

CABINET MEMBER FOR TRANSPORT - 1 SEPTEMBER 2011

BUS SERVICE SUBSIDIES

Report by Deputy Director for Environment & Economy (Highways and Transport)

Introduction

1. This report and associated Annexes deals with the following which now need decisions to be made by the Cabinet Member for Transport:-
 - (A) Contract awards following the review of subsidised bus services in the Wantage, Faringdon and Didcot area, which, if awarded, will be effective from 11 December 2011.
 - (B) Other bus subsidy contracts elsewhere in the county.
2. Background information on items (A) and (B) above is included at Annex 1 together with a summary of the relevant points from the responses received through local consultation. Information relating to the main County Council subsidy contracts is also included at Annex 1 for each service, but in some cases there are wider issues affecting particular contracts, which are discussed in the main body of the report. Section A of Annex 1 deals with services under review in the Wantage, Faringdon and Didcot area, whilst Section B deals with other services elsewhere in the County.
3. Tender prices obtained for contracts specified in paragraph 1 will be contained within Supplementary Exempt Annex 2, to be circulated later.

Reasons for Exempt Annex

4. This item should be considered in exempt session because its discussion in public might lead to the disclosure to members of the public present of information relating to the financial or business affairs of any particular person (including the authority holding that information) as a result of discussions between Oxfordshire County Council and/or other local authorities and organisations.
5. The costs contained in Annex 2 must be treated as strictly confidential since they relate to the financial and business affairs of the operator. All prices must be treated as strictly confidential until such time as the Cabinet Member decides whether or not to provide financial support for each service. Revealing operators' prices before then would prejudice the County Council's position if tenders or propositions had to be sought again for any of the services. Prices remain confidential after the date of this meeting for 10 days (until 11

September) under the objection period specified in the Public Contract Regulations 2006.

Subsidy Prices

6. Tender prices will not be available until shortly before the meeting and will therefore be reported separately in Supplementary Exempt Annex 2 together with my recommendations. Until all tender prices and 'de minimis' propositions received have been analysed, I will not know what the overall impact on the Public Transport budget is likely to be. Local Members will be advised in writing of recommendations affecting their Divisions at least one week before the meeting that considers this report and their written comments sought. Any responses received will be included as an appendix to Supplementary Exempt Annex 2.
7. If further support for any contract is not agreed at the meeting on Thursday 1 September 2011 (except where they have been replaced by alternative arrangements or contracts) then the service or journey(s) concerned will cease after operation on Saturday 10 December 2011. The only exception to this may be if a settlement will be left with no other form of public transport. In such cases, I may recommend that existing contract arrangements be extended until June 2012 to allow time for alternative facilities such as voluntary community transport to be explored.

Exemption from Call-in

8. On 10 January 2006 Council agreed an amendment to the Constitution which means that the County Council's call-in procedure should not apply to any decision on the letting of a contract arising from termination of an existing contract if the time available is such that allowing for call-in would result in service discontinuity, provided that all members of the relevant Scrutiny Committee had been informed of the circumstances of the decision to be made and had had an opportunity to make representations to the decision maker about it. Since existing subsidy contracts will inevitably end on 10 December 2011, the effect of any call-in would be to prevent introduction of any replacement contracts, thus resulting in complete withdrawal of the services concerned and a consequent service discontinuity. The 10 January 2006 amendment therefore applies.
9. With regard to that provision, local members and members of the Growth and Infrastructure Scrutiny Committee will be advised of the recommended contract awards (as contained in Supplementary Exempt Annex 2) at least one week before the date of this meeting which will allow an opportunity for them to put their comments in writing or arrange to speak at the meeting.
10. The above arrangements are separate from the provisions of the Public Contracts Regulations 2006 which allow a 10 day 'cooling-off' period for contractors who have any grievance with regards to the tender awards or processes. Successful tenderers will be advised of the outcome as soon as is practicable after the meeting, so that they will be in a position to register

services with the Traffic Commissioners before the end of the 10 day period if necessary. Because of this it will not be possible to disclose any information to the public in respect of the tender awards until before Monday 12 September 2011 (the tenth day of the 'cooling-off' period being the preceding Sunday).

Financial Position – Current Year (2011-12)

11. The funding available in the County Council's bus subsidy budget is as follows:

	£000's
Bus Subsidy Budget	£2,892
Rural Bus Subsidy Grant (RBSG)	£1,737

The combined budget total of £4,629,000 represents a cut of £268,000 from the 2010/11 budget. Next year's budget will remain the same as this year (excluding inflation) but further cuts of £250,000 in both 2013/14 and 2014/15 are scheduled. Thus, because of the length of the contracts being tendered, awards will be assessed on the available budget in 2014/15.

12. Note that this excludes budgets for public transport development, some of which are used for pump-priming bus services. It also excludes over £854,000 of income from developer, partnership and other local authorities (for cross boundary routes). All of these other sources of funding are dedicated to specific services and are not available for general bus subsidy. The value of any of these other sources of funding is therefore 'netted out' in any references to the subsidy cost to the Council of the services concerned.

Financial Position – Wantage, Faringdon and Didcot Review

13. The current annual net cost to the bus subsidy budget of the contracts under review is £606,000. However, there are also external contributions to the contracts (largely from Section 106 developer contributions and from sites of significant employment in the review area, such as Harwell Campus) which total an additional £182,000 annually. Given the significant sums coming from sources other than the bus subsidy budget, significant cost reductions may be necessary to maintain services should the availability of external funding be greatly reduced.
14. Following a meeting with the Cabinet Member for Transport during the review, officers were advised that due to current budgetary pressures it would not be possible to explore significant enhancements. It will therefore not be possible to meet requests for, for example, new evening and Sunday services, although some similar requests were received during the consultation exercise. However, it may be possible to meet one or two requests for new services provided by small diversions, extensions or additional journeys at minimal additional cost.

Contract Numbering

15. Contracts have been given a letter code in the first column of each Annex (and also in any references to the service within this report) and members are recommended to use this code for cross-reference purposes. Existing service and contract numbers are mentioned, for members' information only, in the service descriptions. Both service and contract numbers may change following award of new contracts.

A. Review of Subsidised Bus Services in the Wantage, Faringdon and Didcot area

Background

16. Subsidised bus services in the Wantage, Faringdon and Didcot area are due for review, and tenders have been invited for new contracts to run from 11 December 2011 until 30 May 2015 (unless stated otherwise). Contract length is reduced from the standard four-year duration to three-and-a-half years as a result of revisions to the area review schedule for subsidised bus services, and the gradual phasing-in of six-year contracts to replace four-year contracts. 19 contracts are currently operating in this area and are included in this review.
17. Details of all of the services concerned together with information on the present subsidy cost and patronage data are contained in Annex 1 (Section A). All affected parish/town councils were consulted, as were parishes in the review area with no existing bus service. The views of the Vale of White Horse District Council, South Oxfordshire District Council, Oxford City Council and Swindon Borough Council were also requested. If appointed, the parish transport representative of each parish was notified of the consultation process in addition to the parish clerk. Numerous further interested parties were also consulted in the course of this review including Bus Users UK, Transport for All, local health representatives and schools, and colleagues elsewhere within Oxfordshire County Council. Views were also received from private individuals and other representative bodies via Oxfordshire County Council's online consultation portal. Comments received from consultees, including any particular requests for new services or variations to existing routes, are summarised under the respective contract headings in Supplementary Annex 2.
18. A pleasing response rate was achieved from parish and town councils as a result of the public consultation exercise. Several responses were in the form of 'transport needs surveys', which were compiled with the assistance of the community transport adviser at Oxfordshire Rural Community Council. Some made suggestions for additional journeys or variations to services, although it was made clear at the beginning of the consultation process that spare funds for significant improvements were likely not to be available at this time. However, prices have been sought for some route diversions or other realistic improvements where feasible. In addition to the above responses, several further comments were received from other consultees.

Services under Review

19. A number of factors have had to be taken into consideration during the course of the review. These include:-
- (a) Entire or partial commercial declarations by operators.
 - (b) 'De minimis' prices sought for some contracts.
 - (c) Cross-boundary issues relating to operations within the Swindon Borough Council administrative areas
 - (d) Home to School Transport: carriage of students on scheduled bus services.

a – Entire or partial commercial declarations by operators

20. Commercial journeys are those which operate without any subsidy. All existing contractors were approached regarding the declaration of any route or section of route currently supported by the County Council that could be continued without subsidy (i.e. commercially).
21. Early in the review process notification of a potential commercial declaration was received with regard to service 32 (Contract PT/V33: Abingdon to Wantage and Grove via Didcot Monday to Saturday - see item C). However, the commercial proposition initially only covered the section of route between Abingdon and Harwell Campus, and omitted the section from Harwell Campus to Wantage and Grove. This was later revised to cover the entire existing service (although details of the timetable from December 2011 had not been received at the time of writing).
22. Notification of an additional commercial declaration was received for the same route from another operator, this time covering much of the existing service from Grove to Abingdon via Wantage, Harwell Campus and Didcot, albeit with one or two exceptions. The 'village centres' of East Hendred and Ardington (both situated off the A417) would not be served, along with Milton Park in off-peak periods and some areas of Grove (although these are currently covered by service 38 (Contract PT/V44: see item G)).
23. Additionally, Thames Travel began a commercial Sunday service on route X32 from 6 June between Oxford, Didcot, Rowstock Corner, Harwell and Chilton. As this covers a significant portion of the current subsidised 32A service (Contract PT/V47: Grove and Wantage to Didcot - see item D), the ongoing viability of this subsidised service may be affected dependent upon tender prices and anticipated future demand. Details of the recommendation for any future tender award (or otherwise) are contained in item D of Supplementary Exempt Annex 2.
24. The deregulated bus industry permits bus operators to operate any route on a commercial basis, regardless of the presence of an existing commercial service, and officers have necessarily adopted a neutral stance having heard of the potential commercial declarations mentioned above. The tendering process has been influenced accordingly by these propositions: details of the outcomes

for communities on the current 32 route are described in Item C of Supplementary Exempt Annex 2, along with any attempts made by officers to mitigate any negative effects upon these communities and their cost implications.

25. For all contracts under review and made available for tender, officers have as a basic specification sought tenders for the current level of service (except in the case of service 32, where the above-mentioned commercial propositions have led to the existing route not being re-tendered). However, as usual various alternative options have also been specified for many contracts at either a lower level of service, or for a combination of existing routes in order to achieve savings.

b – ‘De minimis’ prices sought

26. Previous reviews have usefully employed ‘de minimis’ contracts as a means of securing enhancements or extensions to existing commercial services by negotiation with the incumbent operator, without the need to tender competitively. However, the value of ‘de minimis’ contract awards should not exceed a threshold of around 25% of the total bus subsidy budget: the current value of these contracts is at this threshold, which means that it is not possible to award new ‘de minimis’ contracts of significant value.

However, several contracts were awarded on a ‘de minimis’ basis at the last Wantage and Faringdon area review in 2007, as follows:

Service 31: contracts PT/V42 and PT/V43 (items A and B)
Service X2: contract PT/V41 (item E)
Service 61: contract PT/V70 (item I)
Service 65: contracts PT/V58 and PT/V74 (item K)
Service 66: contracts PT/V59 and PT/V78 (items L and M)
Services 84 and 85: contract PT/V65 (item P)

27. As these contracts are already awarded on a ‘de minimis’ basis, prices have been sought for their continued award via this method, as unless there are significant cost increases they should not contribute to a significant increase in the value of contracts of this type. In the case of service 61 (Faringdon Community Bus: see item I) and services 84 and 84 (Stanford-in-the-Vale Community Minibus - see item P) there is no sensible alternative to a ‘de minimis’ contract, given that both are Community Transport services which would be unlikely to attract interest from ‘mainstream’ bus operators given their clientele and areas of coverage.
28. Details of ‘de minimis’ prices received are contained under the relevant item headings in Supplementary Exempt Annex 2.

c – Cross-boundary issues

29. Four Oxfordshire-administered contracts in this review currently operate into the Swindon Borough Council administrative area, as follows:

Service 65: contracts PT/V58 and PT/V74 (item K)

Service 66: contract PT/V78 (item L)

Currently only contract PT/V58 (Swindon to Faringdon via Longcot) attracts a financial contribution from Swindon Borough Council for diversion of all journeys via South Marston Village. Service 47 (Swindon to Ashbury) also operates in the review area and is the subject of a contribution from Oxfordshire County Council towards the contract cost incurred by Swindon Borough Council, who tender this service. However, this contribution is not under review at this time.

30. Ongoing contributions toward contract PT/V58 as a whole are significant in terms of ensuring the continued viability of the entire service in its current form. Officers' recommendations for the future of this service are detailed in item K of Supplementary Exempt Annex 2, along with the details of the future financial contributions of Swindon Borough Council.

d – Home-to-School Transport – carriage of students on scheduled bus services

31. Currently there are no contributions from home-to-school transport toward contracts under consideration in the Wantage and Faringdon area. However, non-catchment pupils are transported to and from King Alfred's School in Wantage largely from Faringdon and Stanford-in-the-Vale via appropriately-timed journeys on service 67 (contract PT/V79 - see item N), and pay RH Transport directly for bus passes. A consultation response was received from the headteacher of the school requesting minor changes to the timetable to better suit students at the school: these have been considered and reflected in the tender documentation for the service from December.
32. Additionally Abingdon and Witney College currently contributes £55,000 per annum toward the subsidy cost for service 32 (Abingdon-Didcot-Wantage-Grove: contract PT/V33 - see item C)
33. The position regarding ongoing funding for these journeys has been complicated by the commercial declarations relating to service 32 detailed in paragraphs 20 to 25 (which are both scheduled to serve Abingdon College). Officers have taken a neutral stance in this situation and it is assumed that each operator will have approached the College to discuss the availability or otherwise of funding towards these journeys should it be deemed necessary.

Developer Funding – Section 106 Agreements

34. Details of any available Section 106 funding (or alternative sources) for particular bus services under review will be shown under the relevant item headings within Supplementary Exempt Annex 2.

35. Goodman (the Facilities Management consultancy responsible for the operation of Harwell Campus) currently contributes around £56,000 per annum toward service 32 (Abingdon-Didcot-Wantage-Grove: contract PT/V33 - see item C) for the provision of an hourly service to the Campus site.
36. The position regarding ongoing external funding for these journeys has been complicated by the commercial declarations relating to service 32 detailed in paragraphs 20 to 25. Representatives of Goodman have expressed the view that if possible they would wish the funding to continue to be administered by officers from the bus services team and used toward filling any gaps in service that may result from the commercial declarations, thus maintaining the 'status quo' as much as possible. However, should parallel commercial services be declared (as appears likely at the time of writing) with no gaps in the current timetable, officers will have to maintain a neutral stance and will expect Goodman to decide on the destination of any ongoing funding towards the future service linking Harwell Campus with Abingdon, Didcot and Grove.
37. Details of the funding situation with regard to service 32 are contained within item C of Supplementary Exempt Annex 2, along with details of any attempts to mitigate these via tendering and the resulting financial consequences.
38. Additional sources of Section 106 funding (or other external sources) have been explored, and details of any contribution towards the services under consideration is detailed under the relevant item heading in Supplementary Exempt Annex 2.

Publicity

39. In order to assist the travelling public a publicity leaflet will be produced containing all the new bus service timetables in the review area, along with other commercial services and those not under review. It is anticipated that this will be distributed locally and carried on board the current buses serving this area. This will assist with the challenge of keeping passengers informed of changes to operational arrangements resulting from the review. Previous publicity of this type has attracted favourable comment.

Contract Costs

40. Following the award of any new bus service contracts, the financial impact on the bus services budget can be calculated. The financial out turn will be shown in Supplementary Exempt Annex 2.

Use of County Council owned vehicles

41. Officers have explored the potential for use of the Integrated Transport Unit (ITU) vehicle fleet to operate several of the contracts currently under review in return for subsidy payments. Vehicles from the ITU fleet sometimes have spare capacity between mid-morning and mid-afternoon and, as a result, could potentially be deployed on subsidised bus contracts at marginal cost providing

that the timetable is deemed suitable by the Fleet Operations Manager and the vehicle to be utilised provides the necessary seating capacity. Two contracts have been awarded on this basis in previous reviews, and thus far have operated successfully.

42. Discussions took place between the review officer, the transport services manager and the fleet operations manager to assess the possibility of some of the contracts under review transferring to 'in-house' operation via the ITU vehicle fleet. Details of the financial implications of potential awards are contained under the relevant item numbers of Supplementary Exempt Annex 2.

Contributions towards timetabled Community Transport operations

43. Faringdon Community Minibus and Stanford-in-the-Vale Community Minibus operate two of the contracts currently under review (Contracts PT/V61 and PT/V65: items J and P). These provide respectively a town service linking residential areas of Faringdon with the town centre and Health Centre, and links between Stanford-in-the-Vale and many nearby 'deep rural' villages and Faringdon and Wantage. Many of the villages served have little or no other public transport to these towns or elsewhere, and both contracts are awarded on a 'de minimis' basis without going to competitive tender.
44. Discussions between officers and both operators indicated that an ongoing subsidy contribution was required for the continued operation of both services, but at a low level relative to the 'lifeline' nature of the service that they provide. No significant alterations to the level of service or areas of coverage are likely in the near future, and requests by officers for serving additional communities in return for increased subsidy payments generated a negative response in most cases. Full details of the routes, current financial implications and other information relating to these services are contained in items J and P of Annex 1, while details of requests for ongoing funding on a 'de minimis' basis along with recommendations for award or otherwise are contained under the same item headings in Supplementary Exempt Annex 2.

Contributions towards non-timetabled Community Transport operations

45. The contribution toward Swindon area Dial-a-Ride's operational costs has also been considered as part of this review. This service provides transport to Swindon for the elderly and mobility-impaired from the Oxfordshire villages of Bourton, Shrivenham and Watchfield. Full details of the route, current financial implications and other information relating to this service are contained in item Q of Annex 1, while details of the request for ongoing funding along with recommendations for award or otherwise are contained under the same item heading in Supplementary Exempt Annex 2.
46. Other community transport operations in the review area have also been consulted as to their willingness to consider meeting additional transport needs

in the review area in return for subsidy or grant payments. All have identified possible legal and resourcing issues with increasing their commitment to public transport provision in the review area and have, in general, responded negatively to expanding their operations.

Consultation During Review

47. Extensive consultation has been carried out during the course of this review and around half of those parishes consulted responded. A brief summary of all the comments received is set out at Annex 1 under their respective contracts. In addition, a public meeting was held in Grove in May 2011 to which all consultees were invited and at which various proposals were outlined and comments received.
48. This review has also utilised Oxfordshire County Council's consultation portal as a means of attracting comments from local residents. In practice many comments reflected those of other consultees or simply asked that a bus service should be retained: for clarity, individual comments have not been included at Annex 1 where this is the case, but officers have taken on board any such responses.

B. Contracts for Subsidised Bus Services Elsewhere

Service 43 (Contract PT/V6: Eaton – Fyfield – Gozzards Ford – Abingdon - item R)

49. Although the contract for service 43 was awarded in June 2010 until May 2015, it was decided in agreement with the operator to terminate the contract prematurely and review the service in conjunction with service 63 (Oxford – Eaton – Appleton – Southmoor: see item J). Both services are operated by Whites Coaches and the Thursday only service 43 is currently operated by the same vehicle that operates service 63 on one of the days that the latter route does not currently run.
50. A further contract award to Whites Coaches for service 63 that included operation on a Thursday could mean that operation of service 43 was no longer possible at the agreed contract price as awarded last June, as an additional driver and vehicle would be required. Officers therefore decided to pre-empt this possibility by reviewing and tendering both services simultaneously.
51. Full details of the route, current financial implications and other information relating to service 63 are contained in item R of Annex 1, while details of tender prices received along with recommendations for award or otherwise are contained under the same item heading in Supplementary Exempt Annex 2.

Service 90 (Contract PT/C31: Heyfords – Middle Barton – Barfords - Banbury: item S)

52. This contract is for short-term financial support of previously-commercial service 90 following its proposed withdrawal by Heyfordian Travel. Affected parish councils have been consulted and patronage surveys conducted in order to inform the decision over its future viability as a subsidised service. Two 'short' journeys between Banbury, Adderbury and Deddington have been withdrawn without review as they are largely duplicated by Stagecoach service 59.
53. Full details of the route, current financial implications and other information relating to service 90 are contained in item S of Annex 1, while details of tender prices received along with recommendation for award or otherwise are contained under the same item heading in Supplementary Exempt Annex 2.

Financial and Staff Implications

54. The financial implications as they relate to bus service subsidies will be dealt with in Supplementary Exempt Annex 2. There are no staff implications.

SUPPLEMENTARY EXEMPT ANNEX 2

55. This document will be circulated prior to the meeting to all relevant County Council members. Each contract (or group of like contracts) will have a separate sheet in the same order and numbering as in Annex 1. Relevant information on the current service pattern, level and route will be repeated in the heading followed by the officers recommended option and suggested course of action (including the cost of the recommended option). This section will also highlight the likely consequences of proceeding with the award of this recommended option (for example parishes left unserved or known passenger flows displaced). This is followed by a summary of all the other options/prices sought and the cost and likely effect of awarding these options (and which may be awarded by the Cabinet Member for Transport in lieu of the officers recommended option if he so wishes).

RECOMMENDATION

56. **The Cabinet Member for Transport is RECOMMENDED to:**
- (a) make decisions on subsidy for the services described in this report on the basis of the tender prices (and the periods of time) as set out in Supplementary Exempt Annex 2 (to be reported subsequently);**
 - (b) record that in the opinion of the Cabinet Member for Transport the decisions made in (a) above are urgent in that any delay likely to be caused by the call in process would result in service discontinuity and in accordance with the requirements of Scrutiny Procedure Rule 17(b) those decisions should not be subject to the call in process;**

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STEVE HOWELL

Deputy Director – Highways and Transport
Environment & Economy

Background papers: Correspondence with Local Councils, Parish Transport Representatives, Transport operators and other bodies (refer to contact officers).

Contact Officers: Tim Darch (Tel: Oxford 815587): Wantage and Faringdon area review
Allan Field (Tel: Oxford 815826): Financial information and other services

August 2011