

## **DELEGATED DECISIONS BY CABINET MEMBER FOR TRANSPORT MANAGEMENT**

**10 OCTOBER 2024**

### **BUS SUPPORT CONTRACTS – MARCH 2025**

**Report by Director for Environment and Highways**

#### **RECOMMENDATION**

The Cabinet Member is **RECOMMENDED** to:

- (a) Approve a procurement process to secure new and continued bus service provision following the expiry of 17 existing contracts, 3 of which require a Key Decision;**
- (b) Approve use of surplus ENCTS and LABSG for new contracts as detailed in Exempt Annex A;**
- (c) Approve the business case for the spend set out in this Report and to delegate authority to the Director of Environment & Highways in consultation with the Head of Legal & Deputy Monitoring Officer and the Head of Procurement & Contract Management to:**

**Commence procurement processes to secure the services outlined below;**

**Carry out the selection of the winning tenderers in accordance with the selection criteria set out in any procurement documentation and within the budget envelope for the respective services, and award the contracts to those providers;**

**Negotiate and conclude the terms of any contractual arrangements required to deliver the services including entering into all necessary legal documentation; and**

**Take any further steps necessary to ensure that continuity of services can be achieved should any further commercial routes be withdrawn or reduced.**

## Executive Summary

2. The Transport Policy team plan and implement regular bus contract tender processes to ensure delivery of the Council's strategic objectives. There is a requirement to procure 17 contracts for bus routes across Oxfordshire in order to secure the continuity of existing services.
3. Three of these contracts are expected to exceed £500,000 in value, and therefore these require a Key Decision and approval from the Cabinet Member for Transport Management.
4. In 2022, the Council was required to step in and provide funding for a number of services which were no longer commercially viable following a reduction in post-Covid passenger numbers, a reduction in financial support from Government and a significant increase in operating costs.
5. Many of these contracts expired in August 2024. At the time these contracts were due for procurement, it was expected that the traffic filter trial scheme would commence in November 2024 and therefore short-term arrangements were put in place until March 2025 in order to identify what effects the scheme would have on patronage, revenue and commercial viability of these services.
6. However, Network Rail's continuing closure of Botley Road has necessitated a delay to introduction of the traffic filter trial scheme and therefore a further extension to these contracts is required.
7. At the same time, services funded through the Council's Bus Service Improvement Plan (BSIP) are also due to end in March 2025 with the conclusion of the Government's BSIP funding period, and initial trial rural services funded by the Council's new rural and community transport budget are also due for renewal.
8. Continued approval is sought to use expected surplus from the English National Concessionary Travel Scheme (ENCTS) budget and held grant income from the Local Authority Bus Subsidy Grant (LABSG) to maintain these services, and others at the Council's discretion.

## Introduction

9. The Council has undertaken significant work in recent years to maintain and improve Oxfordshire's bus network. Unprecedented challenges for the bus industry arising from the Covid-19 pandemic has resulted in the large-scale withdrawal of commercial services and necessitated the use of contracts to keep key services in operation.
10. In addition, the Council has secured funding from the Government's National Bus Strategy programme to implement various elements of our Bus Service Improvement Plan (BSIP). In total, the Council has been awarded £5.9m in revenue funding for enhancements to services, fares reductions and journey planning initiatives over the period to March 2025.

11. In 2023/24, Council created new ongoing budget allocations for rural and community transport services, travel information and Park & Ride fare discounts.
12. In order to ensure that funds for bus service support can be spent in a timely manner, the Council utilises a mixture of competitive tenders through a Dynamic Purchasing System (DPS) and direct awards pursuant to the Council's powers to subsidise passenger transport services as permitted by the Transport Act 1985 (as amended) and its enabling Regulations.
13. Competitive tendering arrangements are utilised where values are high and/or there may be interest from more than one operator. In this way the Council can ensure it has secured best value for the service to be provided.
14. The Council's Constitution mandates that contracts with a value in excess of £500,000 are subject to the Key Decision process. Therefore, the Cabinet Member for Transport Management is requested to approve the business case for the spend set out in this Report and to delegate authority to the Director of Environment & Highways in consultation with the Head of Legal & Deputy Monitoring Officer and the Head of Procurement & Contract Management to:
  - (a) commence procurement processes to secure the services outlined below;
  - (b) carry out the selection of the winning tenderers in accordance with the selection criteria set out in any procurement documentation and within the budget envelope for the respective services, and award the contracts to those providers;
  - (c) negotiate and conclude the terms of any contractual arrangements required to deliver the services including entering into all necessary legal documentation; and
  - (d) take any further steps necessary to ensure that continuity of services can be achieved should any further commercial routes be withdrawn or reduced.
15. Officers also seek approval to utilise held funds and surplus budget on a variety of smaller-value contracts detailed in this report, as well as delegation of contract award approval to the Director of Environment & Highways.
16. Annex A is exempt from disclosure as it contains financial information related to potential future contracts. Disclosure would distort the proper process of open competition and would prejudice the position of the authority in the process of the transaction and the Council's standing generally in relation to such transactions in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

## Tender Proposals (>£500k value)

17. The Council intends to tender for three contracts which are expected to be in excess of £500,000 in value:
- Service 68 between Faringdon, Longcot, Uffington and Wantage;
  - Service 108 between Bicester, Forest Hill and Oxford; and
  - Service 500 between Brackley and Bicester.

18. Each of these is described further below.

### Services 68 and 108

19. In 2023/24, Cabinet allocated £1.2m of new funding per annum to improve rural and community transport in Oxfordshire. This was the first time some of the Council's own budget was allocated for the provision of bus services since the decision to remove subsidies in 2016.
20. Withdrawal of subsidy in 2016 led to many settlements losing access to bus services as routes were withdrawn. This disproportionately affected more rural areas where the number of passengers travelling was lower and the viability of running bus services without council subsidy correspondingly lower. The community transport sector expanded to fill some of the gaps, but coverage was reliant on people being willing to set up and run services. As a result, many rural villages have had no access to bus services for several years.
21. The priority for the new funding was for the provision of new routes provided by the community transport sector. Following extensive discussions with interested parties, it became clear the community transport sector was not able to respond to the provision of this new funding in the timeframes hoped.
22. To ensure the budget was used for its original aims, new trial services were devised and procured as conventional bus services through the council's existing DPS.
23. It remains an aspiration that these new services be delivered by the community transport sector in the future, however this is not possible at present. Therefore it is proposed to retender these trial services through the public bus DPS as conventional bus services again, for a longer contract period.
24. Both service 68 and 108 were introduced at the end of November 2023 with contracts running for one year and four months until the end of March 2025.
25. It is proposed to retender these routes for a longer period of three years, with an optional extension for a further one year. This contract length will allow appropriate time for the routes to become established and for people to gain confidence in planning their journeys to make use of them. This contract length will also be attractive to potential operators, helping them to justify investment and encourage competitive tender prices.

26. Service 68 reconnects several villages between Faringdon and Wantage to bus network that had been without public bus services for many years. This includes Childrey, Fernham, Kingston Lisle, Letcombe Bassett, Letcombe Regis, Longcot, Sparsholt, Uffington and Westcot, providing journey opportunities to both Wantage and Faringdon for all villages.
27. The route operates Monday to Saturday and includes peak time journeys for Wantage. It is currently operated by Pulhams Coaches at a cost of £196,488 per annum.
28. Service 108 reconnects several Otmoor area villages to the bus network that had been without services for many years. This included Beckley, Blackthorn, Forest Hill, Horton-cum-Studley, Piddington and Stanton St John.
29. The route operates Monday to Saturday and includes peak time journeys for Oxford from most of the villages. The service is currently operated by Oxford Bus Company at a cost of £206,244 per annum.

#### Service 500

30. Service 500 provides a key cross-border inter-urban link between Bicester in Oxfordshire and Brackley in neighbouring West Northamptonshire.
31. The former Northamptonshire County Council introduced a service between Brackley and Bicester in January 2020 using S106 developer funding; this initially ran hourly but was reduced in frequency during the pandemic to around eight journeys per day Monday to Saturday. Prior to the introduction of this route, there was no direct public transport link between Brackley and Bicester.
32. The service – plus service E1 between Elmsbrook and Bicester – was facing withdrawal due to the exhaustion of the S106 funding it, and was included in Oxfordshire's BSIP as a key cross-border route for development.
33. A contract for an hourly service was tendered which began in June 2023. Stagecoach won the tender and operate the route as an extension of their existing service between Banbury and Brackley (service 500), providing a through route between Banbury and Bicester via Brackley.
34. The service also serves the Elmsbrook development in Bicester, following the end of the developer's obligation to provide a service themselves (route E1).
35. The current contract ends at the end of March 2025, which is the end of the BSIP grant funding period. It is proposed to retender a one-year contract, funded with underspend from the original BSIP grant, with an optional extension for a further year to be funded from ENCTS underspend or held LABSG funds as appropriate.

36. It is hoped that the Government's longer term funding plans for buses will become known during the initial contract period, allowing a longer-term arrangement to be put in place after the initial one-year contract period.
37. In addition, two significant developments are in planning along the route; a substantial employment site near M40 J10 and a large tourist attraction elsewhere on the route in Oxfordshire. Both offer the potential for future S106 funds to pump-prime the cost of the route and enable further frequency enhancements, leading hopefully to commercial operation in time.
38. The current contract costs £273,480 per annum.

### **Tender Proposals (<£500k value)**

39. Contracts for a further 14 supported services finish at the end of March 2025. A list of these contracts and estimated values can be found in Exempt Annex A. These can be categorised as follows:
  - **BSIP services:** services which are currently funded by Oxfordshire's BSIP grant would be continued using underspend to continue for at least a further year, pending clarity on future government funding for bus services;
  - **Previously commercial services:** services funded with held LABSG and surplus from the ENCTS budget to maintain routes withdrawn in 2022, which are services that are no longer commercially viable since the pandemic. It is proposed to continue to fund these services for at least a further year in the same way; and
  - **Rural services:** contracts funded by the Council's rural and community transport budget. As for services 68 and 108 mentioned previously, it is proposed to tender three-year contracts with a one-year optional extension for these contracts.
40. The total cost of these contracts is expected to be c.£3,651,456. **It is emphasised that this represents continuation of existing arrangements and not new provision.**
41. Exempt Annex A provides full details of proposed funding sources and contract durations / optional extensions.
42. Further support requests may come from other operators during the 2024/25 financial year. Should this be the case, officers request that approval is given for the Director of Transport & Infrastructure to authorise such awards subject to:
  - (1) a suitable case being made for service retention;
  - (2) suitable funds being available;

- (3) the usual procurement processes being undertaken where necessary; and
  - (4) an end date no later than 31 March 2026.
43. The availability of LABSG and ENCTS funding to cover these contracts is covered in “Financial and Staff Implications” below. **It is emphasised that the availability of budgets will be part of the standard tender evaluation and award process by the Finance team and are confirmed at that time.**

## Consultation

44. The Council does not routinely consult on bus service tender processes, because time constraints associated with the securing of services often precludes this.
45. However, parish councils have been consulted on routes being retendered with long-term contracts which are funded by the Council’s own funds. The services are:
- Service 68 (Faringdon to Wantage);
  - Service 108 (Bicester to Oxford via Otmoor);
  - Services 122-127 (Watlington to Thame/Reading); and
  - Service 320 (Chinnor to Princes Risborough).
46. These consultation responses are due back shortly and will be considered when the specifications for the services are drawn up. However, the Council has been clear that proposals which are likely to incur significant spend are unlikely to be implemented.

## Corporate Policies and Priorities

47. The proposals are fully compliant with a range of Council policies, primarily the Strategic Plan, the Local Transport & Connectivity Plan and the Bus Service Improvement Plan.
48. Priority 5 of the Council’s strategic priorities is to “*invest in an inclusive, integrated and sustainable transport network*”. The proposals also support other strategic priorities including tackling the climate emergency and inequalities.
49. Failure to proceed with a tender process for these services may either place their long-term continuance at risk, with a succession of short-term arrangements likely to result.

## Financial and Staff Implications

50. The contracts expected to be awarded following approval of this tender exercise have an estimated combined value of **£5,809,344** (including extension periods).

51. It is intended that these will be funded as follows:

- Section 106 Agreements:
  - Bicester and Chesterton: £337,793
  - Wheatley: £84,942
  - Harwell/Didcot: £92,615
  - Carterton: £204,624
  - **Total: £719,974**
- Local Authority Bus Subsidy Grant/ENCTS budget underspend:
  - Year 1: £1,175,975
  - Year 2: £1,157,266
  - **Total: £2,333,241**
- BSIP:
  - **Year 1: £483,617**
- Rural and community transport budget:
  - Annual spend Years 1-4: £568,128
  - **Total: £2,272,512**

**Total £5,809,344**

#### Section 106

52. At the time of writing this report, the Council holds £646,776 of Section 106 funds related to the sites above and a further £225,000 is secured, with a payments expected in October 2024 and October 2025.
53. The contracts will be part-funded by Section 106, with balances from LABSG/ENCTS surplus and/or BSIP underspends as explained in Exempt Annex A.
54. The Director of Economy & Place has confirmed the availability of funds secured and held for the purposes of this exercise.

#### LABSG/ENCTS

55. The Council currently holds a balance of £3,543,846 in LABSG.
56. Because of reductions in concessionary travel, the anticipated surplus in the ENCTS budget is £900,000 per annum. Existing commitments and expected spend from this budget for other contracts not included in this review for 2025/26 and 2026/27 is £945,000 per annum.



57. The standard approach is to utilise ENCTS budget surplus for bus service contracts and then to draw down additional requirements from LABSG., which would be £45,000 per annum without the contracts in this review.
58. The expected cost of these contracts in 2025/26 to be met by the ENCTS budget/held LABSG is c.£1,175,975, and in 2026/27 c.£1,157,266.
59. Consequently, the balance of ENCTS surplus and held LABSG is sufficient to fund existing commitments, expected spend and the contracts in this review.

#### BSIP underspend

60. The Council have submitted a forecast to the Department for Transport which indicates a current revenue underspend of £483,617. This is intended to be utilised on the contracts for services 63, 94/94A and 500.

#### Rural and community transport budget

61. In 2025/26 and 2026/27 the rural and community transport budget is expected to be restored to its previous value, following a one-off reduction in 2024/25. The value of the budget is c.£1.2m.
62. Committed and expected annual spend without the contracts included in the review is £207,000. The total annual value of the contracts in this review is expected to be c.£568,128 and therefore can be accommodated within the budget.
63. The Council's business intelligence suggests that prices received may be lower than current, because of greater market understanding of revenue accrued on new contracts. There is also the possibility that the Government may provide additional bus funding to replace the existing BSIP programme, although that will not be understood until later this year.
64. Approval to award contracts will be subject to the Council's usual processes, which includes financial risk review of successful bidders as well as sign-off by senior procurement and financial officers.
65. Subject to approval, officers will commence work on the tender documents immediately. There are no other staff implications and costs will be met from existing staff budgets.

Comments checked by:

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## **Legal Implications**

66. Legal implications of the proposals are as follows:

The Council will comply with the Public Contract Regulations 2015 (“PCR 2015”) as well as the Transport Act 1985 in procuring services for all the contracts. As stated above, the Council utilises a mix of competitive tenders (through a PCR 2015 compliant Dynamic Purchasing System (DPS)); and direct awards made pursuant to the Council’s powers to subsidise passenger transport services under the Transport Act 1985 (as amended).

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## **Equality & Inclusion Implications**

67. The tender process will deliver local bus services which will maintain (and in some communities enhance) public transport connectivity to rural communities and some areas known to suffer from higher levels of deprivation than the Oxfordshire average.
68. It will also provide continued provision for orbital travel around Oxford, where travel by car will be less attractive as a result of the traffic filters trial scheme.
69. It is not considered that any protected groups would be disadvantaged by the proposals, as the intention is to retain and/or improve bus services for local residents.

## **Sustainability Implications**

70. The bus services to be delivered through this tender process will lead to higher levels of public transport use than would otherwise have been the case, leading to a reduction in traffic and congestion.
71. This is particularly the case in Oxford, where improved bus services will have a major supporting role in the traffic filters trial scheme to make travel easier between the major district centres and employment areas.
72. Fewer car journeys will reduce traffic emissions, contributing to improved air quality and reducing the impact on climate change. These are fully aligned with the Council’s strategic policies.

## **Risk Management**

73. The principal risks associated with the tender process are:
  - delayed approval to commence the process may lead to loss of service continuity and/or provision of short-term arrangements at higher cost to the Council;

- there may be insufficient interest in the services to be tendered to be able to provide the required level of coverage;
- prices may be unaffordable; and
- operators of contracted services may cease trading during the contract period or may terminate contracts early because of poor financial performance.

74. These risks can be mitigated by:

- approval of the recommendations in this report;
- providing a sufficient mobilisation period both for tender returns and for the period between award and contract start date, to maximise the level of potential interest;
- offering contracts for longer periods of time (as set out in this report);
- undertaking risk assessments of successful tenderers to ensure as far as possible that companies providing the services are robust, bearing in mind the current state of the bus market; and
- ensuring that contract conditions make provisions for suppliers to be paid in arrears, to minimise financial risk to the Council.

**Paul Fermer**  
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Background papers: Nil

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