Abstract: This report details the results of the recent re-tendering exercise in respect of tendered local bus service provision and the associated budgetary implications arising from the re-tendering exercise.

1 Recommendations

It is recommended that the Council:

(a) agree that the service reductions and minor contract amendments identified in Section 6 of this report are taken forward, resulting in cost savings of £68,152 in a full financial year;

(b) note the budget shortfall of £119,881 identified in Section 9 is currently being considered as part of the 2011/12 revenue budget setting process;

(c) agree, subject to appropriate budget provision being approved to the award of the contracts as detailed in this report; and

(d) agree to take back to the August meeting of the Infrastructure Services Committee, once the annual inflationary increase has been determined, a report outlining the full financial implications of the inflationary increase and outlining proposals, if necessary to align expenditure with the 2011/12 budget provision.

2 Background

2.1 Contracted local bus services across Angus are generally tendered on a three yearly basis as part of a rolling programme. The following local bus service corridors have been the subject of a recent re-tendering exercise undertaken in line with EU tendering requirements:

- Arbroath Town Services
- Kirriemuir – Cortachy / Lintrathen
- Dundee – Forfar - Kirriemuir
- Dundee – Monikie
- Montrose Town Service
- Brechin Town Service (schooldays)
- Kirriemuir – Airlie – Alyth
- Arbroath – Carmyllie – Friockheim
- Alyth – Glenisla
- Forfar Town Services
- Forfar – Glamis – Newtyle/Kirriemuir
- Kirriemuir Town

2.2 In addition, a number of contracts secured under ‘Best Value’ provisions, (Appendix 11a of Angus Council’s Financial Regulations refers), were the subject of re-negotiation. These ‘Best Value’ contracts are on the following corridors:

- Dundee – Forfar – Kirriemuir
- Ferryden – Glens – Forties Road
2.3 Prior to re-tendering/re-negotiation of the contracts a rigorous consultation exercise was undertaken to establish the service levels required, timetables and routes for the replacement contracts. While the previous contract timetables could have simply been re-tendered it was recognised that over time peoples’ travel patterns change e.g. their place or time of work may alter, there may be new developments they wish to access etc. The consultation exercise sought to identify any changes required to the current service provision and involved:

- passenger surveys;
- consultation with operators;
- consultation with Community Councils;
- consultation with Local Members;
- consultation via ‘Have Your Say’ on the Council’s website;
- notices on buses inviting comments; and
- editorial in newspapers inviting comments.

2.4 The results of this consultation exercise were taken into account when determining the timetables for the revised services. This approach is in line with Sections 3.2 and 4.2 of the Council's Public Transport Policy Statement approved by Infrastructure Service Committee on 20 April 2010 (Report 306/10 refers). This states that the Council will "seek the provision of socially necessary public transport services not provided commercially, commensurate with the demand for such services and the cost of provision" and that the Council "will maximise the economic, environmental and social benefits from expenditure on public transport within the limits of the available resources" and that "the Council will determine the public passenger transport requirements over and above the commercial network, on a basis of an on-going review of transport needs and a continuous monitoring of existing facilities".

2.5 The consultation exercise confirmed that the contracts were meeting the needs of the majority of the users, however, it highlighted that some improvements could be made to the current services to meet additional demands identified and to better serve existing users. These changes were, where practicable, incorporated into the tenders sought.

3 RESULTS OF TENDER

3.1 The results of the tendering exercise are shown in Appendix 1a and Appendix 1b. In total 91 bids were received for the 28 contracts put out to tender.

3.2 For a number of contracts a range of options were tendered in order to:

1. establish costs where additional journeys had been requested as part of the consultation process; and

2. establish the most cost effective option to the Council. In some cases this included tender specifications with reduced service frequency.

Services where alternative tenders were sought were as follows:

**Dundee – Monikie – Dundee Circulars (Daily)**

The options sought were:

- **A299** – current service (Daily)
- **A300** – timetable as present (Daily) with the exception of the 20:00 journey being withdrawn.
- **A301** – tender for the 20:00 journey to be operated on a demand responsive transport (DRT) basis.
- **A309** – hourly service (Mon - Sat) to Monifieth with connections onto commercial services for passenger travelling to Dundee (20:00 journey included)
- **A310** – hourly service (Mon - Sat) to Monifieth with connections onto commercial services for passenger travelling to Dundee (20:00 journey withdrawn)
- **A319** – Sunday service only
The cheapest overall tender for the provision of services on the Dundee – Monikie – Dundee corridor was from Tayside Public Transport Co Ltd for A300 for the current Monday to Sunday timetable with the exception of the 20:00 journey. It is therefore recommended that this bid, in the amount of £91,104 per annum is accepted. The cost for the 20:00 journey to be provided separately under Contract A301 did not represent good value for money and it is therefore recommended that A301 is not awarded and this journey is withdrawn.

Montrose Town (Saturday)
A302 – current service
A303 – additional lunchtime journeys to meet requests identified through customer consultation

The lowest bids received for Contracts A302 and A303 were from M W Nicoll who bid the same price for each contract (£9,269 per annum). As A303 provided an additional journey (requested as part of the consultation process) at the same cost as A302 for the lesser timetable it is recommended that contract A303 contract is awarded.

Dundee – Forfar – Kirriemuir (Mon – Sat)
A304 – current service
A305 – service reduced from ½ hourly to hourly from 19:30.

The evening service between Dundee – Forfar and Kirriemuir was increased to ½ hourly between Dundee and Forfar in 2006 with the hourly service to Kirriemuir remaining. The ½ hourly service between Dundee and Forfar is relatively well used with an average of 49 passengers per night while the hourly journeys operating Dundee – Forfar – Kirriemuir average 111 passengers Mon- Fri.

Angus Council’s Public Transport Policy Statement as approved by the Infrastructure Services Committee on 20 April 2010 (Report 306/10 refers) states under Clause 4.3 (d) ii that where services are reduced from every 30 minutes to every 60 minutes then the Council would not seek to provide a replacement service. The enhanced half-hourly service currently in place was instituted at a time when there was grant funding from the Scottish Government, this is no longer the case and therefore in line with Angus Council’s Public Transport Policy Statement it is recommended that an hourly replacement service is provided.

In order to establish the difference in costs for an hourly service on this corridor as opposed to current half hourly service alternative bids were sought. The lowest tender cost for A304 (1/2 hourly service) was £93,496 per annum compared with A305 (hourly service) £63,180 per annum. The provision of an hourly service represents a saving of £30,316 per annum. While this reduced frequency will impact on passengers nonetheless a clear financial saving can be made and it is recommended that A305 for the hourly service is awarded.

Cortachy / Lintrathen (Tu/Fri)
A306 – current service
A307 – DRT option
A308 – DRT option (with additional journey Glamis – Forfar to meet customer requests)

In order to evaluate alternatives to the current conventional bus service provision, demand responsive transport (DRT) options were sought for this service. The lowest tender for the provision of this service by a conventional bus was £8,216 per annum compared with A305 (hourly service) £63,180 per annum. The provision of an hourly service represents a saving of £30,316 per annum. While this reduced frequency will impact on passengers nonetheless a clear financial saving can be made and it is recommended that A305 for the hourly service is awarded.

Glenisla DRT
A315 – current timetable
A316 – incorporating a later afternoon return journey to meet passenger requests.

No bids were received for A316. A later journey conflicts with operators school transport requirements and it is evident that there are no vehicles available at this time. It is therefore recommended that Contract A315 is awarded at a cost of £10,820 per annum.
Forfar – Glamis – Toll Crescent
A317 – current timetable
A318 – current timetable but withdrawing the lightly used 08:20 journey & the Gowanbank service.

The lowest bid price for Contracts A317 and A318 were the same. As A317 provides the higher tender specification then it is recommended that that contract is awarded to J P Minicoaches at a cost of £68,640 per annum.

3.3 A number of contracts were tendered with service levels reduced from those previously in place in order to match more closely the passenger usage of the services and achieve significant financial savings. These were as follows:

**A312 : Arbroath Town Services 37 46 49**
**A314 : Arbroath – Carmyllie – Friockheim Service 36**

A312: Arbroath Town Services 37, 46, 49
By taking the following actions it has been possible to reduce the vehicle requirement on the Town Service from 2 vehicles to 1 vehicle (Note:- The provision of a second vehicle was likely to have cost an additional £66k per annum):

- reducing the Service 37 (Arbroath – Letham Grange) from 2 hourly to 3 hourly;
- removing some lightly used journeys on Service 46 (Arbroath – Aikman Road);
- tendering Service 50 (Arbroath – Red Lion Caravan Park) in conjunction with Contract A314 (Arbroath – Carmyllie – Friockheim) below.

A314: Arbroath – Carmyllie – Friockheim (Service 36)
Patterns of use on Service 36 have changed since the service was introduced in its near current form in 2003. On that basis the following actions have been taken:

- the withdrawal of the lightly used early morning journey on Saturdays
- the curtailment of the lightly used section of route between Carmyllie and Friockheim in the afternoons
- interworking Service 36 with Service 50 to achieve economies in respect of vehicle requirements.

3.4 A tender was sought for the following contract to meet new passenger requests:

A313 – a journey at 08:20 from Arbroath Bus Station - Hospitalfield -Arbroath Bus Station

It was not considered that this represented value for money and no award is recommended.

3.5 In all the above cases it is recommended that the contracts should be awarded to the lowest valid tenderer. However, in relation to:

- A315 Glenisla DRT service where the lowest tender bid did not meet the tender requirements – it is therefore recommended that this contract should be awarded to Strathtay Scottish Omnibuses Ltd.

4 **AWARD OF BEST VALUE CONTRACTS**

4.1 The following contracts secured under ‘Best Value’ provisions (Appendix 11a of Angus Council’s Financial Regulations refers) were the subject of re-negotiation:

- Forfar - Dundee (Sat morning)
- Dundee – Forfar – Kirriemuir (Mon – Fri early morning)
- Ferryden – Montrose - Glens (Mon- Fri p.m.)
- Dundee – Forfar – Forfar Academy (Mon – Fri schooldays)

4.2 Appendix 2 details these contracts together with the costs and reasons for award on the ‘Best Value’ basis. In all cases the costs remain unchanged from the present contracts and it is recommended that these be awarded as detailed.
5 COST OF CONTRACT AWARD

5.1 The cost of awarding the contracts as detailed above amounts to £613,702 in a full financial year. These services would commence on 30 May 2011 therefore their cost in the 2011/12 financial year would be £517,511. This would bring the total expenditure on tendered local bus services in 2011 – 12 to £1,569,260 against a base budget provision of £1,510,642 representing a budget shortfall of £58,618.

5.2 It should be noted however that Stagecoach have intimated in their tender for A296 Montrose Town that the loss of this contract may result in the withdrawal of the Montrose Town Service (48 journeys). It is considered that we should be able to secure operation of these journeys at a cost less than the £20,000 difference between the lowest cost bid from M W Nicoll and the Stagecoach bid. An estimated replacement cost would be £18,000.

5.3 Fishers Tours appealed to the Court of Session in respect of a Traffic Commissioners hearing which had resulted in restrictions being placed on their licence with regard to where they can operate restricting their licence for registered local bus services to Dundee and Angus only. While their appeal was upheld by the Traffic Commissioner’s, the hearing must now be considered as new by a different Traffic Commissioner. Should the outcome be the same as the original decision i.e. licence is restricted to services Dundee and Angus only, then as they are the successful bidder on Contract A297, which operates between Kirriemuir and Alyth, they would be unable to operate this contract as Alyth is in Perth & Kinross. The contract in this case would have to have to be awarded to the next lowest tenderer; J P Minicoaches Ltd at an additional cost of £2,340 per annum.

5.4 Taking into account the additional costs detailed above, the total expenditure on tendered bus services in 2011/12 is likely to be £1,589,600, resulting in a potential budget shortfall of circa £78,958.

6 REVIEW OF EXISTING TENDERED LOCAL BUS SERVICES

6.1 A review was undertaken of existing tendered local bus service provision to establish usage on individual journeys and identify where changes to journey patterns had occurred since the initial award of contract to the extent that journeys are now being little used. This reduction in usage may be for a number of reasons including reduced employment, changed work patterns, people moving away from the area (particularly in rural areas), fewer trips for leisure/recreation purposes as the result of the recession, alternative service provision etc.

6.2 Individual journeys/amendments to contracts were identified and operators were approached to establish what financial savings could be made should these journeys be withdrawn/curtailed. Because of the complex nature of the scheduling of bus services it has not been possible to secure financial savings in all circumstances however Appendix 3 to this report details where savings can be achieved.

6.3 For four contracts, the savings are achieved by making amendments to three existing local bus contracts as follows:

- A232 – In order to withdraw contract EMY 291 (Forfar – Beech Hill /Letham) and continue to serve residents in the Beech Hill area of Forfar with a return shoppers journey daily this contract will be amended to include this journey at a cost of £10 per day (£1,040 per annum).

- A322 – In order to withdraw journeys after the operation of the 16:14 journey from Midgrip to Ferryden on Contracts A211/A213 this Best Value Contract would be amended to provide a journey to Ferryden Pier thereby meeting passenger requirements. The cost of this amendment would be £3.32 per day (£863.20 per annum). In addition, this contract would be further amended to allow for the withdrawal of Service 115/116 on Tuesdays and Thursdays while retaining a morning return service to Grampian View. The cost for this amendment is £10 per day (£1,040 per annum).
• A236 – In order to withdraw Contract A240 (Forties Road – Glens – Links Health Centre Saturdays) this contract would be amended to provide some replacement journeys to meet passenger requirements between 10:00 and 14:00 at a cost of £50 per day (£2,600 per annum).

6.4 It is recommended the savings set out in Appendix 3 and the minor amendments to existing contracts detailed in 6.3 above are taken forward. This will result in total savings of £68,152 in a full financial year and circa £56,793 in financial year 2011/12.

7 INFLATIONARY PRICE INCREASE

7.1 In accordance with existing policy, an inflationary increase will be due on all contracts from 1 July 2011 based on transport indices included in the Monthly Digest of Statistics – Tables 3.4 (formerly Table 18.4) and 3.10 e (formerly 18.15) as approved by Infrastructure Services Committee on 26 August 2008 (Report 796/08 refers). Based on the indices to October 2010, this represents an increase of 8.50%, which it is estimated would amount to £97,716 in financial year 2011/12. It should be noted that this transport inflationary increase is significantly higher than the general RPI index of 4.6% (October 2010).

7.2 When the £97,716 cost per 7.1 is taken together with the estimated cost of the re-tendering exercise (£79,958 per 5.4), net of the £56,793 saving identified above (per 6.4), the estimated cost of tendered bus services in 2011/12 is £1,630,523. This results in an estimated budget shortfall of £119,881.

8 CRITERIA FOR THE EVALUATION AND AWARD OF CONTRACTS AND METHODOLOGY FOR ALIGNING CONTRACTED LOCAL BUS SERVICE EXPENDITURE WITH THE BUDGET AVAILABLE

8.1 The outcome of the Service Review in relation to Tendered Local Bus Service Provision was reported to Infrastructure Services Committee on 19 January 2010 (Report 47/10 refers). The Review established robust criteria for the evaluation and award of contracted local bus services. Members approved, as part of this report, a scoring mechanism by which to rank the tendered local bus services based on the following criteria:

• subsidy per mile (contracts with a low subsidy per mile represent good value for money – these services are therefore given a higher score)
• subsidy per passenger (contracts with a low subsidy per passenger represent good value for money – these services are therefore given a higher score)
• % of workers using the service (the more workers using the service the more important it is considered that it should continue to be provided and therefore the higher score awarded – journeys for other purposes including shopping, leisure, social etc are not so time sensitive or indeed in some cases destination specific and therefore often have alternative options)

8.2 Through scoring contracts on the basis outlined above, it is possible by adding together the scores for each of the criteria to rank the contracted services - this clearly identifies services which represent the highest and lowest value for money. In this way service provision can be aligned with the budget available with the poorer performing contracts being considered for withdrawal. No service withdrawals should however be made without careful consideration by Members of any potential hardships they would cause.

8.3 The proposed 2011/12 tendered local bus service provision is estimated to cost circa £1,630,523, assuming the part year savings of £56,793 are taken forward. This results in an anticipated shortfall of £119,881 when compared with the base budget of £1,510,642 in 2011/12.
8.4 In order to contain expenditure within the 2011/12 base budget currently available it would be necessary to withdraw existing local bus service contracts to that total value (£119,881). Appendix 4 details the scores allocated to each contract. In order to align expenditure with the budget available then on the basis of a purely mathematical exercise it would be necessary to withdraw contracts with a score of 5.5 or less. However, in recommending that a scoring system be taken forward to evaluate contract awards and indeed as a mechanism to balance expenditure against the budget available this is done so with the caveat that no service withdrawals should be made without careful consideration by members of any potential hardships they would cause.

8.5 From the recent tendering exercise it is evident that withdrawing some of the contracts may not realise the savings hoped for. One of the poorer performing contracts which was re-tendered was A298 Brechin Queens Park to Brechin High School - the cost of the replacement service was £32,300 per annum. The tendering exercise established that if this contract was not awarded to Stagecoach (who were the sole tenderer) this may have resulted in the complete withdrawal of the commercial Brechin Town Service. The withdrawal of some contracts may have similar impacts on other town service contracts and should this be the case replacement facilities would be likely to be in the order of £66,000 per annum.

8.6 It should be noted that the budget shortfall of £119,881 identified in 6.3 above is based on the anticipated service provision and includes an assumed amount of 8.50% for the annual inflationary increase due in July. However, the following issues may significantly increase the size of this deficit:

- the price of fuel rising higher than predicted leading to a higher inflationary increase than anticipated;
- any commercial local bus service de-registrations received from operators; and
- increases in the cost of tendered local bus service provision arising from tender renewals.

Should any of these factors increase the anticipated budget deficit then:

(a) **further contracts will have to be withdrawn** in order to meet these additional costs;
(b) **new contracts will not be let**; or
(c) **additional funding will require to be made available**.

8.7 In previous years when commercial services were de-registered or contract costs escalated at contract renewal, this additional expenditure was contained within the Planning and Transport Revenue Budget. The current budget position is however such that the only means of meeting additional contract costs will be through the withdrawal of other contracted local bus service provision as no other funding is available within the 2011/12 Planning and Transport Revenue Budget. Service withdrawal decisions are however unlikely to be easy as the services currently secured under contract are those deemed by the Council to be socially necessary - the withdrawal of any of these contracts will therefore have a significant impact on those using these services.

8.8 It should be noted that any further commercial services withdrawn by a bus company, by the very fact that they have been commercial until now, are likely to be relatively well used and significantly better performers than existing contracts operated under subsidy to Angus Council. Unless additional funding is made available in such instances, then in order to minimise potential hardship to service users and ensure best value for money from the Council’s expenditure on tendered local bus service provision, poorer performing contracts would have to be considered for withdrawal.

9 **FINANCIAL IMPLICATIONS**

9.1 The estimated cost of awarding the contracts as outlined in this report together with the implementation of the potential savings detailed in sections 6.3 & 6.4 above, and the projected inflationary increase, is £1,630,523 in 2011/12. This compares with the 2011/12 base budget provision of £1,510,642, representing a budget shortfall of £119,881. However, as detailed in this report this figure can increase during the course of the year due to de-registrations, higher than projected inflationary increase etc.
9.2 The identified budget shortfall of £119,881 is currently being considered as part of the 2011/12 budget setting process. A further report will be brought back to the August meeting of the Infrastructure Services Committee, once the annual inflationary increase has been determined, which will outline the full financial implications of the inflationary increase and setting out proposals, if necessary to align expenditure with the 2011/12 budget provision.

10 HUMAN RIGHTS IMPLICATIONS

10.1 There are no human rights implications arising from this report.

11 EQUALITIES IMPLICATIONS

11.1 The issues contained in the report fall within an approved category that has been confirmed as exempt from an equalities perspective.

12 CONSULTATION

12.1 The Chief Executive, Director of Corporate Services, Head of Finance and Head of Law & Administration have been consulted in the preparation of this report.

13 CONCLUSION

13.1 This report outlines the methodology whereby replacement tender local bus services were sought and the outcome of the tendering process. The tenders sought reflected current usage of the services and passenger requirements. It is recommended that the contracts are awarded as detailed in this report.

13.2 The review of existing local bus service contracts has identified budget savings which can be achieved where individual journeys/services have very low passenger usage. It is recommended that these savings are taken forward.

13.3 The financial implications of the annual inflationary increase and any changes to the commercial network throughout the year are detailed. The scoring system adopted by the Council enables contracted services to be ranked on the basis of their performance and poorer performing contracts to be identified for potential withdrawal should budget savings be required. Nonetheless, as the contracted services currently provided by the Council are deemed to be socially necessary then any withdrawals will impact significantly on the users of these services.

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DIRECTOR OF INFRASTRUCTURE SERVICES

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

P&T/GWC/LEM/IAL
21 January 2011