

Division(s): All
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## **CABINET MEMBER FOR ENVIRONMENT –27 MARCH 2014**

### **BUS SERVICE SUBSIDIES**

**Report by Deputy Director for Environment & Economy (Commercial)**

#### **Introduction**

1. Subsidised bus services mostly in the Witney, Woodstock and Chipping Norton area are due for review and, unless stated otherwise, tenders have been invited for new contracts. Most will run from Sunday 1 June 2014 until Saturday 30 May 2020, though some will be of shorter duration. This report and associated Annexes deals with:
  - (A) Contract awards following the review of subsidised bus services in the Witney, Woodstock and Chipping Norton area.
  - (B) Contract awards for 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. Detailed information relating to the main County Council subsidy contracts is also included at Annex 1 for each service, while any more general issues relating to specific services are discussed in the main body of the report.
3. Tender prices obtained for contracts specified in paragraph 1 are contained within Supplementary Exempt Annex 2.

#### **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 tender prices contained in Supplementary Exempt 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 decision meeting 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 will remain confidential after the date of this meeting for 10 days (until Monday 7 April) under the 'standstill' period specified in the Public Contract Regulations 2006 and by EU procurement legislation.

#### **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

recommendations. The overall impact on the Public Transport budget will not be known until tenders have been evaluated.

7. If further support for any contract is not agreed at the meeting on Thursday 27 March 2014 (except where they have been replaced by alternative arrangements or contracts) then the service or journey(s) concerned will cease after operation on Saturday 31 May 2014.

### **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 31 May 2014, 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 will be advised of the recommended contract awards at least one week before the date of this meeting, which will allow them the opportunity to put their comments in writing or arrange to speak at the meeting.
10. The above arrangements are separate from the provisions of the European Union procurement legislation and the Public Contracts Regulations 2006, both of which require a 10 day 'standstill' 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 possible 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 7 April 2014 (the tenth day of the 'cooling-off' period being the preceding Sunday).

### **Financial Position – for the 2014/15 financial year**

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

Bus Subsidy Budget	£2,664,491
Rural Bus Subsidy Grant (RBSG)	£1,866,951
Total	£4,531,442

The combined budget total of £4,531,442 represents an increase of £131k from the 2013/14 budget.

12. Note that this excludes budgets for public transport development, some of which are used for pump-priming bus services. It also excludes over £589k 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 already taken into account in any references to the subsidy cost to the Council of the services concerned.

### **Financial Position – Witney, Woodstock and Chipping Norton Review**

13. The current annual net cost to the bus subsidy budget of the contracts under review is approximately £1.2million. Where external contributions benefit contracts under review, details are reported in Supplementary Exempt Annex 2.
14. Budgetary pressures have prevented the exploration of significant enhancements to subsidised bus routes for some time (unless paid for by external funding sources). It is not expected to be possible to meet requests for, for example, new evening and Sunday services, although some such 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 so long as they can be achieved at minimal additional cost or via external funding (for example from Section 106 agreements).

### **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 the purposes of cross-referencing. Existing service and contract numbers are mentioned, for members' information only, in the service descriptions. Both service and contract numbers may change following the award of new contracts.

## **A Review of Subsidised Bus Services in the Witney, Woodstock and Chipping Norton area**

### **Background**

16. Subsidised bus services in the Witney, Woodstock and Chipping Norton area are due for review and, unless stated otherwise, tenders have been invited for new contracts to run from 1 June 2014 until 30 May 2020. The standard contract length for tendered routes is six years as a result of revisions to the area review schedule for subsidised bus services.
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. A full consultation exercise was conducted between September and November 2013 and details of any comments received are summarised under the respective contract headings in Annex 1. It was made clear at the beginning of the consultation process that significant improvements were likely not to be possible at this time. However, prices have been sought for some route diversions or other realistic enhancements where feasible, although the size of the review area and the resulting increase in the number of responses received dictates that it has not been possible to explore all suggestions made.

### **Consultation during review**

18. Extensive consultation has been conducted during the course of this review and a significant number of responses were received. A brief summary of the comments is set out in each item detailed within Annex 1. In addition, public meetings were held

in Witney and Chipping Norton in October 2013 to which all consultees were invited and at which various proposals were outlined and comments received and discussed.

19. 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: individual comments have not been included in Annex 1 where this is the case, but officers have taken on board any such responses.
20. Local Members have been 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 are included as an appendix to Supplementary Exempt Annex 2.

### **Considerations in review process**

21. 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
  - (c) Cross-boundary issues relating to operations within the Swindon Borough Council and Gloucestershire County Council administrative areas
  - (d) Home to School Transport: carriage of students on scheduled bus services
  - (e) Exploration of other methods of transport provision in the review area as part of the Supported Transport Project

#### **a – Entire or partial commercial declarations by operators**

22. Commercial journeys are those which operate without any subsidy. All existing contractors were approached early in the review 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).
23. The following commercial declarations have been received for entire services, for which it is anticipated that significant ongoing subsidy will not be required (aside from 'de minimis' payments for specific journeys or coverage of individual communities which are not included within the commercial declarations):
  - Service 11: Witney – Freeland – Eynsham – Oxford (see Item A in annexes)
  - Services 213/214/215 (Witney Town Services: see Item F in annexes)
  - Service 233 (Witney – Burford – Milton-u-Wychwood – Shipton-u-Wychwood: see Item G in annexes)
  - Service 242: Witney – Long Hanborough – Woodstock (see Item I in annexes)
24. Details of the effect on service provision of the commercial declarations described above are contained in Supplementary Exempt Annex 2, along with financial information relating to 'de minimis' payments negotiated to ensure continuation of the current level of service as much as is practical and any resulting cost savings.

**b – ‘De minimis’ prices sought**

25. 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. The total value of ‘de minimis’ contract awards is now considerably lower than the specified limit of around 25% of the total bus subsidy budget and, as a result, it has been possible to usefully employ ‘de minimis’ agreements to enhance some services which have been declared partially commercial to a level that ensures appropriate continued provision for the communities served by them.
26. Partial commercial declarations were received for the following services, for which ‘de minimis’ agreements have been negotiated for continuation of broadly the current level of service:
  - Service 23A: Steeple Aston – Tews – Chipping Norton (see Item N in annexes)
  - Service 243: Combe – Stonesfield – Leafield – Witney (see Item O in annexes)
27. Details of future ‘de minimis’ or tender prices received for the above contracts along with proposed methods of award for each contract will be contained under the relevant item headings in Supplementary Exempt Annex 2.

**c – Cross-boundary services**

28. The current contract for service 64 (Carterton – Lechlade – Highworth – Swindon: see Item D in annexes) has benefitted from contributions from Swindon Borough Council (for coverage of some areas of the Swindon urban area) and Gloucestershire County Council (for serving St John’s Priory Caravan Park and providing peak journeys and an enhanced daytime service from Lechlade to Swindon in conjunction with Gloucestershire’s subsidised service 74).
29. Swindon Borough Council terminated its contribution to service 64 in January 2014. Officers decided to retain the existing route via the Gorse Hill and Kingsdown areas of Swindon until the conclusion of the current contract, but to withdraw the service from these areas from June 2014 as a result of the removal of funding for their coverage. Operating via the resulting more direct route will improve timekeeping and reduce mileage and may make the service more attractive to potential tenderers.
30. Gloucestershire County Council has indicated its willingness to continue to contribute to service 64 to maintain the current level for service between St John’s Priory Caravan Park, Lechlade and Swindon. Details of any ongoing contribution toward service 64 from this authority will be detailed within Supplementary Annex 2.

**d – Home-to-School Transport – existing arrangements for carriage of students on scheduled bus services**

31. Service 233 (Witney – Burford – Milton-u-Wychwood – Shipton-u-Wychwood: see Item G in annexes) currently fulfills Home-to-School contract 1504 as part of the public bus timetable. A double-deck vehicle is scheduled to operate specific journeys and provide appropriate seating capacity for the volume of students travelling between Shipton-u-Wychwood and Milton-u-Wychwood and Burford School. The contract cost benefits from a contribution from the Home-to-School transport budget for the cost of providing a larger vehicle.

32. Route 233 will be operated commercially from June 2014 with smaller capacity vehicles but at an increased hourly frequency rather than every 90 minutes at present. The commercial operator has indicated that they are unable to provide suitable capacity for the flow of students currently being transported. As a result the contract will be re-tendered on a 'stand-alone' basis without connection to the public bus service. Provision for non-student bus passengers who currently travel on the affected journeys will continue via the newly-commercialised service 233 at broadly the current times.

**e – Exploration of other methods of transport provision in the review area as part of the Supported Transport Project**

33. Several opportunities for the carriage of schoolchildren on subsidised bus routes have been explored as part of the review process as 'pilot' schemes. Where potential synergies have been identified, options have been added to the relevant tender specifications to enable prices to be submitted for the services both with and without carriage of students, enabling comparison with existing contract prices for the 'stand-alone' Home-to-School contracts.
34. The contracts where potential for the carriage of schoolchildren have been identified are as follows:
- Service X8: Kingham – Chipping Norton (See item R in annexes)
  - Service X9: Witney – Charlbury – Chipping Norton (See item T in annexes)

Full details of the financial implications for both the Home-to-School and Bus Subsidy budgets of adding students to subsidised bus routes will be included under the relevant Item headings in Confidential Annex 2.

35. In addition, the operator of the commercialised 233 service (Witney – Burford – Milton-u-Wychwood – Shipton-u-Wychwood: see Item G in annexes) has expressed an interest in carrying schoolchildren from Churchill to and from Chipping Norton School. The Home-to-School transport budget would pay the operator for bus passes for each child to be transported. Although no saving to the Bus Subsidy budget will result, the resulting income will help to underpin the commercial viability of the bus service while also generating a potential saving to the Home-to-School Transport budget.
36. Details of the financial implications of the above proposals will be contained in the relevant items within Supplementary Annex 2.

**Oxford Low Emission Zone**

37. The tender specifications for service 11 (Witney – Eynsham – Oxford: see Item A) and service 18 (Bampton – Eynsham – Oxford: see Item B) contain options which serve Oxford City Centre at a broadly hourly frequency from Monday to Saturday, and as such are subject to the requirements of the Oxford Low Emission Zone (LEZ), which came into force on 1 January 2014. Operators have been informed of the need to comply with the LEZ, which broadly state that vehicles entering the Zone should meet 'Euro 5' emission standards from this date, though with some exemptions and relaxations based upon frequency and vehicle standards.

### **Developer Funding – Section 106 Agreements**

38. Section 106 agreements currently contribute toward service 19 (Carterton – Bampton – Witney: see Item C). Ongoing funding contributions toward future provision of this service has been explored: details of these will be contained in Supplementary Annex 2.
39. Other sources of Section 106 funding that may be useful in securing improved services have also been identified and explored. Where new Section 106 or other external funding sources towards existing or potential new services have been identified, details of any available contributions will be detailed under the relevant item heading in Supplementary Exempt Annex 2.

### **Publicity**

40. If savings are achieved from this review, officers propose that timetable booklets are produced for the Witney, Chipping Norton and Woodstock areas, including other commercial services and those not under review. These will be paid for from the Bus Subsidy budget, at a cost of around £1,500 per 5,000 copies. It is anticipated that this will be distributed locally and carried on board 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. A press release will be issued with summary information regarding service changes shortly after the conclusion of the 'standstill' period, and again a week or two in advance of implementation of the new services.

### **Integrated Transport Unit**

41. In recent reviews, officers have explored the potential for use of Oxfordshire County Council's Integrated Transport Unit (ITU) vehicle fleet to operate subsidised bus services 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. Several contracts have been awarded on this basis in previous reviews and, thus far, have operated successfully.
42. The Integrated Transport Unit has been made aware of any potential opportunities for services that may be operable between mid-morning and mid-afternoon. Any proposals for ITU-operated services resulting from the review will be detailed in Supplementary Annex 2.

### **Tendering procedure: South East Business Portal**

43. Tenders for subsidised services resulting from this review were invited via the South-East Business Portal. Officers have liaised closely with colleagues from the Procurement and Legal teams with regard to process revisions and improvements following the adoption of this methodology last year and operators have been kept informed of any new requirements and necessary changes to the bid submission process that have resulted. As a significant proportion of prospective tenderers for subsidised bus services also bid for contracts in the education sector, most are already registered for access to the South-East Business Portal and are, therefore, familiar with the procedures for submission of tender bids.

44. The new tendering procedure includes the compulsory submission of a 'Statement of Requirements', which officers used to conduct a quality assessment of each potential bidder. This document also informs operators that a credit check will be carried out to assess the financial stability of the company.

**B Contracts for subsidised bus services elsewhere**

**Item U: service 98 (Contract S79: Didcot – Great Western Park)**

45. Service 98 is wholly funded by the Section 106 agreement for the Great Western Park development in Didcot. As a result of anticipated developments in the road network which would fundamentally change the nature of the bus service that could be provided (and in particular the creation of a 'spine road' through the development), a short-term contract was awarded for provision of this service in 2012.
46. Although the expected changes in the road network have not progressed as quickly as anticipated the service is nevertheless being re-tendered largely as per the current timetable with an extended operating day (as required by the specification which defines the level of service required by the Section 106 agreement). Once again a short-term contract of 12 month duration will be awarded to enable anticipated developments in the road network to be encompassed as soon as is practical.
47. Details of tender prices received and recommendations for the award of the contract for this service will be contained in Item U of Supplementary Annex 2.

**Item V: service 8 (Contract C39: Brackley – Cottisford – Hethe – Fringford – Stratton Audley – Bicester)**

48. Oxfordshire County Council's contribution to Northamptonshire County Council-subsidised service 8 has been included in this review as it was anticipated that the lead authority would be required to re-tender the contract for the service, with a potential resulting effect on the Oxfordshire villages served by the route.
49. However, officers were advised during the review process that Northamptonshire had extended their contract for service 8 until September 2015. As a result no changes to this service are anticipated until then. The Oxfordshire communities served by this route will be consulted again in late 2014 on the future of the service and further discussions will take place with Northamptonshire County Council at around the same time.

**Contract Termination**

50. Contracts may be terminated by the contractor notifying the Council of intended termination not less than 26 weeks prior to the next authorised change date, or by the Council notifying the Contractor of intended termination not less than 17 weeks prior to the next authorised change date.

**Financial and Staff Implications**

51. 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**

52. This document will be circulated prior to the meeting to all County Councillors for divisions affected by this review. Each bus service (or group of services fulfilled by a single contract) is detailed in a separate item, and the ordering of items is the same in both Annexes to enable cross-referencing. Relevant information on the current service pattern, level and route will be detailed, along with officers' recommendations and 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 other options/prices sought and the cost and likely effect of awarding these options should the Cabinet Member for Environment decide to.

### **RECOMMENDATION**

53. **The Cabinet Member for Environment 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;**
  - b) **record that in the opinion of the Cabinet Member 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;**
  - c) **authorise the production of timetable booklets to publicise subsidised and commercial bus services in the Witney, Chipping Norton and Woodstock area to coincide with the introduction of revised services in June 2014.**

MARK KEMP

Deputy Director for Environment and Economy (Commercial)

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

Contact Officers: Tim Darch (Tel: 01865 815587): Bicester and Banbury area review  
Allan Field (Tel: 01865 815826): Financial information and other services

February 2014