

SURREY COUNTY COUNCIL

CABINET MEMBER FOR TRANSPORT AND ENVIRONMENT

DATE: 10 APRIL 2013

**LEAD OFFICER: IAIN REEVE – ASSISTANT DIRECTOR ECONOMY,
TRANSPORT AND PLANNING**

**SUBJECT: LOCAL BUS NETWORK CONTRACTS (PART 2 INFORMATION
ANNEXED)**



SUMMARY OF ISSUE:

Cabinet Member approval is sought to award two contracts (L525 and L561) for local bus routes to successful bidders identified through recent tendering activities. Both contracts were previously held by Countryliner, who entered receivership in October 2012. The new arrangements will offer the residents of Surrey better value, continuity and security of service over the longer term.

RECOMMENDATIONS:

It is recommended that:

1. Contract L525 is awarded to Supplier A (SEE ANNEX 1) for a period of 4.25 years.
2. Contract L561 is awarded to Supplier B (SEE ANNEX 1) for a period of 4.25 years.

REASON FOR RECOMMENDATIONS:

1. For contract L525, 4 potential suppliers' submitted offers, but it was the offer from Supplier A (SEE ANNEX 1) that proved to be the Most Economically Advantageous Tender, in terms of a balance between quality and price. Against current costs, their offer is cheaper than the existing arrangement, and gives the ability to establish longer term security of service.
2. For contract L561, Supplier B (SEE ANNEX 1) was the only supplier to submit an offer. However against current costs, their offer is cheaper than the existing arrangement, and gives the ability to establish longer term security of service.

DETAILS:

1. Between 2010 and 2012, Surrey County Council conducted the Main Network Bus Review, commonly known as the 'Bus Review'.

2. The Bus Review was approved by Cabinet on 29 May 2012, after which a number of recommendations were implemented by means of a phased approach.
3. In 2012, as part of the final phase (Phase 3) of the Bus Review, Surrey County Council ran a series of tenders for local bus routes. One supplier, Countryliner Sussex Ltd. was successful in bidding for some of the available contracts, including L525 and L561.
4. In October 2012, Surrey County Council was notified that Countryliner had entered administration. Short-term emergency arrangements with alternative suppliers were put in place for those routes affected. This ensured minimal disruption and continuity of service for bus users in Surrey. However, it was perceived that costs of the emergency arrangements were above market rates.
5. In February 2013, in order to drive down the costs of operating these routes and to establish more secure, longer-term arrangements, Surrey County Council re-tendered 12 contracts mostly comprising of former Countryliner contracts and including L525 and L561.
6. Due to the separate total values of contracts L525 and L561, i.e. between £500,000 and £1,000,000 – Cabinet Member Approval to award is required.
7. The other 10 contracts from this round of tendering have fallen below £500,000 and approval to award was given by Procurement Review Group on 06 March 2013.
8. Contract L525, 4.25 years in duration
 - a. Proposed contract start date: 01 June 2013
 - b. Covers routes 24, 25 and 125
 - i. Route 24 – Guildford Bus Station to Cranleigh, High Street
 - ii. Route 25 – Guildford Bus Station to Cranleigh, Stocklund Square
 - iii. Route 125 – Guildford Bus Station to George Abbot School (Guildford)
 - c. Offers from 4 suppliers were received. For summary of offers, see ANNEX 1
 - d. Offer from Supplier A (SEE ANNEX 1) is the Most Economically Advantageous Tender, in terms of a balance between quality and price
9. Contract L561, 4.25 years in duration
 - a. Proposed contract start date: 01 June 2013
 - b. Covers route 46 – Guildford Bus Station to Aldershot Bus Station
 - c. 1 offer received from suppliers. For summary of offers, see ANNEX 1

- d. Offer from Supplier B (SEE ANNEX 1), shown to be better value than current costs
10. Against current costs, the new offers represent a total saving in excess of £235,000 over the duration of the contracts.

CONSULTATION:

11. During the Bus Review 2010-2012, a public engagement exercise took place. Proposals for bus service changes in the Phase 3 areas were promoted by means of:
- extensive information on the County Council's website
 - hard-copy material available from various outlets
 - posters on buses, at bus stops and in libraries
 - media briefings
 - consultation documents were handed to bus users at key locations
 - nine pre-advertised public drop-in sessions at venues across the Phase 3 areas
 - informal presentations to the four appropriate Local Committees, to the South West and Mid Surrey Empowerment Boards and engagement with the Surrey Coalition of Disabled People
 - presentation to Waverley Borough Council and Parish representatives, at their invitation

There was a facility to respond through an on-line feedback survey, by email, by letter or through one's local member.

RISK MANAGEMENT AND IMPLICATIONS:

12. Financial Risks:

- a. Successful suppliers are not financially secure:
 - i. Checks conducted by the Council's Finance department indicate that both suppliers are suitable.
- b. Contract may cease to be sustainable at originally-bid price, due to unforeseen cost pressures on bus operators:
 - i. Analysis of offers received during this tender exercise indicates that the new prices are generally current market rates, so there is confidence that they are sustainable.
 - ii. Annual inflationary uplifts based on RPIX indices give more certainty on pricing, plus surety for suppliers that inflationary pressures are manageable over the life of the contract.

- iii. The Surrey County Council Local Bus Conditions of Contract allow a no penalty termination of a minimum of 90 days notice served by on a supplier, should the Council no longer require/be able to afford the service.

13. Reputational Risks:

- i. None identified.

14. Service delivery risks:

- a. Poor performance or operator unable to resource continuation of service:
 - i. Service monitoring and continual contract management by Economy, Transport and Planning Service officers, and supported by officers from Procurement & Commissioning.

Financial and Value for Money Implications

- 15. For a breakdown of offers and savings, please see ANNEX 1.
- 16. The proposed new contracts offer an annual saving of £55,000, and total saving in excess of £235,000 over the duration of the contracts.
- 17. The standard contract permits annual inflationary uplifts based on RPIX indices. This provides more certainty on pricing over the life of the contract and helps safeguard against the need for re-negotiation, or the contract becoming unsustainable for the supplier.

Section 151 Officer Commentary

- 18. As part of the Medium Term Financial Plan (2013-18) Cabinet approved additional funding of £344,000 for local bus services reflecting increased costs, including the cost of replacing Countryliner services. Following re-tendering these costs are lower than anticipated, with an annual saving of £55,000 across these 2 contracts and £138,000 across all contracts previously operated by Countryliner.

Legal Implications – Monitoring Officer

- 19. The contracts will be the Local Bus Conditions of Contract last revised and approved by Legal Services in February 2013.

Equalities and Diversity

- 20. The Bus Review in 2012 sought to understand the impact that service proposals would have on Surrey people, especially vulnerable people in the community and equalities groups. It also identified some generic bus travel issues for these groups. The Cabinet report of 2 March 2010 was accompanied by a full Equalities Impact Assessment (EIA). The EIA was reviewed for Phases 1 and 2 and it was updated for Phase 3, which was presented before Cabinet on 29 May 2012.

21. Contracts L525 and L561 were originally tendered under Phase 3 of the Bus Review, and thus were considered alongside the findings of the existing EIA.
22. The existing EIA was reviewed in January 2013, and remains current. No further equalities issues have been identified. A copy of this can be seen at ANNEX 2.

WHAT HAPPENS NEXT:

23. If the Cabinet Member approves the recommendations in this report, officers will then:
 - Move rapidly to formally award new contracts to the preferred suppliers as detailed in this report.
 - Ensure new contracts will begin on 01 June 2013.
 - Continually monitor supplier performance throughout the duration of the contracts.
 - Continually monitor market developments, in particular in relation to suppliers' financial standings, in order that the Council can intervene swiftly and decisively should another supplier enter administration.
 - Undertake annual reviews in the future to scrutinise cost, need, affordability and value for money.

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Annexes:

ANNEX 1 – Summary of offers (PART 2)

ANNEX 2 – Equalities Impact Assessment

Sources/background papers:

- All background papers used in the writing of the report should be listed, as required by the Local Government (Access to Information) Act 1985.
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