
Meeting of Executive Members for City Strategy and the Advisory Panel

17 July 2006

Report of the Director of City Strategy

TENDERS FOR PROVISION OF SUBSIDISED BUS SERVICES

Summary

1. To consider tenders received for continuation of most bus services subsidised by the Council, in either their existing or modified form, and to decide on appropriate action in respect of the bus services involved.

Background

2. The Council has powers, contained in the Transport Act 1985, to provide subsidies for bus services where, in its view, there is a transport need that is currently not being met through commercially operated services. The only means of providing these services is to offer subsidies for them. Council Financial Regulations, United Kingdom Statutory Regulations, and European Union Procurement Regulations govern the way in which such subsidies are allocated and, amongst other things, limit the length of subsidy contracts to a maximum of five years. The majority of the Council's contracts for the provision of bus services are due to expire at the end of July and August 2006 and tenders were invited earlier this year in accordance with financial regulations with a view to continuation of the services for a further five year period.
3. The majority of the bus services involved are currently provided by First York and were last revised in September 2004, during the currency of the four year contracts due to expire shortly. The revisions were made by mutual agreement between Council Officers and the Company and included several service improvements made possible by growth in bus use achieved by the Company across its network of services since 2001. A list of the services involved (in their current form), the current operator, and an outline description of each service forms Annex A to this report.
4. Fifteen companies requested tender documents (for a combination of local bus service and home to school transport services) and bids for all or some of the services were returned by twelve of them. Seven of the submissions included bids for one or more local bus service contracts and are considered in this report. A further tender submission was received after the published

closing date and was returned to its sender unopened with an explanation that it was inadmissible.

Consultation

5. No specific consultation is required. It was envisaged that the services provided would only be subject to minor alterations. Subsidised bus services are continually monitored to ensure that they continue to meet the travel needs of passengers and are provided in accordance with Council transport policies which have been the subject of extensive previous public consultation. Additionally, from time to time, the Council participates in Bus User Surgeries organised by Bus Users UK, to listen to public views about bus services. The appropriateness of the existing subsidised supported services will be reviewed in the context of the Council's Second Local Transport Plan during the timeframe of the contracts due to be awarded. Public consultation and notification will be carried out on any significant changes proposed as an outcome of this process.

Options

6. To award contracts for all the services listed in Annex A. This would substantially exceed the allocated budgets. This is due to significant increases in most tender prices. This is mainly attributable to bus service operating costs rising faster than inflation in several successive years. Confidential Annex B to this report compares existing costs with the cost of the lowest acceptable bids for each service and includes performance indicators for the various services and part services involved.
7. To discontinue support for some services. In order to contain expenditure within existing budgets, it would be necessary to discontinue support for some services on the basis of tenders received. It is recognised that this would be a retrograde step, in the context of Council transport policies. This report, therefore, makes no suggestions of which services might be at risk of discontinuation, if this option is pursued.
8. Not to award any substantive contracts at the present time and negotiate with the tenderers to seek reductions in costs, and if necessary to carry out further tendering of services in the future. Members may wish to consider not awarding any contracts on the basis of the tenders received. In this event, it would be necessary for officers to negotiate temporary contracts, with existing suppliers where possible, initially until 25 February 2007, to allow time for the situation to be examined in more detail. This date is the earliest agreed bus service change date the Council has with bus companies, which will allow sufficient time for negotiations to be completed. During this process, there may be additional expenditure implications or a need to modify contract specifications in order to make savings. It may be possible to mitigate these effects by proposed changes to bus services 22 and 23 for reasons outlined in Annex C to this report. During the period of these extended contracts, officers would engage with lowest price bidders to explore any opportunities for savings, which would contain expenditure within budget whilst minimising any adverse effect on the bus services affected. If this cannot be accomplished,

tenders would need to be invited afresh, with the aim of encouraging bidders to become more competitive. A new tender specification would need to be adopted which maintained the level of service whilst achieving reductions in cost.

Analysis

9. In order to contain expenditure within budget it will be necessary to review the current level and extent of services provided. In the 2006/7 financial year without negotiation, there would need to be a saving of up to £71,750 in expenditure. This could potentially have a significant effect on the extent of the existing network of bus services in the City.
10. Existing bus service support budgets are fully committed to maintaining existing subsidised services at current prices. Additional funding would have to be found from other revenue spending areas, if reductions in bus service provision are to be avoided. This is unlikely to be easily achieved and would involve careful analysis during the process of setting the 2007/8 budget.
11. Extending current contracts and negotiating affordable solutions with tender bidders, or re-tendering will not necessarily produce the necessary savings to completely avoid the need for either additional spending or reductions in services. This course of action may, however, reduce the scale of the difficulties which the Council faces.
12. It should be noted that patronage data collected for the subsidised services, which has been used in this analysis, was collected before the advent of free Concessionary Travel for those eligible. Consequently, any patronage growth associated therewith will not be reflected in the analysis.

Corporate Objectives

13. Providing subsidies to maintain bus services, which would otherwise not exist, and supplement those services provided commercially by the private sector, contributes towards the following Council's Corporate Aims as set out in the Council Plan for 2005/6. In particular, it contributes towards the "Sustainable City" and "Inclusive City" strategic objectives in the Community Strategy and Corporate Aim 1.3 to "make getting around York, easier, more reliable, and less damaging to the environment". It also contributes towards achievement of the objectives embodied in the Council's Second Local Transport Plan; to reduce congestion, improve safety, improve air quality, improve accessibility, and improve other aspects of quality of life.

Implications

14. Financial

As indicated in paragraphs 6, 9 and Annex B, awarding all contracts to maintain all existing subsidised bus services would require a substantial increase in related expenditure. It may be possible to reduce the amount involved through negotiation and minor changes to contract specifications.

Containment of expenditure may, however require the Council to withdraw support from selected bus services or parts thereof.

15. **Human Resources (HR)**

The proposed negotiations, together with re-tendering (if required) will necessitate resources within the Transport Planning Unit being re-allocated away from current priorities.

16. **Equalities**

The discontinuation of some bus services would disadvantage some residents, who are dependent on those services for their mobility and access to various facilities in the City. The action proposed seeks to minimise this adverse effect.

17. **Legal**

Tenders were invited in accordance with legal requirements. The Council makes no commitment when tendering to accept the lowest or any tender. The Transport Act 1985 (Section 91) allows the Council to enter into emergency agreements to maintain or replace services to meet a requirement which has arisen unexpectedly, provided tenders are invited as soon as possible afterwards. It also provides that, where an authority has invited tenders, but have received none which they consider acceptable, the authority may enter into a negotiated agreement without inviting further tenders.

18. **Crime and Disorder**

Discontinuation, particularly of evening bus services, may lead to people needing to walk further to and from their nearest bus stops, or not making journeys by bus, due to perceived safety risks.

19. **Information Technology (IT)**

There are no Information Technology implications for the Council.

20. **Property**

There are no property implications for the Council.

21. **Transport**

Discontinuation or reduction of bus services, making the overall bus service offer less attractive, may cause some transfer to car use with a consequent increase in traffic volumes. The scale of likely transfer is, however, not forecast to make a material difference to traffic congestion in and around the City.

Risk Management

22. Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16. This means that at this point the risks need only be monitored as they do not provide a real threat to the achievement of the objectives of this report. The detailed risk analysis forms Annex D to this report.

Recommendations

23. That the Advisory Panel advise the Executive Member that:
- 1) Existing contracts should be extended, or temporary contracts awarded, for continuation of the following bus services in broadly their current form until 25 February 2007:
 - 10 (York – Poppletons; weekday evenings)
 - 11 (York – Bishopthorpe; weekday evenings)
 - 11 (York – Bishopthorpe; Sundays & Public Holidays)
 - 12 (York – Acomb Park; weekday evenings)
 - 12 (Haxby – York – Acomb Park; Sundays and Public Holidays)
 - 13 (Monks Cross – York – Copmanthorpe; Sundays and Public Holidays)
 - 14 (York – Clifton, Green Lane; weekdays)
 - 16, 17, 17A (Clifton Moor – Acomb – Askham Bar/York & Monks Cross; every day)
 - 20 (Clifton Moor – Haxby – Monks Cross; daily)
 - 21 (Acaster Malbis – Middlethorpe Estate – York; Tuesdays, Thursdays, and Fridays)
 - 26 (York – Acomb – Askham Bar; weekdays)
 - 128, 129 (Monks Cross – Heworth/Haxby Road & York – University; Mondays to Fridays)
 - 746 (York – Pocklington; early Monday to Friday morning journey)
 - C3 (Askham Bryan/Richard – Askham Bar; weekdays)

Reason: To ensure, as far as possible, continuity, in the short term, of established subsidised bus services, which supplement and complement the existing network of bus services provided commercially within the

City, to form a comprehensive and convenient overall network of services designed to achieve the LTP and Corporate goals. To enable more detailed consideration to be given to the issues raised by this report, with the aim of seeking to minimise any possible adverse longer term outcomes.

- 2) A contract to be awarded for continuation of bus services 22, 23, 27 in the modified form as proposed in Annex C to this report (reduced weekday frequency between York & Fulford).

Reason: To reflect recent increases in commercial bus service provision between York & Fulford and to contribute towards containment of expenditure within allocated budgets.

- 3) The Director of City Strategy should be empowered, in consultation with the Executive Member, to take appropriate action, guided by the aims embodied in this report, to respond to any changes in the situation brought about by commercial bus service registrations, with any such action reported to a subsequent meeting of this Panel.

Reason: To facilitate a timely response to any unforeseen changes, which may be made with a minimum of eight week's notice, to the network of bus services provided commercially by the private sector.

- 4) The Director of City Strategy has delegated authority to negotiate with the existing tenderers to explore opportunities for savings which would bring the cost of the service within existing budgets whilst minimising any adverse effect of the bus services affected.

Reason: To reduce the financial implications and bring the costs within budget.

- 5) The Director of City Strategy has delegated authority to re-tender all or any of the services where these cannot be delivered within existing budgets.

Reason: To encourage bidders to become more competitive and ensure that the best services are provided for future bus services.

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Date 05/07/06

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Wards Affected:

All

For further information please contact the author of the report

Background Papers:

Tenders submitted by bus service operating companies in response to Council invitation issued March 2006.

Patronage data for existing subsidised bus services supplied by the current operators.

Sample survey data collected by Council Officers to monitor usage of existing subsidised bus services.

The Council Plan 2005/6

Annexes

A - Services for which tenders invited

B - Price and performance comparisons (***Exempt - By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to information) (Variation) Order 2006***)

C - Proposed economies in Subsidised Bus Service Provision

D - Assessment of Risks