



Procurement of Supported Bus Services

Report of the Assistant City Manager – Doug Sharp

This item is not exempt, however, Appendix 2,3,4 and 5 to this report are exempt from publication because It contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Namely the details of tenders submitted to the authority by competing suppliers and the public interest in maintaining confidentiality outweighs the public interest in publication as publishing the detail of unsuccessful bids which were submitted in confidence is likely to discourage bidders from tendering.

This is a Non-Key Decision

As a result of Cabinet Minute 146 of 23 May 2016

1. Purpose of the Report and Summary

- 1.1 The purpose of this report is to advise upon the bids received and to seek approval for the contract award for subsidised bus services.
- 1.2 The services have previously been procured. The current contracts are in place until 29 October 2016.
- 1.3 The total cost of support for local bus services is currently circa £300k per year. An aspiration within the procurement process was to reduce the existing cost of the subsidy. To this end in advance of the procurement exercise extensive consultation was undertaken to inform the specification with:
 - 1.3.1 service users
 - 1.3.2 local bus companies

- 1.4 The outcome of that consultation was used to inform the tender process which was undertaken using the competitive procedure with negotiation process to ensure that savings were achieved without significant impact upon service delivery. Information on the consultation undertaken is included in the report to Cabinet dated 23 May 2016.
- 1.5 In addition to this bus passenger surveys, a second public consultation was undertaken between 20th June and 22nd July 2016 to inform negotiation within the tender process. The consultation was accessible via an online survey, surveys on bus and four public events held in the Interchange. The results of the survey are shown in Appendix 1.
- 1.6 Through the proposed decisions annual savings of £100k/annum will be achieved.

2. Recommendations

- 2.1 That a contract be awarded to East Yorkshire Motor Services Ltd as the successful tenderer for the following Lots tested through the procurement procedure for Mon-Sat, 7:00 – 18:00 approximately:

Lot 1, Variation 1 - Sibelius Road to City Centre (no significant change to service frequency)

Lot 2, Variation 1 - Mizzen Road to City Centre (no significant change to service frequency)

Lot 4, Variation 2 - Victoria Dock to City Centre (reduction from 1 hourly to 2 hourly service) Lot 5, Variation 2 - Broadway Drive to City Centre (minor reduction from 1 3/4 to 2 hourly service)

at a total annual cost of £169,863.04 per annum. The contract duration will be for the period 30 October 2016 to 31 October 2019, with the option to extend each Lot for up to 12 months.

- 2.2 That no contract is awarded for Lot 3 (Service 9 – Dorchester Road to Northpoint Shopping Centre) as no compliant variant tenders were received and the tenders for the existing service exceed the budget; it is recommended that Officers engage with bus companies to discuss a de minimis variation to an existing commercial route to meet the requirements set out in Lot 3..
- 2.3 That Officers also engage with bus companies to discuss potential de minimis variation to an existing commercial route to serve the Grammar School Rd and Kestrel Avenue areas (Service 9).
- 2.4 That the City Manager note that a subsidy is no longer required for Service 28 as this will now operate on a commercial basis.

2.5 That the minor financial contribution to subsidised services procured by North Lincolnshire and East Riding of Yorkshire Councils (below £1000) be terminated from 31st October 2016.

3. Reasons for Recommendations

3.1 Bids were evaluated on an 80% price and 20% quality evaluation methodology.

3.2 Tenderers were given the opportunity to tender against the current like for like services, and a number of potential Variations that were created through consultation with stakeholders and elected members.

3.3 Prices obtained for the current like for like services (Option 3) are not affordable to the Council as they exceed the budget and do not achieve required savings for bus route support.

3.4 Option 4 represents the best balance between achieving savings and retaining access to services. Under Option 4 minimal variation to the existing subsidised services is achieved while delivering £100k overall saving.

3.5 Option 5 while providing a larger financial saving would significantly disadvantage a greater number of service users.

4. Impact on other Executive Committees (including Area Committees)

4.1 Supported bus services are provided in the following wards:

Bransholme East
Bransholme West
Holderness
Drypool
Ings
Southcoates East
Beverly
Myton
Newland
Pickering
Newington
St Andrews
Southcoates West

5. Background

5.1 On 23 May 2016 Cabinet agreed to the re-procurement of the Council's Supported bus services (Minute 146). The tender was separated into 5 Lots.

- 5.2 A competitive procedure with negotiation tender procedure was undertaken to allow for further negotiation beyond the initial tender and the testing of variations to the identified lots. The tender was advertised in Europe and on the Council's YORtender tendering portal.
- 5.3 The tender was evaluated on an 80% price and 20% quality threshold. Minimum quality thresholds were also set such as the condition of the vehicles, licenses and registration requirements being met.
- 5.4 Tenders were received from three providers, however one of the tenderers did not submit a compliant bid, therefore could not be considered further.
- 5.5 The tender was split into 5 Lots as follows:
- Lot 1 Existing Service 1D/1E - Sibelius Road to City Centre
 - Lot 2 Existing Service 1D/1E - Mizzen Road to City Centre
 - Lot 3 Existing Service 9 – Dorchester Road and Kestrel Avenue to Northpoint Shopping Centre
 - Lot 4 Existing Service 16 – Marfleet Lane to City Centre
 - Lot 5 Existing Service 50 - Broadway Drive to City Centre
- 5.6 In each Lot tenderers were asked to price routes very similar to the existing services to enable comparison with current costs. In addition, tenderers were asked to price 'Variations' within each Lot so that consideration could be given to the cost saving in relation to reduced levels of service e.g. reduced frequency, provision of off peak services only; or reduction in the number of days in the week that services are provided.
- 5.7 Each Variation within each Lot has been evaluated based on price and quality to produce a Best Offer for each Lot Variation. A summary table showing the price of the Best Offers for each Lot Variation is attached as Exempt Appendix 2.
- 5.8 The Council is not compelled to award any tender and it may award a contract to any of the Operators that have made the Best Offer for any Variation within each Lot.
- 5.9 It is important to note that compliant tenders were provided for all Lot Variations except for Lot 3. No compliant tenders were received for 3 of the 6 Lot Variations for Lot 3. In any event, all tenders that were received were more expensive than the existing service.
- 5.10 Lot 3 covers part of Service 9 which connects Kestrel Avenue and Dorchester Road to Northpoint Shopping Centre. In the last 2 years due to changes to the Commercial Network residents of Dorchester Road can now access more frequent commercial services on Holwell Road, Sutton Road, Leeds Road or Midmere Avenue which now means that the Dorchester Road Service simply provides a slightly

shorter walk to the nearest bus stop. On the Kestrel Avenue link, following initial discussions with local bus companies, it is possible to enter into a De minimis agreement to serve this area which should achieve a saving rather than a cost increase if a contract was awarded for this Lot. It is therefore recommended (as part of option 4) that no contract is awarded for this Lot and the Council engages with local bus companies with regard to a De minimis agreement as per the Grammar School road element of Service 9.

A breakdown of the price and quality scores for each compliant tender is also attached at Exempt Appendix 3.

5.11 Service 6 (previously service 28)

To inform the procurement exercise, discussions took place with local bus companies to see where costs could be reduced and assess what options for alternative service provision might be available. As a result of these discussions, no subsidy for Service 6 will be required to retain the existing service from 1st April 2017. No procurement has therefore taken place for Service 6 as the service will be provided on a commercial basis.

5.12 Services 350, 78/277 and 105

Services 350, 78/277 and 105 are all contracts tendered by North Lincolnshire Council (350 only) and ERYC (78/277 & 105) to which we contribute a small proportion. Given route support subsidies are being reviewed by these authorities and the subsidy is provided for connecting routes outside of the city, it is proposed that these subsidies are terminated from 31st October 2016.

5.13 Service 9

Service 9 is a commercial service which is diverted along specific routes at the cost of the Council. These specific routes are in parts of the cross city service covering:

- Grammar School Rd
- James Reckitt Avenue
- Dorchester Rd and Kestrel Avenue

5.14 Service 9 also continues cross city to Castle Hill and is part subsidised by East Riding of Yorkshire Council (ERYC) who are currently reviewing their network of route support subsidies.

5.15 Following discussion with bus companies and ERYC it was clear that:

- ERYC may not subsidise Service 9 beyond 2016/2017; and
- The opportunity to enter into a De minimis contract with either Stagecoach or EYMS was likely to provide greater saving to the Council whilst retaining a bus service to Grammar School Road. A De minimis contract is essentially a diversion from an existing commercial bus route

No procurement has therefore taken place for this element of Service 9.

- 5.16 The James Reckitt Avenue element of Service 9 provides access along this main corridor as an alternative to Holderness Rd and is a connecting element to the North Point Centre via Dorchester Road and Kestrel Avenue. Without this connecting element the route would likely not exist commercially so has been retained as a De minimis agreement and has not been included in this procurement.
- 5.17 The Dorchester Road and Kestrel Avenue elements of Service 9 formed a part of this procurement as Lot 3. Service 50, 1D/1E and 16 comprise the remaining Lots in this procurement which forms the basis of discussion in section 6 onwards.

6. Issues for Consideration

6.1 Tender Evaluation

An competitive procedure with negotiation tender procedure was carried out. The tender was advertised in Europe and on the Council's YORtender tendering portal.

- 6.2 The tender was evaluated on an 80% price and 20% quality threshold. Minimum quality thresholds were also set such as the condition of the vehicles, licenses and registration requirements being met.

- 6.3 Tenders were received from three providers, however one of the tenderers did not submit a compliant bid, therefore could not be considered further.

- 6.4 The tender was split into 5 Lots as follows:

- Lot 1 Existing Service 1D/1E - Sibelius Road to City Centre
- Lot 2 Existing Service 1D/1E - Mizzen Road to City Centre
- Lot 3 Existing Service 9 – Dorchester Road and Kestrel Avenue to Northpoint Shopping Centre
- Lot 4 Existing Service 16 – Marfleet Lane to City Centre
- Lot 5 Existing Service 50 - Broadway Drive to City Centre

- 6.5 In each Lot tenderers were asked to price routes very similar to the existing services to enable comparison with current costs. In addition, tenderers were asked to price 'Variations' within each Lot so that consideration could be given to the cost saving in relation to reduced levels of service e.g. reduced frequency, provision of off peak services only; or reduction in the number of days in the week that services are provided.

- 6.6 Each Variation within each Lot has been evaluated based on price and

quality to produce a Best Offer for each Lot Variation. A summary table showing the price of the Best Offers for each Lot Variation is attached as Exempt Appendix 2.

- 6.7 The Council is not compelled to award any tender and it may award a contract to any of the Operators that have made the Best Offer for any Variation within each Lot.
- 6.8 It is important to note that compliant tenders were provided for all Lot Variations except for Lot 3. No compliant tenders were received for 3 of the 6 Lot Variations for Lot 3. In addition, there was no price difference between Lot 3 Variations 1-3 and they were all more expensive than the existing service.
- 6.9 Lot 3 covers part of Service 9 which connects Kestrel Avenue and Dorchester Road to Northpoint Shopping Centre. In the last 2 years due to changes to the Commercial Network residents of Dorchester Road can now access more frequent commercial services on Holwell Road, Sutton Road, Leeds Road or Midmere Avenue which now means that the Dorchester Road Service simply provides a slightly shorter walk to the nearest bus stop. On the Kestrel Avenue link, following initial discussions with local bus companies, it is possible to enter into a De minimis agreement to serve this area which should achieve a saving rather than a cost increase if a contract was awarded for this Lot. It is therefore recommended (as part of option 4) that no contract is awarded for this Lot and the Council engages with local bus companies with regard to a De minimis agreement as per the Grammar School road element of Service 9.

A breakdown of the price and quality scores for each compliant tender is also attached at Exempt Appendix 3.

6.10 Quality / Social Value

The use of public transport helps to promote sustainable travel and reduces emission levels. A typical bus journey produces 10 times fewer emissions than the same journey by car. Although some of the proposed contracted services will not necessarily have high volumes of passenger usage, the use of public transport would still contribute towards the reduction of emission levels compared to travel by car.

- 6.11 Both tenderers' submissions exceeded the specification in regards to the quality of the vehicles to be used, with higher Euro Emission Standards which contribute to the reduction of the carbon footprint.
- 6.12 Other significant developments provided by both operators included the introduction of WIFI and the provision of Real Time information which updates customer information at bus stops and on smart technology through phone applications. Ticket machines are all ITSO compliant which will allow multi operator travel through the use of smartcards

such as the recently developed Hullcard, which facilitates multi operator cross city travel.

- 6.13 The above vehicle enhancements offered in the bid submissions contribute towards offering easy access to shops and employment within the City which may otherwise not be possible.

7. Options and Risk Assessment

- 7.1 Option 1 - Do nothing
The existing contracts will expire on 29th October 2016, this would result in the services ceasing in their entirety. Continuing the services would breach Contract Procedure Rule and European Procurement Directives.
- 7.2 Option 2 - Decommission the services
This could leave residents which rely on public transport, but unable to walk to the next nearest bus route, isolated and/or having to bear the cost of taxis or Community Transport.
- 7.3 Option 3 – Agree Variations of Lots that replicate existing services. This option would retain the current level of provision for the procured services across all Lots 1 to 5. This would result in a slight **reduction in cost of £4,343** for these services.
- 7.4 Option 4 – Accept Variations of Lots that achieve savings without significant reduction of services (the recommended Lot Variations). This is the recommended option which would generate an annual **saving of £32,343** but retain existing services across (Lots 1, 2, 4 & 5). For Lot 3 services the Council will enter into discussion with bus companies with regard to a De minimis agreement to serve Kestrel Avenue. No service is proposed to serve Dorchester Rd.
- 7.5 Option 5– Award the cheapest Variation for all the Lots. This would achieve a **saving of £81,784** but would result in a bigger impact on passengers as services will be significantly reduced.
- 7.6 The Lot Variations which comprise Options 3, 4 and 5 above and a cost comparison with the current services are shown in Appendix 4 along with summaries of the services provided in the different Lot Variations.
- 7.7 Option 3 is clearly the best option in terms of service provision for bus users but does not contribute a significant financial saving.
- 7.8 Option 4 does deliver a more significant saving and most services are largely unaffected. However, the Dorchester Road Service would cease in this scenario and Service 16 would see a reduction in frequency from hourly to every two hours after 9a.m. An hourly service would be provided before 9a.m for passengers travelling to

work.

- 7.9 It is important to note that the consultation exercise indicated that Service 1D/1E (Lots 1 and 2) and Service 16 (Lot 4) had the highest percentage of passengers using the bus for work at 22.5% and 28.5% respectively. Retention of morning peak services in this option will support this demand.
- 7.10 In summary, the recommended Option 4 takes account of the surveys undertaken and aims to provide a bus service for the majority of passengers whilst also contributing to the financial saving objective.
- 7.11 Option 5 is the lowest cost option and provides the largest saving. However, Service 1D/1E (Lots 1 and 2) and Service 50 (Lot 5) would see a reduction in provision to 4 days per week instead of 6 and services would be restricted to off peak (9a.m to 3p.m). Service 16 (Lot 4) would be provided 6 days per week but only off peak.
- 7.12 The overall approach is to maximise the saving possible whilst balancing the need to minimise the impact on the overall supported bus network as part of the current procurement.
- 7.13 To assess the overall saving, the financial impact of the options in this procurement need combining with the proposed actions described between paragraphs 5.10 to 5.16. This gives an overall indication of the estimated saving in 16/17 (part year) and the full year effect from 17/18 for the duration of the contract periods. The overall financial impact is outlined at Appendix 5.
- 7.14 The table at Appendix 5 shows that the overall estimated annual savings are as follows:
- Proposed changes plus Option 3 - £61,603
 - Proposed changes plus Option 4 - £106,604
 - Proposed changes plus Option 5 - £152,024

Based on the savings potential combined with the impact on services the recommended option is Option 4.

8. Risk Assessment

- 8.1 There is a broad correlation between cost and level of service. The lower the cost, the greater the impact on service provision. The main purpose of providing a subsidy for bus routes is to provide access to services where they wouldn't otherwise be provided. Reducing this provision will result in residents either losing or having reduced access to direct transport links. This may leave vulnerable residents with no or reduced access to public services such as medical appointments etc or having to bear the cost of a

taxi or community transport. The recommended option seeks to limit this impact whilst delivering savings.

- 8.2 The recommended option does include the removal of Service 9 from Dorchester Road and a reduction in frequency on Service 16. It is likely that this will meet with significant public opposition.
- 8.3 Whilst greater savings could be achieved with services retained in most areas under Option 5, this is likely to be met with widespread and more significant public opposition although 4 days per week access arguably provides a high level of service when compared to rural service provision provided by other local authorities.
- 8.4 Existing contracts end in October 2016. A decision on contract award is required by 26th August 2016 to meet the timetable for award through to new service commencement from 30 October 2016. Any delay to award or failure to award will result in delay to savings being realised and non-compliance with the Contract Procedure Rules and European Procurement Directives.

9. Consultation

- 9.1 Councillors from the following Wards were offered the opportunity for meeting to discuss the importance and potential impact of changes to bus services prior to commencement of the procurement exercise:

Bransholme East
Bransholme West
Holderness
Drypool
Ings
Southcoates East
Beverly
Myton
Newland
Pickering
Newington
St Andrews
Southcoates West

- 9.2 Officers from Streetscene, Highways, Procurement and Legal Services have worked closely throughout the tender process.
- 9.3 Consultation surveys were completed on bus services between 27th July 2015 and 10th August 2015.
- 9.4 A further public consultation was completed between 20th June 2016 and 22nd July 2016, which included on bus surveys, public events in the Hull Interchange and an online questionnaire.

- 9.5 The Portfolio holder for Energy City has been consulted throughout the tender process.
- 9.6 The report to Cabinet in May 2016 seeking permission to commence the procurement was also considered by the Value for Money and Overview Commission in May 2016. No further consultation with Members has taken place since the decision to procure at Cabinet in May where the decision to award was delegated to the City Streetscene Manager in consultation with the Town Clerk.

10. Comments of the Town Clerk (Monitoring Officer)

10.1 The Council are subject to a general duty to make arrangements to secure continuous improvements in the way functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Under the Public Services (Social Value) Act 2012 the wider parameters of that duty in terms of Social Value are made explicit requiring the Council to consider:

- How what is procured may improve the economic, social and environmental well-being of the area
- How in conducting the process of procurement the Council might act with a view to securing that improvement

The required services have been procured in accordance with EU Procurement Law with pre-tender consultation that has informed the specification of the service and a focus upon quality of delivery. The focus on quality, and the division of the tender into lots with a requirement for social value is consistent with those criteria. The proposal from the identified tenderer appears therefore to meet the Best Value duty.

11. Comments of the Section 151 Officer

11.1 The need to balance savings achievable against reductions in service provision (and consequent public opposition) is understood, and it is recognized that the proposed option will secure the savings required by the MTFS. From a purely financial perspective however the potential that further savings might be possible is a factor that merits additional exploration.

12. Comments of HR City Manager and compliance with the Equality Duty

12.1 There are no staffing or wider human resources implications identified in the report.

13. Comments of Overview and Scrutiny

13.1 This report has not been subject to scrutiny. However, the original report “Provision of Supported Bus Services” which sought authority to undertake a tender exercise for the provision of the supported bus services was considered by the Finance and Value for Money Overview and Scrutiny Commission at its meeting on Friday, 13 May, 2016. The Commission agreed the following recommendations:

- a) That, as the bus services being put out to tender are essential services for some residents and changes to the services could have a major impact on the lives of those residents, the Commission wishes to ensure that the outcome of the tender exercise is subject to scrutiny prior to the award of contracts.
- b) Officers are requested to consider how scrutiny of the planned services can be factored into the Tender Timetable in advance of the contract award, and that the officer proposals are reported to the Chair of this Commission prior to being discussed with the Chair of OSMC with a view to the proposed new services being referred by OSMC to the Energy and Infrastructure OSC for pre contract award scrutiny.

It is unfortunate that the timescales associated with the tender process and award of contract have resulted in pre-contract award scrutiny not taking place. However, it is understood that a briefing is to be circulated to all Members advising of the outcome of the tender exercise.

The original report “Provision of Supported Bus Services” was also considered on an informal basis by the Energy and Infrastructure Overview and Scrutiny Commission at its meeting of Wednesday, 13 July 2016. The Commission raised concerns that the report had been considered by the Finance and Value for Money OSC when bus travel fell within the remit of the Energy and Infrastructure OSC; that there had not been more advance warning of the consultation that had taken place with service users; and, that the list of affected Wards included in the report was incomplete.

14. Comments of the Portfolio Holder

14.1 Portfolio Holder for Energy City:
Whilst recognising these changes may cause some difficulties for residents the extensive consultation undertaken has resulted in contracts being awarded that will provide a service for the majority of passengers.

Contact Officer: Doug Sharp, Streetscene Assistant City Manager

Telephone No.: 01482 614852

Officer Interests: None

Background Documents: -
Ward Member Consultation documents
Tender submissions
Tender Evaluation

Implications Matrix

This section must be completed and you must ensure that you have fully considered all potential implications

This matrix provides a simple check list for the things you need to have considered within your report

If there are no implications please state

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	Yes
I have included any procurement/commercial issues/implications within the report	Yes
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	Yes
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report	Yes
Any Health and Safety implications are included within the report	Yes
Any human rights implications are included within the report	No
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	No
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report	No
I have included information about how this report contributes to the City Plan/ Area priorities within the report	No