. Should the committee accept all the recommendations contained within the following papers, this would result in an increased cost of £36,429 against the 2021/22 budget. The net impact is detailed below.

2021/22	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£12,341,347	£11,585,406	£755,941

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 is the significant risk to the commercial market when financial support from the Scottish Government reduces or ceases. This could potentially create demand for SPT to provide further support, with significant network gaps in the bus market potentially arising as commercial operators withdraw services. This increased demand is unlikely to be affordable within the current resources available to SPT. However, the current positive variance reported at this stage would allow SPT some flexibility to support the regional and local network in the months ahead.

Clearly consideration must also be given to the impact on the current and future year budgets when awarding contracts. Three contract awards remain outstanding at the time of writing as detailed in the following papers. Operational assessment of initial prices for one contract was considered as excessive and will be re-tendered with a view to reducing future contract costs. Furthermore, two contracts have been subject to bid withdrawal from the respective successful best value tenderer. There is a risk that there will be increased costs for these contracts which will impact on the 2021/22 budget.

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 projected positive variance reported which may require to be utilised later in the financial year to support the regional and local network.

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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