

REPORT TITLE: Arle Court Transport Hub Bus Service and Cafe Concessionary Contracts

Cabinet Date	27 th March 2024
Cabinet Member	Cllr Gray – Cabinet Member for Environment & Planning Cllr Robinson -Cabinet Member for Education, Skills and Bus Transport
Key Decision	Yes
Purpose of Report	To seek Cabinet approval to procure and award the following: <ol style="list-style-type: none"> 1. A seven-year contract for a high frequency bus service to serve the new Arle Court Transport Hub. The proposed contract shall operate for an initial period of seven years and include an option to extend its term for a further period of not more than three years. 2. A ten-year concession contract, with up to a five-year extension to operate a café concession at the new Arle Court Transport Hub.
Recommendations	That Cabinet delegates authority to the Executive Director: Economy, Environment and Infrastructure in consultation with the Cabinet Member for Education, Skills and Bus Transport to: <ol style="list-style-type: none"> 1. Conduct a competitive procurement process, via the current transport dynamic purchasing system in respect of a contract for the supply of a high frequency park and ride bus service between Arle Court Transport Hub and Cheltenham Town Centre. The proposed contract shall continue for an initial period of seven years and include an option to extend its term for a further period of not more than three years; 2. Award such contract to the preferred tenderer; 3. To undertake a review of passenger demand before the end of the initial two-year contract period to decide the most efficient frequency and identify the necessary funding during years three to ten; and,

	<p>4. Determine whether to exercise the option to extend the contract for a further period of not more three years on the expiry of the initial seven-year term.</p> <p>And</p> <p>That Cabinet delegates authority to the Executive Director: Economy, Environment and Infrastructure in consultation with the Cabinet Member for Environment and Planning to:</p> <p>5. Conduct a competitive procurement process in respect of a concession contract to fit out and operate a café at the Arle Court Transport Hub. The proposed contract shall continue for an initial period of ten years and include an option to extend its term for a further period of not more than five years;</p> <p>6. Award such contract to the preferred tenderer; and</p> <p>7. Determine whether to exercise the option to extend the contract for a further period of not more five years on the expiry of the initial ten-year term.</p>
<p>Reasons for Recommendations</p>	<p>In 2023 construction commenced on Arle Court Transport Hub, creating a vital transportation facility in west Cheltenham.</p> <p>Expected completion date for the multi storey car park is Summer 2024, with full completion of the site in November 2024.</p> <p>Arle Court Transport Hub is of strategic importance to the council. The facility plays a key role in reducing traffic congestion and improving air quality in Cheltenham. It is also a key element of the current Gloucestershire Local Transport Plan 2020-2041.</p> <p>To serve the new hub a high quality and high frequency bus service is required to operate to the site from Cheltenham Town Centre. Failure to improve the bus service would likely result in the new Transport Hub not achieving its full potential.</p> <p>In addition to the bus service a Concessionaire is required to operate the café that will be constructed at the hub. The Café concessionaire is a requirement to be completed before November 2024 as a requirement of the funding granted by Homes England.</p>
<p>Resource Implications</p>	<p>It is estimated that the cost of the bus service contract described in Recommendation 1 will be £650k per annum.</p> <p>The estimated value of the proposed 7-year bus service contract is £4.55m. If the council elects to exercise its 3-year extension option thereunder, the total estimated contract value is £6.50m.</p>

Existing Integrated Transport annual budgets are available to fund the bus service as summarised below.

Funding Source	Amount
Current park and ride bus service budget	£258k
Bus service revenue forecasted as minimum.	£ 75k
Parking income forecasted.	£100k
Sub-Total annual budget includes bus frequency every 20 minutes.	£433k
Additional service frequency funded by Bus Service Improvement Plan + (BSIP+) to improve frequency from every 20 minutes to every 15 minutes. (First 2 years only)	£217k
Total	£650k

The standard 20 minutes bus frequency contract which costs (£433k) a year is available from existing revenue budgets for the whole 7+3 year contract. The higher (£650k) annual cost to make the 15-minute bus frequency has been secured for the first two years of the contract only.

Before year three of the contract, we will undertake a review of passenger demand which will help to decide the most efficient frequency rate and look at how it can be funded during years 3 to year 10. We will review the income from parking, bus service revenue and the income from the cafe to see if it has increased enough to fund the demand required. If it does not fully fund the demand required, then we will look at alternative funding options such as a continuation of the BSIP+ grant funding or a Medium-Term Financial Strategy. The bus frequency will be increased or reduced to meet the available approved budget throughout the contract life subject to the appropriate decision making where required depending on the value of such variations.

The proposed café concession contract described in Recommendation 4 above shall generate an income for the authority, but it is too early to estimate the income therefore it has not been considered for the purpose of this decision. Further market testing shall be carried out to confirm market appetite, viable contract term and income profile before conducting the proposed procurement process.

Background Documents

- [Transport Act 1985 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/1985/61)
- [Bus Services Act 2017 \(legislation.gov.uk\)](https://www.legislation.gov.uk/ukpga/2017/17)
- [Transport Hub Construction Cabinet Report](#)
- [Gloucestershire LTP 2020-2041 | Gloucestershire County Council](#)

Statutory Authority	Transport Act 1985 and subsequent revisions
Divisional Councillor(s)	All
Officer	Name: Tom Main Tel. no: 01453 425343 Email: tom.main@gloucestershire.gov.uk
Timeline	Cabinet decision – 27 th March 2024 Tender documents issued – April 2024 Contract award (cafe) - June 2024 Contract award (bus service) – July 2024 Cafe contract commences – August 2024 Bus Service contract commences – 24 th November 2024

Background

1. In May 2023 construction of a new £33m transport hub at the existing Arle Court Park and Ride site commenced. This transformational redevelopment will nearly double the amount of parking on site, increase the amount of bus stands available for use and will offer electric vehicle charging on a scale yet seen in the county. Expected completion date for the multi storey car park is Summer 2024, with full completion of the site in November 2024.
2. Arle Court Transport Hub is of strategic importance to the council. The facility plays a key role in reducing traffic congestion and improving air quality in Cheltenham. It is also a key element of the current Gloucestershire Local Transport Plan 2020-2041.
3. An upgrade to the existing Arle Court Park and Ride site was included as part of the initial package proposed for the M5 Junction 10 Improvements Scheme, which successfully gained funding from UK Government's Housing Infrastructure Fund (HIF), administered by Homes England, in 2020. To accelerate delivery of the improved Arle Court Transport Hub, the council decided to progress Arle Court Transport Hub through a separate planning route to the M5 Junction 10 Improvements Scheme.
4. Kier Construction Limited were awarded the construction contract for the scheme following a competitive procurement process. A further contractor, Knights Brown, are appointed to complete phase 2 of the project, which involves the West Car Park.
5. The redevelopment of the Park and Ride site into Arle Court Transport Hub includes:
 - An 860 space 4-storey car park, prior to the development the site had 576 spaces;

- A higher frequency park and ride bus service
 - Passenger terminal, including an indoor waiting area and a covered outdoor waiting area, real-time_passenger information screens, driver rest room facility and customer information desk, toilet and changing facilities.
 - Cafe space allocation with utility supplies only
 - Electric Vehicle Charging Points (EVCPs) in the multistorey car park. The car park has been future proofed to enable expansion of up to 266 (7kW) EVCPs.
 - Four high speed rapid charging points
 - Cycle and e-scooter hub
 - Taxi rank
 - Coach parking for up to ten coaches and
 - Camper van parking
6. The development of the site offers an opportunity for the council to improve transport links along the key Cheltenham to Gloucester corridor and to take advantage of inter-urban coach services that operate along the M5, as well as encouraging existing services, such as those to London and airports, to call in at the site. Both Cheltenham Royal Well Bus Station and Gloucester Transport Hubs are well placed for centrally based customers, however, both sites have poor accessibility by car. Arle Court Transport Hub allows the opportunity to open-up journey opportunities from west Cheltenham and provide a key link into coach operators networks.
 7. The council has ambitions to operate a high quality, high frequency bus service, linking Arle Court Transport Hub with Cheltenham town centre. There is currently a contract in place with Stagecoach to operate a 20 minute frequency service between Cheltenham and the existing Arle Court park and ride site. This contract expires in November 2024 and a replacement contract is required to be in place after this date. November 2024 is the full completion date for the scheme, and the new contract implementation should align with the opening of the completed site.
 8. To increase footfall at the new Arle Court Transport Hub it is identified that a higher intensity park and ride bus service is operated more frequently and for longer hours. This will run at an initial frequency of every 15 minutes using larger vehicles with an aspiration to increase to every 10 or 12 minutes. The increased frequency will boost usage and help support modal shift from private car to more environmentally sustainable bus services.
 9. The park and ride bus contract requires future proofing to allow for changes in demand as well as providing the opportunity for introduce zero emission vehicles to the service in the future.
 10. Vehicles used on the contract will be to a minimum of Euro 6 specification, which have lower pollutant emissions with greater fuel efficiency. The provision of the enhanced frequency detailed above will be complimented by appropriate branding to enable it to stand out from the existing bus network and enhance passenger perception and take up.

11. It is envisaged that the contract is let on a Revenue Guarantee basis. This means that the council keeps control of the bus fares, so that they can be set to provide a financial benefit against paying parking charges in central Cheltenham and further encourage modal shift.
12. Procuring the bus contract through the authority's existing Dynamic Purchasing System (to which a list of approved bus operators has already been admitted,) will ensure that existing contract standards are maintained, and that local business is encouraged and supported.
13. To protect the investments made at Arle Court Transport Hub and to ensure that high standards are maintained for users, it is planned to make an Advanced Quality Partnership Scheme (AQPS) covering the Arle Court Transport Hub, the Arle Court bus priority measures and the bus stops along the West Cheltenham Transport Scheme. The AQPS will allow the Council to specify minimum standards such as vehicle age, minimum frequency and maximum fares covering both supported and commercial bus services.
14. In addition to the bus service the council has a requirement for a concessionaire to be appointed to fit out and run the café at the site. The café's construction and size provide a base for a 'panini' type coffee shop offering. The contract term will be up to fifteen years (i.e., 10 years plus a 5-year extension option) subject to the appointed concessionaire meeting key performance indicators.
15. The café space is a bare shell with utility connections and requires equipping by an appointed concessionaire contractor, this investment is estimated to be over £100K.
16. Attracting a suitable supplier and an income stream may be challenging and extensive market testing and engagement will be crucial in securing a supplier.
17. It is acknowledged that it will take time to build up a customer base at the café. Therefore, the operation is not expected to make an operating profit for a period of time. In view of this, we are exploring the commercial structure of a concessionaire to incentivise suppliers to bid for the proposed contract. For example, a grace period during a defined startup period, or a variation in the profit share during the period of the concessionaire with an open book accounting structure. These will be finalised after-market testing and subsequently completing the ITT document suite. The procurement process will secure a vendor that offers the most economically advantageous offer to the council based on quality and price.

Options

18. A number of options have been assessed as part of this decision, and these are outlined below:

Option 1: Do not replace the existing bus service that operates to Arle Court Transport Hub

19. The council could decide to not replace the existing bus service, and work with providers to operate commercially into the site. This option would offer the least council investment, but would result in a considerable number of disbenefits. These include the fact that it is likely that no service would be provided as there is currently not enough usage to make a service commercially viable.
20. To make the new facility a success, and to attract motorists changing travel mode, it is critical that any service operating to the site is attractive to users in terms of cost, reliability, frequency and time keeping. The council is of the opinion, based on market testing, that no supplier is initially able to offer a commercial offering that would deliver a tangible modal shift, and increase usage of the site.
21. Due to the disbenefits outlined above option 1 is not the preferred option.

Option 2: Include the café as part of the bus service contract

22. One option regarding the procurement process is to include the operation of the café as part of the bus service provision. This option offers the benefit of only procuring and managing one contract and supplier; however, the bus industry is not a specialist in providing catering services and vice versa.
23. The initial costs and risks related to fitting out and operating the café would be factored into the bus contract price, giving poor value for money and the council taking on additional costs.
24. It is unlikely that the bus companies would have attractiveness of a major high street retailer. As such they would not attract passing custom and there would be no “brand pull” of users to the facility.
25. Both opportunities are distinctly different and commercial arrangements are not complimentary.
26. In view of the poor value for money and other disbenefits option 2 is not the preferred option.

Option 3: Let two separate contracts for the operation of the bus service and the cafe (recommended option)

27. Whilst adding the complication of managing two separate contracts this option ensures that the council employs the best solution for both the café and the bus service, resulting in high quality provision being provided to the public.
28. As outlined in option 2, attempting to include both elements of the services required offers a considerable number of disbenefits and additional costs.
29. By tendering for two separate contracts the council will attract specialist operators of both bus services and café facilities. The council is keen to attract a national brand to run the café and attract additional customers by the organisations “brand pull.”

30. It is recommended that the council implements option 3 as it delivers the best outcomes financially, for customers and the long-term sustainability of the transport hub.

Risks

31. A number of risks have been identified and these are outlined below:

Risk 1: No suitable bids received to operate the bus service, or the café.

32. Market testing has already taken place with major bus companies, and these have indicated a strong interest in operating the bus service to the hub. It is envisaged that competitive bids will be received from a considerable number of suppliers and not funding a suitable supplier is considered as minimal risk.

33. Not finding a suitable supplier for the café is considered as a higher risk. Discussions with potential providers are ongoing and the council is working to stimulate interest and competition in the marketplace.

Risk 2: Procurement Risk - Risk of Challenge from a Supplier

34. When procuring the solutions for Arle Court Transport Hub it is important that procurement regulations are adhered to, and the equipment is procured in line with Procurement Regulations and the council's Standing Orders. If the correct process is followed, then the risk of a successful challenge is very low.

Risk 3: Delays to the opening of the new hub impact on contracts

35. The contracts that are recommended to be let will include a clause to allow modifications to the contract term should the development not be delivered on time. Currently, no significant delays are forecast in relation to the completion of the development.

Risk 4: Lack of bus service or cafe results in site being unviable

36. If a bus service, and to a lesser extent the cafe, then the long-term viability of the site would be jeopardised.

37. Without securing the contracts outlined in this paper the council will fail to meet the commitments made with Homes England as part of their funding agreement.

38. It is estimated that the initial cost of the bus service contract described in Recommendation 1 will be £650k per annum.

39. The estimated value of the proposed 7-year bus service contract is £4.55m. If the council elects to exercise its 3-year extension option thereunder, the total estimated contract value is £6.50m.

40. Existing Integrated Transport annual budgets are available to fund the bus service. Total annual budget for the first two years includes bus frequency every 15 minutes and is summarised below.

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41. The standard 20 minutes bus frequency contract which costs £433k a year is available from existing revenue budgets for the whole 7+3 year contract. The higher (£650k) annual cost to make the 15-minute bus frequency has been secured for the first two years of the contract only.
42. Before year three of the contract, we will undertake a review of passenger demand which will help to decide the most efficient frequency rate and look at how it can be funded during years 3 to year 10. We will review the income from parking, bus service revenue and the income from the cafe to see if it has increased enough to fund the demand required. If it does not fully fund the demand required, then we will look at alternative funding options such as a continuation of the BSIP+ grant funding or a Medium-Term Financial Strategy. The bus frequency will be increased or reduced to meet the available approved budget throughout the contract life.
43. The proposed café concession contract described in Recommendation 4 above shall generate an income for the authority, but it is too early to estimate the income therefore it has not been considered for the purpose of this decision. Further market testing shall be carried out to confirm market appetite, viable contract term and income profile before conducting the proposed procurement process.

Climate Change and Ecological implications

44. Has the Climate Impact Assessment Tool (CIAT) been completed? Yes
45. Has an Ecological Impact Assessment (EclA) been produced, or will one be undertaken at a later stage? One will be undertaken at a later stage.
46. In line with the Council's Local Transport Plan and revised BSIP, the Arle Court Transport Hub provides opportunities to encourage the use of public transport via easy

and simple modal shift from less sustainable methods of transportation.

47. Cheltenham Town Centre has an Air Quality Management Area in the town centre. A reduction in car traffic by providing a high quality and frequent park and ride bus service is a key component in carbon, nitrogen dioxide and sulphur dioxide and particulate reduction, Increasing the frequency and optimising the Arle Court Transport Hub can significantly reduce the net CO2 emissions otherwise emitted by motorists driving private vehicles.
48. The EV car charging element of the new Arle Court Transport Hub encourages the transition to zero emission vehicles for all drivers, including those with accessibility requirements, by providing practical methods to charge a vehicle whilst using the park and ride service for shopping or work. This will be particularly beneficial for those who cannot practically charge an EV at home. A high quality and frequent park and ride service is essential to maximise to potential of this offer.
49. The provision of a café at the hub will include procurement criteria that requires a circular economy and waste management plan, to encourage food waste minimisation methods, the use of products with high recycled content and sustainable materials.

Equality implications

50. Has an Equalities Impact Assessment (EqIA) been completed? Yes
51. The council is acutely aware that some of the most vulnerable residents in the county rely on public transport to travel and access services. Arle Court Transport Hub will provide good connectivity for such individuals to local facilities and a national express coach network, including provision for EV drivers with accessibility requirements to charge their vehicles.
52. Public transport services are vital in providing access to health services, education, employment opportunities and social events for all those with protected characteristics. This report aims to improve the public transport network and create connectivity to a national coach network, therefore increasing this access and further reducing barriers that those with protected characteristics face.
53. Cabinet Members should read and consider the Equalities Impact Assessment to satisfy themselves as decision makers that due regard has been given.

Data Protection Impact Assessment (DPIA) implications

54. A DPIA checklist has been completed and this has indicated that a full DPIA is required and a Data Protection Impact Assessment will be completed in relation to the procurement prior to the tender documents being issued to the market.

Social value implications

55. The council is committed to a performance and evidence-based approach to Social Value. Based on the National TOMs (Themes, Outcomes and Measures), successful tenderers across the project will be required to propose credible targets against which performance will be monitored.
56. Providers will demonstrate in their bus service bids how they will deliver Social Value, which be evaluated in moderation of bids and monitored in ongoing contract review meetings.
57. With regards to the café concessionaire providers asked to demonstrate in their bids how they will deliver social value, which be evaluated in moderation of bids and monitored in ongoing contract review meetings.
58. Responsible officers will monitor social value commitments, with agreed reporting periods to track progress ensuring commitments are undertaken in their entirety and using the Council leverage when suitable to support delivery.

Consultation feedback

59. A number of suppliers have been consulted as part of pre-tender research and their feedback has been helpful in developing this paper and the procurement approach.

Officer recommendations

60. Outlined at paragraphs 27-30 of this report.

Performance management/follow-up

61. Key performance indicators will be included in both contracts to assess performance against a range of financial and quality indicators. These will be monitored monthly to ensure adequate supplier performance.