

SURREY COUNTY COUNCIL**CABINET****DATE:** 26 JULY 2022**REPORT OF CABINET MEMBER:** MATT FURNISS, CABINET MEMBER FOR TRANSPORT, INFRASTRUCTURE AND ECONOMY**LEAD OFFICER:** KATIE STEWART, EXECUTIVE DIRECTOR ENVIRONMENT, TRANSPORT & INFRASTRUCTURE**SUBJECT:** LOCAL BUS CONTRACT RETENDERING**ORGANISATION STRATEGY PRIORITY AREA:** GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ TACKLING HEALTH INEQUALITY/ENABLING A GREENER FUTURE/ EMPOWERING COMMUNITIES**Purpose of the Report:**

Surrey County Council is responsible for sourcing sustainable, safe, secure, and reliable local bus services as defined by the Transport Acts 1985 and 2000.

There are currently 207 bus services operating in Surrey and the County Council gives some financial support to around 75% of these. This report seeks to award twenty local bus contracts to nine operators, for the provision of twenty-four public bus services (service 479 Monday to Saturday and 479 Sunday is counted as one service).

This decision relates to 20 current contracts which expire on 27 August 2022 and have been retendered. If awarded the new contracts will commence from 28 August 2022.

Overall, these proposals seek to maintain the existing network of bus provision with some amendments proposed to the vehicles operating these services which will improve emissions standards and air quality.

Recommendations:

It is recommended that Cabinet:

1. Note the background information set out in this report, and
2. Following consideration of the results of the procurement process, award the contracts to the operators as set out in the Part 2 report.

Reason for Recommendations:

Progressing the award of these contracts will enable SCC to:

- Provide a robust local bus network providing essential public transport to residents so that they may continue to access key services, including employment, education, health care and essentially shopping, whilst supporting resident well-being by providing the ability for residents to travel throughout Surrey.
- Provide bus services that are delivered by reputable operators that meet the County Council's specified quality standards and enable us to meet our statutory duty as a Local Transport Authority.

- Establish sustainable funding arrangements with bus operators.
- Increase the proportion of lower emission Euro 6 buses on our network, replacing those with far higher emissions.

To comply with Procurement Standing Orders (PSO), Cabinet approval for contracts that reach a specified value is required.

Executive Summary:

Business Case

1. Buses are important to Surrey's residents and provide a realistic alternative to the private car. Bus services across the county will play a fundamental role in assisting Surrey achieve the county's net zero target by 2050. Buses are a key component in the emerging Surrey Transport Plan, which is subject to Council consideration in July, and they provide opportunities to encourage modal shift and work towards greener communities. Surrey's Bus Service Improvement Plan (BSIP) outlines our priorities and initiatives to promote and encourage greater bus usage and it aligns with Surrey's Transport Plan objectives. As part of the BSIP we are required to develop an Enhanced Partnership Plan and Scheme in conjunction with our bus operators. The scheme outlines priorities and initiatives which we believe will grow patronage and work towards the key aims of the council. Subject to Government feedback on our draft Enhanced Partnership Plan and Scheme, it is planned that these be presented to Cabinet in September 2022. This is the latest step in the Council's response to Bus Back Better, the National Bus Strategy.
2. Under section 63(1)(a) of the Transport Act 1985, Local Transport Authorities must secure the provision of public passenger transport services as the Council considers it appropriate to meet any public transport requirements within the County which would not otherwise be met.
3. Bus routes funded by the County Council serve a wide range of communities right across Surrey. Planning, procuring, and delivering these contracted bus routes helps residents access employment, education, medical appointments and health care, essential food shopping and leisure activities. They play an important role in reducing social isolation and support independent living, helping the well-being of many residents across Surrey.
4. Whilst some bus services are provided by operators on a commercial and non-contracted basis, there are many services that are not commercially viable. These supported or contracted bus services are only sustainable through funding support from a local authority.
5. The Council's Local Bus retendering has been placed on hold throughout the pandemic due to the challenging conditions faced by this industry. This has resulted in contracts in this tranche now being time expired, having reached the maximum contract extension period.
6. The Council has now undertaken a retendering exercise which started on 13 May and closed on 8 June 2022. The current procurement exercise has tested the market to ensure best value will be achieved for the Council for twenty-four bus services where the existing provision expires on the 27 August 2022.
7. Table 1 below shows the services tendered.

Table 1. Services tendered as part of current local bus procurement, Surrey County Council

Service No.	Days of Operation	Route Description
84	Schooldays	Hermitage Rd-Knaphill Sainsbury-Bisley-West End-Collingwood College
32	Sunday/PH	Strood Green-Brockham-Dorking-Westcott-Gomshall-Shere-Albury-Chilworth-Shalford-Guildford
663	Schooldays	Walton-Hersham-Esher High School
83	Schooldays	Connaught Park-Bagshot-Collingwood College
87	Schooldays	Chobham-Lightwater-Collingwood College
868	Schooldays	Worcester Park-Stoneleigh-Epsom & Ewell Schools
18	Monday-Saturday	Merrow-Burpham-Guildford-Onslow Village
93	Sunday/PH	Horsham- Capel-Beare Green-North Holmwood-Goodwyns-Dorking
478/678	Mondays-Fridays	478: Guildford-Merrow-West Horsley-East Horsley-Effingham Junction-Effingham-Great Bookham-Leatherhead-Woodbridge Tesco
	Schooldays	678: Ripley-Ockham-West Horsley- Effingham Junction-Howard of Effingham School
43/45	Schooldays	43: Grove Rd-Cranleigh-Rowley-Shamley Green-Wonersh-Bramley- Shalford-Farncombe- Godalming College
	Schooldays	45: Busbridge- Milford- Rodborough School
23/25, 24, 625	Monday-Saturday	23: Guildford-Charlotville-Boxgrove Park-Merrow
	Monday-Saturday	24: Guildford-Shamley-Bramley-Nanhurst Corner-Elmbridge Village-Cranleigh
	Monday-Friday	25: Guildford-Boxgrove Park-Merrow-Newlands Corner-Shere-Gomshall- Peaslake-Ewhurst-Cranleigh
	Schooldays	625: Guildford-Shalford-Chilworth Station-Albury-George Abbot School
461	Mon-Sat Evening /Sundays	St Peters Hospital- Addlestone- Weybridge-Walton-West Molesey-Hampton Court-Kingston
73	Monday-Saturday	Woking-Horsell-Mimbridge-Chobham
46	Monday-Saturday	Guildford- Compton-Binscombe-Farncombe-Godalming-Hurtmore-Elstead-Farnham
400	Monday-Friday	Staines-Ashford-Shepperton-Walton
3	Sunday/PH	Camberley- Frimley Park Hospital-Frimley-Frimley Green-Mytchett-Ash Vale-Ash Wharf-Ash- Aldershot
74	Schooldays	Folly Hill-Upper Hale-Heath End-Badshot Lea-Farnham-Lodge Hill Rd-Weydon School
479	Monday-Saturday	Guildford-Merrow-East Horsley-Bookham-Fetcham-Leatherhead-Ashted-Epsom
479	Sunday/PH	Guildford-Merrow-East Horsley-Bookham-Fetcham-Leatherhead-Ashted-Epsom
621	Schooldays	Oxshott-Stoke d'Abernon-Cobham-Downside-Howard of Effingham School

8. The procurement process has sought to replace existing services on a like-for-like basis, although those companies tendering were invited to propose improvements or amendments that could add value for Surrey's residents. These have been considered as part of tender evaluation process. Local Members will be briefed on the contract award outcome by mid-August, including details of new suppliers where appropriate.

9. The proposed contract awards will see Euro 6 buses replace Euro 5 buses on 14 contracts, comprising 17 services in total – 3, 18, 23, 24, 25, 32, 46, 73, 93, 400, 461, 478, 479, 621, 625, 663, 678. Euro 6 emission rated buses are the cleanest diesel buses available. Their introduction will help to reduce harmful emissions and improve air quality. Industry tests have demonstrated that Euro 6 buses have 98% lower Nitrogen Oxide (NOx) emissions compared to Euro 5 buses. The introduction of Euro 6 buses will provide an immediate benefit in advance of their replacement by zero emission buses, part of our 'Greener Futures' ambition.
10. The remaining seven services will not be able to make the transition to Euro 6 at this stage as the operators have no business case to make that investment on schooldays only services. We will however seek any opportunities to bid for funding to enable us to work in partnership with these operators to retrofit their existing vehicles to Euro 6 emission standards.
11. The contract length for this tendering tranche will be five years, with the option to extend up to the legal 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 £1.942m.
12. As most of the existing contracts range from five to eight years in age and expire in August 2022, this procurement exercise has been carried out in advance of the Council's Enhanced Partnership Plan and Enhanced Partnership Scheme being reported to Cabinet. Both documents are in draft and currently with the Department for Transport for their review, it is planned that these be presented to Cabinet in September 2022.
13. The proposed award of these contracts is also in advance of the Surrey wide 'review of the future bus network' currently being undertaken by Officers and local bus operators. This much more wide-ranging review will consider all existing services and plan for a sustainable local bus network that reflects the financial performance of all local bus services and the new travel patterns of our residents as we emerge from the Covid19 pandemic. The current procurement is necessary to ensure continuity of services in the short term, whilst the review will consider the network in the medium to longer term, and therefore enable us to align these contracts as these contracts are time expired. This review will be subject to detailed engagement and consultation with all Members and a wide range of stakeholders. Again, it is planned to bring a detailed report on this to Cabinet in the Autumn.

Procurement Strategy

14. A number of options were considered when completing the Strategic Procurement Plan (SPP) for these contracts 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.
15. After a full and detailed options analysis, it was decided to conduct a mini competition using the existing DPS, established in 2015, as this demonstrated best value for money from the options appraisal.
16. 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.

17. In January 2017 East Sussex County Council and West Sussex County Council joined Surrey County Council 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. There are currently twenty-five bus operators on the DPS, which has been designed to evaluate operator quality at stage 1. Therefore, this mini competition is based entirely on price evaluation. This process ensures that suppliers achieve the quality rating required to deliver the service and SCC achieves maximum value for money through increased competition.
19. A joint procurement and project team was set up to include representatives from the Strategic Transport Group and Surrey and East Sussex County Council Procurement Team. The joint team considered service requirements, maintaining the existing travel opportunities for residents, new transport links and vehicle options.
20. An invitation to tender was sent to all suppliers on the DPS, and fourteen operators submitted bids for individual or packaged bids with an aim to offer the most cost-effective bid.
21. Performance of the contracts will be monitored through a series of Key Performance Indicators as detailed in the contract and reviewed at regular monthly operations meetings. The Strategic Transport Group also arrange regular Continuous Improvement Meetings with operators to promote continuous improvement in the delivery of the services provided under the contract. The Strategic Transport Group also check insurances, operating licences, concessionary travel scheme claims and ensure that the delivery of the service is consistent with the specification.
22. Within the County Council's Code of Practice, operators are required to deliver 100% of the mileage/routes to the timetables submitted at tender. Health and safety issues are addressed and information about services is made available by the operators to the necessary agencies for access by members of the public. Overall, the management responsibility for the contracts lies with the Bus Service Planning Team Manager and within the Strategic Transport Group.
23. Prices were submitted on a fixed basis for the duration of the contract and in line with other bus contracts. However, upon agreement with the Strategic Transport Group, price may be amended in line with a maximum RPIX uplift of 3%, if requested, but not before 1 September 2023 and annually thereafter. Due to current unprecedented fuel inflation, this maximum 3% RPIX is currently under review by the Strategic Transport Group and Procurement.

Consultation:

24. The Strategic Transport Group has strong working relationships with bus operators through the existing contract management processes. Advanced engagement and notification of this tendering tranche was shared with the industry.
25. Any changes to services or operators will be shared with members, the public and interested parties during the summer, in advance of new contracts commencing.

Risk Management and Implications:

26. The contract terms and conditions have been drafted by the Council's Legal Services Department and were updated in January 2017 in readiness for East Sussex County Council and West Sussex County Council joining the DPS.
27. Default procedures are outlined in the terms and conditions of contract. Furthermore, the Council or the contractor can terminate the contract with 90 days written notice.
28. All operators successfully completed satisfactory financial checks prior to acceptance onto the DPS.
29. The operators will use their own bus assets to fulfil the contract and will retain their bus assets upon contract expiry.
30. Transfer of Undertakings (Protection of Employment) commonly known as TUPE may apply with the transition of employees from incumbent contractors to the new operator and, if applicable, will do so in line with TUPE regulations.

Financial and Value for Money Implications:

31. Full details of the contract value and financial implications are set out in the Part 2 report on the agenda for this meeting of Cabinet.
32. Local bus tendering was placed on hold throughout the Covid19 pandemic, resulting in many contracts coming up for retendering at the same time rather than in phases over several years as has previously been the case.
33. The contracts being retendered now are predominantly those that were last retendered between 2011 and 2017, along with school day-only contracts and two contracts retendered in 2021 on an emergency basis. In total, the annual value of the 20 contracts is £1.718m.
34. The proposed contract award will ensure that a continued and uninterrupted service will be provided with an effective contract start date of 28 August 2022.
35. The effects of the Covid19 pandemic have significantly impacted the public transport industry. This includes reduced and fluctuating patronage levels from March 2020 until now. Patronage levels across Surrey are now in the region of 70% to 80% of pre-pandemic levels. The pandemic has also created a bus driver shortage. The periods of 'lock down' stopped driver training for new entrants to the market, with a backlog now being processed. This, along with competition from the heavy goods vehicle sector, has resulted in a national shortage of bus drivers, with increased driver wages having to be used to manage retention rates in the industry.
36. The unprecedented cost of fuel currently being paid by the industry will also result in higher contract costs. These increases have been factored into the Medium Term Financial Plan and will be met by existing budgets.
37. The procurement activity has delivered a solution to award the twenty contracts at an annual increase of £224,141. This will be met within the existing budget and demonstrates SCC commitments in working towards a net-zero authority by enabling cleaner and greener Euro 6 rated buses to be operated on 17 services.

Section 151 Officer Commentary:

38. Although significant progress has been made to improve the Council's financial position, the financial environment remains challenging. The UK is experiencing the highest levels of inflation for decades, putting significant pressure on the cost of delivering our services. Coupled with continued increasing demand and fixed Government funding this requires an increased focus on financial management to ensure we can continue to deliver services within available funding. In addition to these immediate challenges, the medium term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
39. The cost of the contracts recommended in this report is expected to be met within the approved Medium Term Financial Strategy, and as such the Section 151 Officer supports the recommendations. Further comments are provided in the Part 2 report.

Legal Implications – Monitoring Officer:

40. The procurement process was undertaken through a compliant tender process whereby the Council invited 25 operators who are all on the Public Bus DPS (which was originally procured in accordance with the procurement regulations) to bid for one or more of the 20 local bus service contracts via a mini competition.
41. Bidders were invited to put forward, within the parameters given, alternative or combination bids, with the bidder(s) offering the Council the best value for money being recommended for award.
42. Tenders were evaluated in accordance with the pre-published stage two price only criteria of the DPS and the Council now wishes to award contracts to the successful bidders.

Equalities and Diversity:

43. There are no direct equalities and diversity implications as a result of this report. However, the procurement process was undertaken through a transparent tender procedure. The contract documentation stipulates that the supplier will comply with the relevant Equality and Diversity legislation.

Other Implications:

44. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No direct implications.
Safeguarding responsibilities for vulnerable children and adults	No direct implications.
Environmental sustainability	Buses are important and provide environmental benefits in reducing car dependency, tackling congestion and air

	<p>pollution. The proposed outcome of this tendering process will see the introduction of Euro 6 bus operating on seventeen services – 3,18, 23, 24, 25, 32, 46, 73, 93, 400, 461, 478, 479, 621, 625, 663, 678. Euro 6 buses are the cleanest diesel buses available, helping the Council to reduce emissions and improve air quality, with Euro 6 buses having 98% lower NOx emissions than Euro 5 buses.</p>
Compliance against net-zero emissions target and future climate compatibility/resilience	<p>Maintaining local bus services and the wider bus network supports the Council’s intentions as set out in the new Surrey Transport Plan, namely, to encourage modal shift and to secure reductions in carbon emissions. It supports the Council’s strategic priority of a Greener Futures, as well as that of Growing a Sustainable Economy.</p> <p>Maintaining local bus services has clear links and supports the delivery of the following:</p> <ul style="list-style-type: none"> • 2030 Community Vision • The Council’s Greener Future agenda • (draft) Transport Plan for Surrey, Local Transport Plan 4 • Climate Change Strategy and Climate Change Delivery Plan • Ambition to be Net Zero Carbon by 2050 • The Council’s commitment to ‘no one left behind’
Public Health	<p>NOx 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.</p> <p>Replacing Euro 5 buses with Euro 6 buses on seventeen services provides health benefits by tackling emissions and improving air quality.</p>

What Happens Next:

45. The next steps are as follows:

- a. Cabinet decision to award 26 July 2022
- b. 20 Contracts awarded 26 July to 5 August (allowing for 10 days “standstill” period)
- c. Local Members briefed from 7 August onward
- d. Relevant schools informed from 7 August onward
- e. Information on changes of operators, noting no actual service changes are proposed, will be published on the Council’s website by 7 August 2022
- f. Contract commencement 28 August 2022

Report Author: Valerie Sexton, Local Bus Service Planning Manager, 07971 673264

Consulted:

Paul Millin – Strategic Transport Group Manager

Lucy Monie – Director, Highways & Transport

Katie Stewart – Executive Director, Environment, Transport & Infrastructure

Robert Gilmour – Strategic Procurement Manager

Annexes:

Part 2 report

Sources/background papers:

None

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