

ANGUS COUNCIL

INFRASTRUCTURE SERVICES COMMITTEE - 25 AUGUST 2009

SUBJECT: LOCAL BUS SERVICES – REVIEW OF CONTRACT PRICES

REPORT BY DIRECTOR OF INFRASTRUCTURE SERVICES

Abstract: This report recommends a local bus service contract price increase of 1.91% effective from 1 July 2009.

1 RECOMMENDATION

It is recommended that the Committee:-

- (i) approve the award of a 1.91% contract price increase, for eligible local bus service contracts, from 1 July 2009.

2 BACKGROUND

- 2.1 Local bus service contract prices are reviewed on an annual basis. This review is undertaken on 1 July 2009 each year and is based on individual monthly comparisons of indexed price movements in Tables 18.4 and 18.15 of the Monthly Digest of Statistics published by the National Office of Statistics. These monthly comparisons are averaged to provide the annual percentage increase which is applied to all current contracts of more than 17 months duration which were entered into prior to the 1 January preceding the review.

3 INFLATIONARY INCREASE TO BE APPLIED FROM 1 JULY 2009

- 3.1 A review of the index used to calculate inflationary increases was undertaken in August 2008 and the results reported to this Committee (Report 796/08 refers). The review concluded that the inflationary increase should be based on Tables 18.4 and 18.15 of the Monthly Digest of Statistics. In Table 18.4, the 'General Index of Retail Prices - Motoring Expenditure', it was agreed that the sub-classifications of Purchase of Motor Vehicles, Maintenance of Motor Vehicles, Petrol and Oil and Vehicle Tax and Insurance should be used with the weightings applied to each of these sub-categories as outlined in 3.2 below. In Table 18.15 the Average Earnings Index – Transport, Storage and Communications would be utilised with the weighting applied as outlined in 3.2 below.

3.2 The weightings utilised, which are deemed to represent expenditure by operators in respect of each of the elements listed, are as follows:

• Purchase of Motor Vehicles	6.971%
• Maintenance of Motor Vehicles	8.771%
• Fuel	32.854%
• Vehicle Tax & Insurance	7.422%
• Salaries	43.982%
Total	100.00%

From these the inflationary increase due to operators on 1 July 2009 has been calculated, this is 3.57%.

3.3 Traditionally inflationary increases have been applied to transport contracts on an annual basis, however, Members agreed last year in light of the rapidly increasing fuel prices that interim payments should be made in respect of fuel costs only on a 3 monthly basis. A fuel related increase in contract prices was made from 1 October 2008 of 1.66% (Report 1143/08 refers). Members subsequently agreed at the meeting of this Committee on 3 March 2009 that in light of the significant reduction in fuel costs since November 2008 that no additional fuel related inflationary increases should be made in 2008-09 and that the interim arrangements put in place to deal with escalating fuel costs should be suspended (Report 197/09 refers).

3.4 Taking into account the contract price increase already made to operators in respect of increases in fuel costs for the period July – September 2008 of 1.66% then the contract price increase due to operators from 1 July 2009 is 1.91%.

4 FINANCIAL IMPLICATIONS

4.1 The budgetary implications of this 1.91% inflationary increase for local bus service contracts amounts to £10,626.00 in 2009-10 and £12, 246.00 in a full financial year.

4.2 The application of the 1.91% inflationary price increase will bring tendered local bus service expenditure to £1,560,898.03 in the 2009-10 financial year. This expenditure will be contained within the Planning and Transport Revenue Budget.

5 HUMAN RIGHTS IMPLICATIONS

5.1 There are no human rights implications arising from this report.

6 EQUALITIES IMPLICATIONS

6.1 The issues dealt with in this report have been the subject of consideration from an equalities perspective (as required by legislation). An [equalities impact assessment](#) is not required.

7 CONSULTATION

7.1 The Chief Executive, Director of Corporate Services, Head of Finance and Head of Law & Administration have been consulted in the preparation of this report.

8 CONCLUSION

- 8.1 This report details the basis for calculating the annual review of tendered local bus service contract prices and recommends a 1.91% increase for eligible local bus service contracts to be applied from 1 July 2009.

**ERIC S LOWSON
DIRECTOR OF INFRASTRUCTURE SERVICES**

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

**P&T/GWC/LEM
14 August 2009**