

Bath & North East Somerset Council

DECISION MAKER:	Cllr Roger Symonds	Cabinet Member for Transport
DECISION DATE:	On or after 8th December 2012	
TITLE:	Award of new contracts following tender for supported bus services	EXECUTIVE FORWARD PLAN REFERENCE: E 2504
WARD:	All	
AN OPEN PUBLIC ITEM CONTAINING EXEMPT APPENDICES		
List of attachments to this report: Appendix A – Schedule of tenders received and recommended awards (exempt) Appendix B – Schedule of consultation responses received		

1. THE ISSUE

- 1.1. To agree the award of contracts for supported public transport services, including services on Greater Bristol Bus Network corridors, Bath city services and rural services.

2. RECOMMENDATION

The Cabinet member is asked:

- 2.1. To agree that Appendix A is an exempt item and is not for publication, by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.
- 2.2. To note the tender prices received as set out in Appendix A, and to agree the award of contracts as recommended in 5.10 below.
- 2.3. To note that further decisions on service improvements, contract awards, and contract terminations will be referred to the February 2013 Cabinet meeting as detailed in 5.8 below
- 2.4. To agree that the contract with Abus for operation of the 42 Park & Ride service is extended for a further twelve months on a de minimis basis.

3. FINANCIAL IMPLICATIONS

- 3.1. The current annual costs of the tendered contracts at 2012/13 prices are £386k. These services are included in the overall supported services 2012/13 budget of £977k.
- 3.2. The award of some of these contracts is deferred until the February Cabinet meeting which will confirm the 2013/14 budget for supported services (see 5.8 below)
- 3.3. The majority of these contracts are, however, awarded as recommended in 5.10 below. The cost in 2013/14 of the awarded contracts is forecast to be £161k. In 2012/13 the forecast cost of the contracts for the equivalent services is £249k.
- 3.4. In addition the cost of the net subsidy contract with Abus for the 42 P&R service is £110k in 2012/13. The contract will receive an inflation index increase in 2013/14. The reduction in cost from the extension of the contract with Abus, as recommended in 5.11 below, is forecast to be £11.2k in 2013/14. The cost of the service is shared equally between the Council and the RUH, and the RUH contribution will reduce by £5.6k in consequence in 2013/14.
- 3.5. The recommended awards are based on the most economic and effective application of Council funds, including compliance with quality criteria.

4. CORPORATE PRIORITIES

The Council objectives include:

- Promoting independence and positive lives for everyone
- Creating neighbourhoods where people are proud to live, and
- Building a stronger economy

The proposals secure public transport services that would not otherwise be available on a commercial basis. These services retain crucial links between rural areas and their nearest major city, and provide important local services in Bath and the surrounding area that ensures access to essential services, facilities, and employment opportunities for our residents. This is particularly important for older people, who may have less access to private transport.

By providing these services our residents can participate more fully in all aspects of the local economy, supporting businesses and their employees. These services reduce car journeys, reduce traffic congestion, and help improve air quality. These proposals help make Bath & North East Somerset an even better place to live, work, and visit.

5. THE REPORT

- 5.1. The contracts expiring in March 2013 have a current value of £385k, representing nearly one third of the total spend on supported services in Bath and North East Somerset.
- 5.2. A consultation exercise was carried out (see section 10 below), and surveys undertaken of passenger journeys on the routes. The specifications for services were drawn up in the light of the consultation responses, survey data, and other information available to the Public Transport Team.

- 5.3. A number of commercial bus services changed with effect from the 4th November 2012, and further to this some tendered journeys became commercially operated. The service specifications for new contracts may therefore be different from those operated at present.
- 5.4. The contract specifications developed as a result of this exercise included a number of options that Operators were requested to price. These included:
 - 5.4.1. The enhancement of services to low floor operation where appropriate
 - 5.4.2. Operation of reduced frequencies at particular times of the day to reflect lower demand.
- 5.5. Analysis of contract revenues and patronage was undertaken to forecast future revenues and enable evaluation of gross cost bids. In all cases bidders were required to tender on a gross cost (revenue paid to the authority) and net subsidy basis (revenue retained by the operator) for each contract bid.
- 5.6. Tender documents were published on 24th August 2012, and responses required by 10th October 2012. A total of 7 operators tendered for one or more contracts each. The average number of bids per contract was 2.0, significantly below the number of bids received in the last two main tender rounds, but reflecting that the majority of services included in this tender were for evening and Sunday services, which are less desirable for small operators.
- 5.7. From the tenders received, the Council would be able to reduce costs by £108k per annum if contracts were replaced on a like for like basis from April 2013. There are, however, a number of desirable service improvements that the Council would wish to consider before awarding all the contracts. Tender prices were obtained for some of these initiatives, and other improvements would be delivered on a de minimis (non tendered) basis.
- 5.8. The Council has therefore initiated a public consultation to enable consideration of whether these service improvements are affordable, and whether these can be funded by withdrawing support from other services that are less well used, more expensive, or where alternatives for travel may exist. A decision on these contracts and service improvements will be considered at the Cabinet meeting in February 2013 (Decision paper E2470).
- 5.9. A number of contracts are, however, recommended for award from April 2013. These awards help secure a significant element of the year on year savings identified at 5.7 above. The tenders received for these contracts are summarised at Appendix A.
- 5.10. It is proposed that tenders be awarded as follows:
 - 5.10.1. A contract for the Mon-Sat evening journeys on service 376 between Bristol and Wells shall be awarded to First on a net subsidy basis.
 - 5.10.2. A contract for the Sunday and Bank Holiday evening journeys on service 376 between Bristol and Wells shall be awarded to First on a gross cost basis.
 - 5.10.3. A contract for the Mon-Sat evening journeys on service 178 between Bristol and Radstock shall be awarded to First on a net subsidy basis.

- 5.10.4. A contract for the Mon-Sat evening journeys on service 178 between Bath, Midsomer Norton and Paulton shall be awarded to Wessex on a net subsidy basis.
 - 5.10.5. A contract for the Sunday and Bank Holiday evening journeys on service 178 between Bath and Midsomer Norton shall be awarded to First on a net subsidy basis.
 - 5.10.6. A contract for Bank Holiday journeys on service 173 between Bath and Wells shall be awarded to First on a net subsidy basis.
 - 5.10.7. A contract for the Sunday and Bank Holiday journeys on service 678 between Bristol, Keynsham, Midsomer Norton, and Writhlington shall be awarded to First on a net subsidy basis.
 - 5.10.8. A contract for the Mon-Sat evening journeys on Services 1 and 6 in Bath shall be awarded to First on a net subsidy basis.
 - 5.10.9. Contracts for the Mon-Sat evening, Sunday evening, and Bank Holiday journeys on Service 13 in Bath shall be awarded to First on a gross cost basis.
 - 5.10.10. Contracts for the Mon-Sat evening, Sunday, and Bank Holiday journeys on Service 17 in Bath shall be awarded to First on a net subsidy basis.
 - 5.10.11. A contract for the Tuesday only daytime return journey on service 834 between Chewton Mendip, Bishop Sutton, and Weston super Mare shall be awarded to CT Coaches on a gross cost basis.
- 5.11. Separately from the tender round, the operator of the 42 Park & Ride service that operates between Odd Down and the RUH has proposed to reduce the net subsidy price of the contract if the contract is extended. Abus currently receive a net subsidy payment of £110k which would be subject to an inflation index increase for 2013/14. A 10% discount of the 2013/14 value is proposed in exchange for a contract extension to April 2015. The contract would otherwise be tendered from April 2014.

The costs of the service are shared equally by the Council and the RUH. The RUH has agreed to the contract extension and is considering a proposal to confirm support for the service for at least the period of the contract extension.

6. RISK MANAGEMENT

- 6.1. The report author and Cabinet member have fully reviewed the risk assessment related to the issue and recommendations, in compliance with the Council's decision making risk management guidance.
- 6.2. The number of bids per contract was relatively low, and the Council remains vulnerable to bidders giving three months' notice on contracts and rebidding at higher prices.
- 6.3. There is a significant reduction in the degree of revenue risk which the Council is exposed to on gross cost contracts. Monitoring of gross cost contract revenues will be undertaken regularly throughout the year, so that any risk to the overall budget provision is recognised at an early stage.

- 6.4. There is a high degree of retention of contracts by the existing operators. This limits the potential operational and customer service risks that may arise from an operator starting new services.

7. EQUALITIES

- 7.1. A proportionate equalities impact assessment has been completed and the report will be published on the Council website.
- 7.2. The obligation for operators to comply with the requirements of Quality Partnership Schemes for many contracted services that run on Greater Bristol Bus Network corridors ensures a high level of provision of low floor vehicles that enable greater access to the bus network for elderly and disabled passengers.

8. RATIONALE

- 8.1. The award of contracts as specified in Appendix A and 5.10 above largely retains the current pattern of services whilst generating significant and worthwhile savings for the Council. The contracts specified offer good value and the tender process has delivered very competitive bids. The recommended awards secure cost savings across a substantial part of the contract portfolio from April 2013.
- 8.2. The extension of the Abus contract for the 42 P&R service has been made possible by the Local Transport Act 2008, which extended the maximum length of supported service contracts from 5 years to 8 years. Had these provisions been in force when the contract was tendered (in 2008) the contract term would have been specified as 8 years at that time.

The operator has furthermore invested in new vehicles for the service, which was not a contractual requirement. The proposed reduction in price protects the Authority from potential cost increases from April 2014; and the discount is considered to be favourable compared to likely results from bus tendering if and when the Government implements its proposals on Bus Service Operators' Grant. The Council will be able to review the retendering of this contract from April 2015 in light of the financial position then found.

9. OTHER OPTIONS CONSIDERED

- 9.1. The option of funding service improvements from April 2013 was considered but there was concern that these service improvements could only be funded by compensating withdrawals of service. It was considered that full consultation on service changes should take place before any contracts were terminated or services withdrawn.
- 9.2. It was considered whether to defer any decision on contract awards to the February Cabinet. This would, however, have reduced the benefits of the savings generated by the tender process.
- 9.3. It was considered whether to reduce the service level on the Bank Holiday service 13 in Bath. It was considered preferable to retain a consistent Sunday & Bank Holiday timetable for the service and this proposal was therefore rejected.

9.4. It was considered whether to upgrade the 834 service operating between Chewton Mendip, Bishop Sutton, and Weston Super Mare on Tuesdays only to operate with a low floor bus. This would have cost an additional £8,000 compared to the proposed award and was considered unaffordable at this time.

10. CONSULTATION

10.1. Consultees included Ward Councillors; Parish Councils; Other B&NES Services; Community Interest Groups; Stakeholders/Partners; Other Public Sector Bodies; the Section 151 Finance Officer; and the Monitoring Officer.

10.2. Local bus operators were consulted on the issues affecting the timetables and cost structures of the services in June 2012.

10.3. Details of the background to the tender, patronage levels, and subsidy costs were sent to all Ward councillors and Parish Councils that covered the areas through which the services operated in June 2012. This outlined the issues that the Council would have to take into account in letting contracts. The Council also consulted:

- Bath University and Bath Spa University
- Bath and Norton Radstock Chambers of Commerce
- Bath Business Improvement District
- Travelwatch SW and the Bath Bus Users Group

10.4. The responses to the consultation process in respect of the current contract awards are summarised at Appendix B, together with a commentary on the responses. Further responses were received in respect of other services, and these responses will be amalgamated with the responses to the separate consultation outlined at 5.8 above.

11. ISSUES TO CONSIDER IN REACHING THE DECISION

11.1. Sustainability; Customer Focus; Social Inclusion; Young People

12. ADVICE SOUGHT

12.1. The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	Consultation on Bus revenue Support www.bathnes.gov.uk/supportedbusconsultation
Please contact the report author if you need to access this report in an alternative format	