

**COST PRESSURES AND CONTINUED SUPPORT FOR
SUBSIDISED PUBLIC TRANSPORT CONTRACTS**

Cabinet Date	13 March 2019
Environment and Planning	Cllr Nigel Moor
Key Decision	Yes
Background Documents	Tender and award of transport contracts under the dynamic purchasing system for transport – 18 July 2018 Review of public transport, community transport and concessionary fares - 3 rd February 2016
Location/Contact for inspection of Background Documents	Transport DPS Cabinet Report July 2018 February 2016 Cabinet report
Main Consultees	Local elected members, bus users, affected communities and public transport operators will be consulted during the process of implementing of this decision.
Planned Dates	Review contracts in 2019/20. Implement changes in 2019/20 and 20/21
Divisional Councillor	All
Officer	Philip Williams, Lead Commissioner Community Infrastructure 01452 328482 philip.williams@gloucestershire.gov.uk
Purpose of Report	To seek Cabinet approval to review subsidised public transport services and implement measures to manage future public transport arrangements across the county.
Recommendations	To delegate authority to the Lead Commissioner for Community Infrastructure, in consultation with the Cabinet Member for Environment & Planning to 1) review, consult, procure and award where necessary transport contracts; and 2) review mechanisms for contract inflation, bus subsidies and the competitiveness of the local bus market, and report back with recommendations:
Reasons for recommendations	To effectively manage public transport cost increases within existing resources and enable communities to access essential services.

**Resource
Implications**

In February Full Council agreed to add £223k to the public transport budget to help mitigate cost pressures in 2019/20. Adopting the recommendations will further manage the residual cost pressure of £227k and longer-term cost pressures.

MAIN REPORT CONTENTS

1. Background

1.1 The council spends around £3m each year on public transport services to enable communities across the county to access essential services including work, education, health and food shopping. Around one quarter of this is funded by developers through section 106 planning obligations to mitigate the transport impacts of development and to provide residents with access to key services.

1.2 Since 2016 Cabinet has delegated authority to officers to procure and award over the next year a list of high value bus service contracts each costing in excess of £500,000 over the full contract term. However tenders since April 2018 have shown considerable cost increases, in some cases exceeding the predicted values in the Cabinet decision.

1.3 The cumulative effect of awarding contracts could result in an overspend of the public transport budget. This risk is magnified because many contracts that were last awarded following a major review of bus services in 2011/12 come to an end in 2018/19 and 2019/20.

1.4 Since 2015, in order to protect the breadth of public transport services the council has not automatically awarded inflationary increases on its bus contracts. As these contracts approach renewal this increases the pressure for cost increases.

2 Contract Price Increases

2.1 Since April 2018 there have been significant cost increases in tender responses from the local bus operators. The contracts tendered have been broadly identical to existing bus provision, and in a number of cases as a consequence, officers have arranged a short term award under delegated powers in consultation with the cabinet member to ensure service continuity whilst we review options and consult key stakeholders on possible changes.

2.2 Table 1 shows in-year and full year effects of cost increases across all public transport tenders issued during this period. These show increases averaging 35% compared with previous contracts

CONTRACT	DESCRIPTION	NEW CONTRACT START	NUMBER OF BIDDERS	PREVIOUS CONTRACT START DATE	OLD PRICE	NEW PRICE	% CHANGE	FULL YEAR CHANGE
DG351D	Gloucester - Tewkesbury	29/07/2018	2	06/07/2014	£ 95,000	£ 105,505	11%	£ 10,505
EA353D	Gloucester - Longlevens	29/07/2018	2	15/04/2012	£ 25,000	£ 39,233	57%	£ 14,233
EA006D	Combined with EA013D, DA071D -	02/09/2018	3	13/11/2014	£ 88,100	£ 125,000	42%	£ 36,900
EA013D	Tewkesbury & Gloucester area							
DA071D								
EB113D	Nene Close - Hempsted - Gloucester	19/08/2018	1	29/04/2018	£ 13,725	£ 14,657	7%	£ 932
EC113D	Arlingham - Gloucester	19/08/2018	3	29/09/2018		£ 21,746		
EA66SD	Leonards Stanley & Kings Stanley eves & Sun	19/08/2018	1	13/11/2011	£ 43,564	£ 92,138	112%	£ 48,574
AD802D	Bourton - Rissingtons - Kingham - Stow	24/09/2018	1	29/09/2015	£ 116,800	£ 142,500	22%	£ 25,700
AD855	Northleach - Bourton - Cirencester	29/10/2018	1	29/10/2018	£ 85,075	£ 116,000	36%	£ 30,925
CD00ND	Cheltenham - Noverton Park	29/10/2018	3	13/11/2011	£ 38,000	£ 34,635	-9%	-£ 3,365
ED060I	Thornbury - Gloucester Sunday & B. Hols	01/11/2018	1	04/09/2016	£ 36,794	£ 20,962	-43%	-£ 15,832
DA066DN	Dursley trial	26/11/2018	D.A.	Previously a commercial		service		£ 27,450
GB761D	Forest local routes	31/10/2018	1	No previous	£ 104,900	£ 165,900	58%	£ 61,000
BD882D	Gloucester - Cirencester - Tetbury	01/01/2019	3	30/12/2018	£ 130,000	£ 195,000	50%	£ 65,000
DA606N	Winchcombe - Willersey	04/02/2019	D.A.	03/04/2016	£ 50,000	£ 90,000	80%	£ 40,000
CB00WN	Cheltenham - B. Cleeve - Winchcombe	04/02/2019	D.A.	02/09/2015	£ 70,000	£ 110,000	57%	£ 40,000
			(D.A. direct award)			Average	35%	

Table 1: Contract price increases during 2018/19

2.3 These increases have put additional pressures on the public transport budget this year and further measures are required in order to enable effective public transport coverage to be provided across the county next year and in future years.

3 Factors leading to contract price increases

3.1 There are a range of factors influencing the cost pressures on operators, some of which are outside of the operators' and the council's control. These include:

a) Employment costs. The rising minimum wage and national living wage is putting pressure on employers regarding their employment of support staff, which is being reflected in tender submissions. There is also a shortage of drivers which is also creating a pressure for wage inflation.

b) Legislative costs. Accessibility and air quality regulations are starting to impact tender submissions. As coaches may no longer be used to provide day to day local bus services as they do not comply with low floor regulations, a number of suppliers have dropped out of the bus market, making it less competitive.

c) Lack of competition. Today in Gloucestershire there are less than half the number of operators than there were in 2006. While some of this is driven by legislative changes, tighter standards have also played their part. Stagecoach now carry over 95% of the county's bus passengers, with Pulhams carrying around 2%. Nine other operators run public transport services, not including the voluntary sector.

d) Cessation of annual inflationary contract increases. Until 2014/15 operators of contracts let under the old Public Transport Framework were awarded annual price increases in line with

the retail prices index. In 2015 this ceased in order to protect the breadth of public transport coverage across the county given the financial context for local authorities. One consequence of this change is a sharp correction in prices when contracts are retendered.

3.2 Specialist public transport consultants were commissioned in early February to look at issues that may be causing contract price increases and will be making recommendations in March. As part of this work they have spoken to several local bus operators and are reviewing our policies, procedures and contracts.

4. Mitigations

There are a number of steps that the council can and have taken to tackle the imminent and longer-term issues in respect of public transport provision.

4.1 Review costs across a range of bus contracts already let and up for re-tender.

4.2 Re-tender where costs have increased significantly by entering into shorter term contracts with providers to ensure the contract is more affordable. Operators have informed us that longer contracts can result in them submitting increased annual prices due to the requirement for new vehicles within the life of the contract, this is due to the natural end to a vehicle's useable life within that period, not a specification within the contract for new vehicles.

4.3 Offer a contract inflationary price increase in future tenders based on a published index or a fixed percentage.

4.4 review the £8 (rural) and £2 (urban) price per passenger return journey cap agreed in the February 2016 Cabinet report to ensure that they are set at the correct level.

4.5 Work with the market to promote tendering opportunities to bus operators who do not currently bid for contracts, and to make the market place more competitive.

4.6 In February Full Council agreed an extra £223k for subsidised public transport services. . Community transport and concessionary fares budgets each also received a further £100k. As these increases are permanent they will help to reduce the financial pressure in 2019/20 and in future years.

5. Risk Assessment

5.1 It is prudent to act now to manage the financial risk of overspending its public transport budget in 2019/20 and avoids the need for more urgent and substantial changes later which may have a greater impact on communities or groups of people dependent on public transport. By reviewing services now the council can reduce this financial risk and manage the residual risk within the overall Communities and Infrastructure budget during 2019/20.

5.2 Decisions to award higher value contracts are taken using authority delegated by Cabinet under the Transport DPS Cabinet decision. The steps proposed in this report will also ensure

that decisions taken to award bus contracts comply with the council's internal governance standards and scheme of delegations.

6. Officer Advice

6.1 Local bus services play an essential role in enabling people to live active lives, maintain social networks, and access essential education, training, employment and health services. Whilst 90% of bus trips made in Gloucestershire are on commercial services, these tend to be in more densely populated areas and at busier times of the day and week. The council uses its powers to fund local bus services that are not provided on a commercial basis in order to manage the risk of social isolation and enable communities to be vibrant places in which to live work and visit.

6.2 Implementing the mitigating measures outlined in section 4 and the recommendations will help to ensure the sustainability of the bus network.

7. Equalities considerations

7.1 A high proportion of users of subsidised public transport services are older people, younger people and people with disabilities. These are protected characteristic groups so when considering any changes the council will give careful consideration to their needs.

7.2 A due regard statement for reviewing public transport services has been completed for this decision. This highlights the importance of using bus data and the feedback from consultation with users in order to identify particular groups at risk and find ways of mitigating any negative impact(s) for them.

8. Consultation feedback

8.1 Public consultation will form part of the review process for each bus service where changes are proposed. Feedback from consultation will be shared with the Lead Cabinet Member as part of the process for deciding upon and implementing future service changes.

9. Performance Management/Follow-up

9.1 Public transport service contracts are closely monitored by the Integrated Transport Unit. Operators provide monthly information on patronage, revenue and concessionary fares use. This helps officers to understand demand and the nature of trips being made.

Report Title	Cost pressures and continued support for subsidised public transport contracts
Statutory Authority	Transport Act 1984 and associated regulations The Public Contracts Regulations 2015
Relevant County Council policy	Local Transport Plan https://www.gloucestershire.gov.uk/transport/gloucestershires-local-transport-plan-2015-2031/bus/
Resource Implications	In February Full Council agreed to add £223k to the public transport budget to help mitigate cost pressures in 2019/20. Adopting the recommendations will further manage the residual cost pressure of £227k and longer-term cost pressures.
Sustainability checklist:	
Partnerships	No significant impact
Decision Making and Involvement	No significant impact .
Economy and Employment	No significant impact
Caring for people	No significant impact
Social Value	No significant impact
Built Environment	No significant impact
Natural Environment' including Ecology (Biodiversity)	No significant impact
Education and Information	No significant impact
Tackling Climate Change	Carbon Emissions Implications? Positive Vulnerable to climate change? No
Due Regard Statement	Has a Due Regard Statement been completed? Yes
Human rights Implications	None

Consultation Arrangements

Should changes be proposed that may impact on local communities, full engagement will take place with county councillors and bus users affected.