ABSTRACT: This report details the results of the recent retendering exercise in respect of local bus service provision and the associated budgetary implications arising from this exercise.

1 RECOMMENDATION

It is recommended that the Committee:-

(a) agree to the award of contracts as detailed in this report at a cost of £493,699 in a full financial year;

(b) agree to an inflationary increase on contract prices of 3.95% from 1 April 2012, this equating to £64,913 in the 2012/13 financial year; and

(c) note that the 2012/13 budget shortfall of £117,633 identified in Section 9 is currently being considered as part of the 2012/13 budget setting process and that if necessary a further report will be brought back to this committee setting out options to align expenditure with the 2012/13 budget provision once confirmed; and

(d) agree to take back reports to this Committee, as necessary throughout the year, following any commercial service de-registrations / increases in costs on any cross-boundary services in order to align expenditure with the 2012/13 budget provision.

2 BACKGROUND

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

- Noranside – Forfar – Bogindollo / Brechin (Mon - Fri)
- Brechin Town Service (Sat)
- Montrose – Brechin – Stracathro (Daily)
- Friockheim - Montrose (Mon/Wed/Fri/Sat) & Glens Estate (Sat)
- Ferryden – Montrose – Hillside (Daily)
- Arbroath – Auchmithie (Daily)
- Arbroath – Stracathro (Daily)
- Carnoustie – Forfar
- Inveraldoie – Dundee
- Downfield – Auchterhouse (Mon – Sat)
- Glenesk – Brechin (Fri)

2.2 In addition, a number of contracts were the subject of re-negotiation in line with Appendix 11a of Angus Council’s Financial Regulations. These ‘Best Value’ contracts were:

- Dundee - Forfar – Glamis (Sun)
- Montrose – Arbroath (Daily)
- Forfar – Brechin – Stracathro/Edzell (Mon – Sat)
- Forfar – Brechin (Sun)
In addition to on-bus surveys there was a rigorous consultation exercise undertaken prior to the re-tendering/re-negotiation of the contracts 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:

- 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.

Appendix 1 to this report details the results of this consultation exercise. These results 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” 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”.

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 practical, incorporated into the tenders sought.

3 RESULTS OF TENDER

3.1 Copies of the tenders sought are available in the Members’ Lounge. The results of the tendering exercise are shown in Appendix 2. In total 67 bids were received for the 26 contracts put out to tender. Contract awards are on the lowest cost basis.

3.2 Tenders were sought for the provision of either (a) vehicles meeting the DpTAC (Disabled Persons Transport Advisory Committee) standards which are for low floor vehicles with a number of features to aid travel by mobility impaired individuals or (b) the provision of vehicles meeting the higher PSV Accessibility 2000 Compliant standards which require the provision of wheelchair accessible vehicles. The PSV Accessibility 2000 standards will be mandatory on all full size single deck vehicles (over 7.5 tonnes) from 1 January 2016 and on double deck vehicles from 1 January 2017. All new vehicles purchased since 2005 have already had to comply with these standards.

3.3 For a number of contracts different 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:
Noranside – Forfar / Bogindollo – Brechin

Two options were sought for this contract for the provision of the service 118 Noranside – Forfar and 119 Bogindollo – Brechin shoppers’ services. A331 is for the existing level of service while A354 includes a contracted school journey (K13 to Tannadice Primary School) to be operated in conjunction with this.

The cost for the award of Service 118 and 119 in conjunction with the school contract K13 is £54,280 as opposed to the award of A331 for Services 118, and 119 at £20,200 and the cost of the current school contract at £24,546 (£44,746 in total). While K13 is due for renewal in the summer, it does not appear that there are cost savings through linking the school and shoppers’ services - the individual costs are anticipated to be less. Therefore it is recommended that A331 is awarded.

Brechin Town Service (Sat)

Two options A332 and A333 were sought for the Service 34 Brechin Town Service journeys on Saturdays. A332 is for the current level of service providing journeys from 08:53 to 17:13 while A333 provides the same level of service but is curtailed in the afternoon to finish at 16:33.

A333 provides the cheapest option however the savings achieved from curtailing the service are minimal and only amount to £416 in a full year while 572 passenger journeys would be affected by the withdrawal of the later journeys. It is recommended that Contract A332 should be awarded which retains the later afternoon journeys and has significant passenger benefit.

Montrose – Brechin – Stracathro (Mon – Fri)

Two options A334 and A335 were sought for Service 30 operating between Montrose, Brechin and Stracathro. A334 provides the current level of service on Service 30 in the evenings. A335 provides the same level of service but diverts the 21:22 journey from Stracathro to Hillside and Borrowfield and the 22:45 journey from Montrose via Borrowfield and Hillside. It is also considered likely that additional demands will be made for these through journeys from Stracathro to Hillside and Borrowfield following the relocation of staff from Sunnyside Hospital to Stracathro (the staff move will should complete in January 2012).

The cost for both contracts is the same and therefore it is recommended that A335 which provides the higher level of service is awarded meeting the revised passenger travel requirements.

Montrose – Brechin – Stracathro (Sat)

Two options A336 and A337 were tendered for Service 30 journeys on Saturdays. A336 is for the current level of service while A337 repeats the Monday to Friday pattern for the 21:22 journey from Stracathro to divert via Hillside and Borrowfield and for the 22:45 journey from Montrose to divert via Borrowfield and Hillside. As with the Monday to Friday service this meets passenger demands and will provide through journeys for workers at Stracathro who have transferred from Sunnyside.

In order to maintain the same timetable Monday to Friday and Saturday, it is recommended that A337 is awarded at the additional cost of £12.00 per day (£624 per annum). Usage of the 21:22 and 22:45 journeys will be closely monitored and should passenger usage not meet expectations then withdrawal of these diversions and cost savings will be negotiated.

Ferryden – Montrose – Hillside

Three options A344, A345 and A346 were tendered for the evening journeys on Service 47 Mondays to Saturdays. A344 is for the current level of service (approx hourly from 18:20), A345 is for the same level of service but with journeys from 22:25 onwards operating only on Friday and Saturday evenings. A346 is for a significantly reduced service with the last return journey Ferryden - Hillside – Montrose Railway Station departing at 20:30.
The lowest tender prices received were as follows: A344: £34,625.76 per annum; A345: £30,370.08 per annum and A346: £22,922.64 per annum. To award A345 would affect 8 passengers on average daily Monday to Thursday none of whom are workers – all are social trips. To award A346 would however affect an average of 24 passengers daily Mon – Fri and 19 Sat. It is recommended that A345 is awarded which achieves savings of £4,256 per annum as opposed to the current service.

**Arbroath – Friockheim – Brechin – Stracathro (Daily)**

Two options were tendered A349 and A350 for Services 140/141 operating between Arbroath, Friockheim, Brechin and Stracathro. A349 is for the same service as at present while A350 provides the same timetable except for off-peak journeys which would be reduced to approx 2 hourly as opposed to hourly.

The lowest price tender bid received was for A349 the higher level of service with additional commercial journeys to be provided on this corridor. It is recommended that A349 is awarded.

**Downfield – Auchterhouse – Dundee**

Two options were sought for the provision of Service 137 (Downfield - Bridgefoot – Downfield), 138 (Downfield – Kirktown of Auchterhouse – Downfield) and 139 (Dundee – Kirktown of Auchterhouse – Tealing -Murroes - Dundee). A351 is for the existing level of service with the exception of the last bus on Saturdays which is withdrawn as no passengers were found to use it. As an alternative, 2 separate contracts were sought; A352 for the Downfield – Bridgefoot section and A353 for the Auchterhouse – Murroes – Dundee section. This alternative option provides a much reduced service on the Auchterhouse section of the route which is lightly used.

The lowest bid received was from National Express Dundee. They propose to operate the Downfield – Bridgefoot – Strathmartine Hospital journeys predominantly on a commercial basis. There would continue to be 9 departures per day which would operate as Service 137/137A from Bridgefoot to Downfield and Asda Kirktown with most carrying on to Dundee City Centre. These Bridgefoot journeys would be augmented by Service 138/9 journeys operating to/from Dundee via Tealing.

The Auchterhouse – Dundee journeys would be linked with the Service 139 morning peak journey from Tealing to Dundee and the Service 81 Carnoustie – Forfar shoppers’ service provided under Contract A330. This option would provide the same number of journeys as at present though some would operate via Tealing and Murroes. All journeys would operate directly to Dundee City Centre. These bus times would be approximately the same as present except in the late afternoon when the existing Mon – Fri journeys arriving at Auchterhouse at 16:33 and 17:18 would in future have arrivals at 16:52 and 18:20. Only one passenger who travels infrequently may be affected by this change however Auchterhouse residents will benefit overall from direct services from Dundee City Centre in the evening peak.

**4 BEST VALUE CONTRACTS**

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

- Dundee – Forfar – Glamis (Sunday)
- Arbroath - Montrose (Mon – Sat p.m.)
- Arbroath - Montrose (Sundays)

4.2 In addition, in order to operate Contract A341 for the Sunday Montrose – Brechin – Stracathro with one vehicle the Service 21A journeys between Forfar and Brechin were removed from that contract. Stagecoach Strathtay who operate the Monday to Saturday service on this corridor on a partly commercial partly contracted basis were asked to provide a cost for these journeys - the price for this Sunday provision is £190 per day (£9880 per annum). This price is comparable to existing similar contracts and it is recommended that the award is made to
4.3 Appendix 3 details these contracts together with the costs and reasons for award on the ‘Best Value’ basis. It is recommended that these contracts are awarded as detailed.

5 COST OF CONTRACT AWARD

5.1 The cost of awarding contracts as detailed in Appendix 2 plus the Best Value contracts detailed in Section 4 above amounts to £493,699 in a full financial year, this assumes the award of contracts at the present service levels except for Contracts A335, A337 and A345 as detailed above. This represents an increase of £7,509 per annum when compared with the current contract prices.

6 ANNUAL INFLATIONARY PRICE INCREASE

6.1 The Infrastructure Services Committee agreed at their meeting on 23 August 2011 that the annual contract inflationary price increase would be aligned with the budget setting process (Report 559/11 refers). In order to achieve this it was agreed that following the 2010-11 financial year increase in July 2011 that statistics would be analysed for the period 1 April 2011 to 30 September 2011 and that an inflationary price increase would be applied to all contracts on 1 April 2012. Thereafter, an annual increase would be applied on 1 April annually bases on indices for 1 October to 30 September each year.

6.2 The inflationary increase calculated to be applied from 1 April 2012 is 3.95%. Applying this inflationary increase to all eligible contracts amounts to £64,913 in the 2012/13 financial year bringing the total predicted expenditure on local bus service provision to £1,708,275.

6.3 In addition to the annual inflationary price increase being applied on 1 April each year it was agreed by Members that the review of fuel price increases would continue. Interim arrangements in respect of fuel increases were presented to Members at the Infrastructure Services Committee on 26 August 2008 (Report 796/08 refers). It was agreed that:

- Inflationary increases would be made in respect of any increases in fuel costs only on a 3 monthly basis on 1 October, 1 January, 1 April and 1 July each year. For other elements of contract costs the annual inflationary increase will apply.
- The increases would be based on 3-monthly comparisons of monthly figures for the ‘petrol & oil’ indices detailed in Table 18.4 of the Monthly Digest of Statistics (subsequently renamed Table 24 – RPI Detailed Indices latest 13 Months from the Office of National Statistics).
- The fuel related inflationary increases would only be made if the 3-monthly increase was greater than or equal to 1%, if the increase was less than 1% the increase would be carried forward to the next review period. As a minimum an annual inflationary increase would be made in July each year.
- Any contract entered into in one 3-monthly period would receive an increase at the end of the following 3-monthly period.

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

7.1 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);
7.2 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.

7.3 The proposed 2012/13 tendered local bus service provision is estimated to cost circa £1,708,275. This results in an anticipated total shortfall of £117,633 when compared with the 2011/12 base budget available of £1,590,642.

7.4 In order to contain expenditure within the 2012/13 budget currently available it would be necessary to withdraw existing local bus service contracts to that total value (£117,633). Unlike previous years where potential contract cost savings could be made by the withdrawal of poorly used journeys, this year no journeys were identified other than those already detailed as part of this current tender renewal exercise. 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.

7.5 From the previous tendering exercises it is evident that withdrawing some of the contracts may not realise the savings hoped for. One of the poorer performing contracts A298 Brechin Queens Park to Brechin High School when tendered established that if this contract was not awarded to Stagecoach (who was the sole tenderer) this was likely to have resulted in the withdrawal of the commercial Brechin Town Service journeys. To withdraw some contracts may have similar impacts for example on commercial town service journeys where replacement facilities may be in the order of £66,000 per annum.

8 RISKS

8.1 It should be noted that the budget shortfall of circa £117,633 identified in 6.3 above is based on the anticipated service provision. It must be noted that this shortfall may be increased by:

- any commercial local bus service de-registrations received from operators;
- cross-boundary service changes by Perth & Kinross or Aberdeenshire Council’s (currently Perth & Kinross Council are retendering the cross-boundary Service 57/59 evening and Sunday journeys which Angus Council contribute towards. The results of the Perth & Kinross re-tendering should be known by the end of January 2012; and
- intermediate fuel related inflationary price increases required as outlined in Section 6.3 above.

8.2 Other budget risks of note at the present time are the Scottish Government changes to BSOG (Bus Service Operators Grant – formerly fuel duty rebate) from 1 April 2012. Fuel used will no longer be a factor in calculating the payments and payments will solely be based on distance travelled with operators being reimbursed 14.4 pence per kilometre. The BSOG Scheme will be budget limited to £50 million in 2012-13 therefore re-imbursement may be amended downwards by the Scottish Government from the 14.4 pence per kilometre during the year in order to contain expenditure. Operators have already indicated that the revised scheme from 1 April 2012 represents a significant reduction in BSOG payments to them. There are also implications for operators in respect of the reimbursement levels for the
National Travel Concession scheme. While the reimbursement rates will not change from 1 April 2012 the budget cap is still likely to be breached which will result in reduced payments to operators. The implication of reduced payments to operators may be withdrawal of previously commercially operated services. Should any of these factors increase the anticipated budget deficit then:

- further contracts will have to be withdrawn in order to meet these additional costs;
- new contracts will not be let; or
- additional funding will require to be made available.

8.3 In previous years when commercial services were de-registered or contract costs escalated at contract renewal then 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 2012/13 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.

8.4 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 cost of new awarding contracts as detailed in this report, together with the costs of existing contracts and the implementation of the annual inflationary increase is £1,708,275 in 2012/13. This compares with the 2011/12 base budget position of £1,590,642 representing a budget shortfall of £117,633. However, as detailed in this report this figure can increase during the course of the year due to de-registrations of commercial services, fuel related inflationary increases etc.

9.2 The identified budget shortfall of £117,633 is currently being considered as part of the 2012/13 budget setting process. A further report will be brought back to a future meeting of the Infrastructure Services Committee, if necessary in order to align expenditure with the 2012/13 budget provision, once confirmed.

10 HUMAN RIGHTS IMPLICATIONS

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

11 EQUALITIES IMPLICATIONS

11.1 The issues dealt with in this 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 for retendering local bus service contracts and the outcome of the recent re-tendering exercise. The tenders sought reflect the current usage of the services and the passenger requirements. It is recommended that the contracts are awarded as detailed in this report.

13.2 It should be noted that should there be commercial service de-registrations, fuel related inflationary payments to operators etc throughout the year then it may be necessary to bring a report to a future meeting of this committee identifying potential contracts for withdrawal in order to align expenditure with the available budget. As the contracted services currently provided by the Council are deemed to be socially necessary, any withdrawals will impact significantly on the users of these services.

ERIC S LOWSON
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
6 January 2012