

SURREY COUNTY COUNCIL**CABINET****DATE: 26 JUNE 2018****REPORT OF: MR MIKE GOODMAN, CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT****MRS HELYN CLACK, CABINET LEAD MEMBER FOR CORPORATE SUPPORT****LEAD OFFICER: ROSS DUGUID ASSISTANT DIRECTOR, PROCUREMENT AND COMMISSIONING****SUBJECT: SURREY COUNTY COUNCIL PUBLIC BUS CONTRACT RETENDERING 2018****SUMMARY OF ISSUE:**

Surrey County Council is responsible for sourcing sustainable, safe, secure and reliable local bus services as defined by the Transport Acts 1985 and 2000. These services enable residents to access employment, education, medical appointments, essential food shopping and other key services.

There are currently 185 bus services operating in Surrey and the County Council gives some financial support to around 75%. This report seeks to award fifteen contracts to six operators, for the provision of 21 Public Bus Services.

The current contracts which expire on 1 September 2018 have been retendered and if awarded will commence from 2 September 2018.

Overall, these proposals seek to maintain the existing network of bus provision, with some amendments proposed in certain areas.

RECOMMENDATIONS:

It is recommended that:

1. the background information set out in this report be noted: and
2. following consideration of the results of the procurement process in Part 2 of the meeting, the award of contracts to the following six operators be agreed:- BETC, Cardinal Buses, C E Jeatt & Son(White Bus), Edward Thomas, Metrobus and Southdown. The contract length will be three years with the option to extend up to a maximum of eight years as permitted by the 1985 Transport Act (as amended by s.70 Local Transport Act 2008). The total annual value of these contracts will be £1.037m (net of developer funding contribution for one route). Please refer to Table 1:

REASON FOR RECOMMENDATIONS:

This recommendation will enable SCC to achieve:

- A net full year saving of £0.125m compared to the previous aggregated cost of the routes.
- A robust bus network delivery of essential public transport to residents of Surrey.
- Services delivered by operators who are reputable and meet the Council's minimum level of quality.
- Funding arrangements with operators that are sustainable.
- More services being delivered using lower emission Euro VI vehicles.

Ensuring the Council complies with the Procurement Standing Orders (PSO), requiring Cabinet approval for those contracts that reach a specified value.

Table 1 below shows the services tendered:

<i>Service Number:</i>	<i>Days of Operation</i>	<i>Route Name:</i>
48,500	48 M-F 500 M-Sat	48 - Woking-Knaphill-Frimley Green-Frimley Park Hospital 500 - Frimley Park Hospital-Bagshot-Lightwater-Sunningdale-Virginia Water-Staines
656	Schooldays	Sunbury-Shepperton-Staines-Strodes College
32 (sun)	Sun	Guildford-Chilworth-Shere-Abinger Hammer-Dorking-Strood Green (Sundays)
862	Schooldays	Oxshott-Cobham-Therfield School
85	Schooldays	Ash-Mytchett-Frimley Green-Heatherside-Collingwood College
437	M-Sat	Woking-Maybury-Pyrford-West Byfleet-Brooklands
667	Schooldays	Stanwell Moor-Ashford Hospital- Matthew Arnold School
318	M-F	Banstead-Nork-Epsom
424	M-Sat	Redhill-Timperley Gardens-Batts Hill-Reigate-Meadvale-East Surrey Hospital-Horley-Smallfield- Burstow-Shipley Bridge-Crawley
81,462,463	M-Sat	81 - Woking- Barnsbury Estate-Woking 462 Woking-Kingfield Green-Sendmarsh-Burpham-Guildford 463- Woking-Kingfield Green-Old Woking-Burntcommon-Clandon-Merrow-Guildford
420, 460, 480, 820	420 Daily 460 Daily 480 Daily 820 Schooldays	420 Redhill-Reigate-Lower Kingswood-Tadworth-Preston-Banstead-Sutton 460 Redhill-Reigate-Lower Kingswood-Tadworth-Preston-Epsom 480 Epsom-Preston-Epsom
73	Schooldays	Chobham-Horsell-Woking
866	Schooldays	Coulsdon-Chipstead Valley-Woodmansterne-Beacon School
479 (sun)	Sun	Guildford-Merrow-East Horsley-Bookham-Fetcham-Leatherhead-Ashted-Epsom (Sundays)
New route	M-Sat	New housing development in Horley Westvale Park- Horley Station-Town Centre

The recommended contract awards will provide the following amendments to the services tendered. In addition commercial services 357 and 411 plus contracted service 409 will see changes being introduced in September 2018 as detailed below.

Local Bus Service amendments following retendering:

Service 48 & 500

48 - Woking-Knaphill-Frimley Green-Frimley Park Hospital

500 - Frimley Park Hospital-Bagshot-Lightwater-Sunningdale-Virginia Water-Staines

Following public request service 500 will have off peak journeys diverted in Lightwater to provide a long requested local bus service to Briar Avenue and Lightwater Road area. This will provide links with Windlesham, Sunningdale, Egham, Staines, Camberley Station and Frimley Park Hospital. This contract will see the introduction of brand new Euro VI emission vehicles.

Service 81/462/463

81 - (2 journeys) Woking- Barnsbury Estate-Woking

462 Woking-Kingfield Green-Sendmarsh-Burpham-Guildford

463- Woking-Kingfield Green-Old Woking-Burntcommon-Clandon-Merrow-Guildford

Revised timetable with some journeys operating 10 minutes earlier. This contract will see the introduction of brand new Euro VI emission vehicles.

Service 422 - Reigate-Meadvale-Woodhatch-Sidlow Bridge-Westvale Park-Horley-Gatwick-Crawley

New service operating on a partly commercial basis with a co-ordinated timetable with service 424 to provide a half hourly service from Westvale Park (new housing development in Horley) to Horley Town Centre and Railway Station. Routes 422/424 combined also provide additional links to Redhill, Reigate, East Surrey Hospital, Gatwick and Crawley providing many addition travel opportunities to residents. This contract will be operated with brand new Euro VI emission vehicles and is funded by the Westvale Park Development.

Service 424 - Redhill-Reigate-Woodhatch-Meadvale-Whitebushes-Horley-Smallfield-Burstow-Copthorne-Crawley

Service 424 will be rerouted to operate from Redhill via East Surrey Hospital to Meadvale, Woodhatch, Westvale Park (new housing development), Horley, Smallfield, Burstow, Copthorne and Crawley. Meadvale will benefit from more direct links with Redhill. Batts Hill/Timperley Gardens area will no longer be served by service 424 but will continue to be served by hourly commercial service 357, which will also see the introduction of a Saturday service operating between Reigate and Caterham. Links will be maintained to Redhill, Reigate, Caterham, Warlingham, Farleigh, Chelsham and Selsdon. There will no longer be a direct link with East Surrey Hospital, Horley, Smallfield or Crawley. Interchanging at Redhill Bus Station offers 11 buses per hour to East Surrey Hospital, 7 per hour to Horley and Crawley and an hourly service to Smallfield. Journeys from Smallfield to Reigate 6th Form College will be provided on services 315 and 324 with a 1700 journey being provided on services 422/424; pupils change buses in Horley for a guaranteed connection.

Survey data shows an average of 20 passenger trips per day from Batts Hill/Timperley Gardens area with 22 journey opportunities being available on service 357 to meet this relatively low demand. Bus operator Southdown re-routed route

357 through the Batts Hill/Timperley Gardens area on a commercial basis in September 2016 to provide a more frequent service to the area running to a co-ordinated timetable with contracted route 424, the aim being to boost overall passenger journeys. However, whilst a small increase in the number of passengers has been achieved there is not sufficient numbers for this area to sustain both services.

DETAILS:

Business Case

1. Whilst some bus services are provided by operators on a commercial, non-contracted basis, there are many services that are not commercially-viable, being only sustainable with funding support from a local authority.
2. Bus routes funded by the County Council serve communities across Surrey. Providing these routes helps residents to access employment, education and essential food shopping. They also reduce social isolation and support independent living, whilst also offering access to medical appointments and health care.
3. The contracts now being awarded were previously retendered on various occasions between 2010 and 2013. This procurement has tested the market to ensure best value to the Council on fourteen bus routes where the current contracts expire on the 1 September 2018. A brand new service, route 422, is also being tendered to serve a new housing development in Horley. The cost of this service is being funded by a S106 developer funding agreement.

Procurement Strategy

4. A number of options were considered when completing the Strategic Procurement Plan (SPP) outlining the best route to market, prior to starting the procurement exercise. These were: (i) conduct a full open OJEU tender, (ii) conduct a mini competition using the existing Public Bus Dynamic Purchasing System (DPS), (iii) do not deliver any service.
5. After a full and detailed options analysis it was decided to conduct a mini competition using the existing DPS, as this demonstrated best value for money from the options appraisal.
6. A DPS is similar to an electronic framework agreement, with two exceptions; new suppliers can join at any time; and it is to be run as a completely electronic process. Operators are requested to submit a tender and are evaluated against quality standard set by the Council's Strategic Transport Group (STG).
7. Successful operators are placed on an approved supplier list attached to the DPS and will have the opportunity to quote for any future work the Council is advertising.
8. The DPS was subject to the full OJEU process which reduces the resources required to conduct the mini competition. Bus operator feedback has also welcomed the DPS process. Additionally, the award process has been designed on a price only basis which would drive commercial competition within the supply base.

9. A joint Procurement and project team was set up to include representatives from the STG. The team considered service requirements, maintaining existing journey opportunities and new transport links.
10. By awarding a contract to the suppliers recommended for the provision of Public Bus Services to commence from 2 September 2018, the Council will be meeting its duties and ensuring bus routes serve communities across Surrey.
11. Performance will be monitored through a series of Key Performance Indicators as detailed in the contract and reviewed at monthly operations meetings.
12. The STG arrange regular Continuous Improvement Meetings to promote continuous improvement in the delivery of the Services provided under the Contract.
13. The STG also check on insurances, operating licences, concessionary travel scheme claims, that the delivery of the service is consistent with the specification.
14. With Surrey County Councils (SCC) Code of practice, operators deliver 100% of the mileage / routes to the timetables submitted at tender, health and safety issues are addressed and that information about services is made available by the operators to the necessary agencies for access by members of the public.
15. The management responsibility for the contracts lies with the Bus Service Planning Team Manager and within the STG.

Competitive Tendering Process

16. The Dynamic Purchasing system was established in 2015. The objective was to establish an approved supplier list of operators who have met strict quality standards and a more efficient method of tendering.
17. In January 2017 East Sussex County Council and West Sussex County Council joined SCC on the Public Bus DPS making it more attractive to suppliers, increasing competition and using one set of contract terms and service levels across a region.
18. The DPS is open permanently and new operators can apply to be added at any time.
19. There are currently twenty five operators on the DPS.
20. The DPS was designed to evaluate operator quality at stage 1. Therefore all subsequent mini competitions are based entirely on price evaluation. This process ensures that suppliers achieve the quality rating required to deliver the service and achieve maximum value for money.
21. Prices were submitted on a fixed basis for the duration of the contract and in line with other bus contracts. However, upon agreement by the STG, prices may be amended in line with RPIX at the applicable rate, to a maximum of 3%, if requested but not before 1 September 2019 and annually thereafter.
22. An invitation to tender was sent to the twenty five suppliers on the DPS who were given 32 days to complete and submit their tender.

23. Fifteen operators submitted bids for individual or bundled services with an aim to offer the most cost-effective bid.

CONSULTATION:

24. The Procurement department have worked alongside the STG colleagues at all stages of the commissioning and procurement process.
25. The STG have strong relationships with Operators through the current contract management process. This has led to the avoidance of price increases and good communication between SCC and Operators.
26. Any changes will be outlined to the public and interested parties during the summer in advance of the new contract start.

RISK MANAGEMENT AND IMPLICATIONS:

27. The contract terms and conditions have been drafted by SCC Legal Services and were updated in December 2016 ready for East Sussex County Council and West Sussex County Council joining the DPS in January 2017.
28. Default procedures are comprehensively addressed in the terms and conditions. Furthermore, both The Council and operator can terminate the contract with 90 days written notice.
29. All operators successfully completed satisfactory financial checks prior to acceptance onto the DPS. Operators being awarded contracts against this tender exercise, will have their financial details checked prior to award.
30. The operators will use their own assets to perform the contract and will retain so upon contract expiry.
31. TUPE may apply with the transition of employees from incumbent firms to the new operator and, if applicable, will do so in line with TUPE regulations.

Financial and Value for Money Implications

32. Full details of the contract value and financial implications are set out in the Part 2 report.
33. The procurement activity has delivered a solution within budget and generated significant savings which are essential to cover additional pressures and to help achieve a sustainable means of delivering local bus services, which are currently met from one-off resources.
34. The new contracts offer savings, as well as certain service amendments being delivered under some of the contracts.

Section 151 Officer Commentary

35. The Section 151 Officer confirms that following a competitive tendering process the costs of the proposed public bus service contracts set out in this paper are within the budget envelope for these services that has been included within the current Medium Term Financial Plan, and represent a full year saving of £0.125m when compared to the cost of existing contracts.

36. The County Council is facing a very serious financial situation whereby there are still substantial actions to be identified and delivered to achieve a sustainable budget plan for future years. Contracts include provision for early termination, should that be necessary.

Legal Implications – Monitoring Officer

37. A thorough evaluation was carried out on the suppliers' bids. The recommended suppliers have been selected in accordance with Public Contract Regulations 2015 and the Council's Procurement Standing Orders. The recommended suppliers will provide the best value for money and also provide social value benefits to Surrey.
38. Under Section 63(1)(a) of the Transport Act 1985, Local Transport Authorities must secure the provision of such public passenger transport services as the Council consider it appropriate to secure to meet any public transport requirements within the County which would not in their view be met apart from any action taken by them for that purpose.

Equalities and Diversity

39. The procurement process was undertaken through a transparent tender procedure. The contract document stipulates that the supplier will comply with the relevant Equality and Diversity legislation.

Environmental sustainability implications

40. Buses are important and provide environmental benefits in reducing car dependency, tackling congestion and pollution. This tendering tranche will see the introduction of brand new vehicles operating on three contracts (L006, L484, and L649). These will have Euro VI emission rating, which are the cleanest diesel buses available, which will assist in working towards reducing air pollution. Tests have proved that Euro VI buses have 98% lower NOx emissions than Euro V, which are currently operated on these services.

Public Health

41. The introduction of six brand new Euro VI vehicles on three contracts provides health benefits in working towards tackling pollution. This tendering tranche will see the introduction of brand new vehicles operating on three contracts (L006, L484, and L649). Tests have proved that Euro VI buses have 98% lower NOx (Nitrogen Oxides) emissions than Euro V, which are currently operated on these services. Nitrogen Oxide emissions mainly impact on respiratory conditions causing inflammation of the airways at high levels. Long term exposure can decrease lung function, increase the risk of respiratory conditions and increases the response to allergens.

WHAT HAPPENS NEXT:

Action	Date
Information on route changes sent out via Members portal	22 June 2018
Cabinet decision to award (including 'call in' period)	26 June – 6 July 2018
Contract Signature	7 July 2018
Contract Commencement Date	2 September 2018

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Annexes:

None

Sources/background papers:

- None