

Subsidised bus service contract recommendations: financial implications

Date of meeting 8 November 2024

Date of report 21 October 2024

Report by Director of Finance & Corporate Support

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 to report

The 2024/2025 approved budget for support to local tendered services and MyBus contracts increased by £564,148 (4.1%) to £14,267,633 when the budget was approved in March 2024. The budget was increased despite the financial challenges that SPT faced and recognising the costs associated with providing supported services in the SPT area given the scale of contract cost increases experienced over the previous 2 years. For context, since 2022/2023 the overall budget has increased by £2,005,836 (16.4%).

To achieve this budget increase, it was necessary to critically review all other expenditure areas with a view to reducing costs and commitments where possible that had the least impact on the services SPT provides. The approved subsidised budget allows limited scope for accommodating expected and unforeseen costs arising from in year contract specification amendments, tender renewals and inflationary increases in contract prices in line with the Conditions of Contract.

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

2024/2025	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£14,267,633	£14,640,613	(£372,980)

The projected overspend is due to a number of factors including the extension to contracts on the Isle of Arran and increased costs of tender renewals. 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.

As noted in the August 2024 financial implications paper the supported bus service provision is reviewed on an ongoing basis with mitigations put in place where possible. These include reviewing specifications and altering timetables to ensure the best value possible for each contract is achieved. This has been achieved for some contracts since the last Committee by

removing journeys with low passenger numbers or providing scope for optional timetables offering enhanced provision and optional farescale.

3. Outline of proposals

Bus contracts are reviewed and retendered having assessed the current need and existing network provision. At this time, there remain many challenges in the network. SPT continues to review the gaps in the bus network arising from commercial operators' decisions to vary or cancel services and provides direct support in the form of subsidised services in accordance with the SPT Framework for Supporting Local Bus Services, where budgetary constraints allow. Should the Committee accept all the recommendations contained within the following papers, this will result in reduced costs to SPT in 2024/2025 of £74,233 against the current 2024/2025 budget projection. The net impact to SPT's budget is detailed below:

2024/2025	Net Approved Budget	Net Projected Outturn	Variance
Subsidised bus services	£14,267,633	£14,566,380	(£298,747)

If contract cost increases, as a result of financial pressures on bus operators (including reduced government support, inflationary pressures on operational costs and driver shortages) are sustained over the short to medium term this will have a significant impact on future subsidised bus budgets with the potential for reduced network provision or frequency of services especially if the overall funding envelope stays the same or is reduced.

In light of the sustained increased costs seen in supported bus services in recent years and the projected overspend for 2024/2025 further mitigations may be required. A critical review of all existing contracts is being undertaken with initial work resulting in a reduction in the projected overspend of £195,809 since the projected overspend reported at the August committee. This reduction is as a result of changes to contract specifications including reduced frequency and/or service day coverage.

However, given a material overspend still exists for 2024/2025 further work is ongoing to address this. In the worst case scenario this may result in contract cancellations. These options will be assessed and reported to a future committee with a view to addressing the current 2024/2025 overspend position and reducing the impact on future year budgets.

4. Committee action

The Committee is asked to note:

- (i) the financial implications of the recommendations relating to the subsidised bus services budget 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 negative variance reported which reduces the scope SPT has to support the regional and local network in the remainder of the financial year; and
- (iii) the impact of the current financial pressures on the subsidised bus budget in the short to medium term, including in the current and future financial years. As a result of this, an assessment of the current supported bus service provision will continue with a view to providing potential options to further reduce the current overspend in 2024/2025 and future financial year costs. This will be reported to a future committee.

5. Consequences

Policy consequences	<i>None directly.</i>
Legal consequences	<i>None directly.</i>
Financial consequences	<i>As detailed in the report.</i>
Personnel consequences	<i>None directly.</i>
Equalities consequences	<i>Reduced financial flexibility may impact on SPT's ability to support social necessary services.</i>
Risk consequences	<i>None directly.</i>
Climate Change, Adaptation & Carbon consequences	<i>Any reduction in socially necessary bus services may increase personal car usage in the SPT area.</i>

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