
SUPPORTED BUS SERVICE CONTRACTS 2009-2014

ADDENDUM

Purpose of the Report

1. This report updates the report to Cabinet previously circulated: on the recommendations of Economy and Environment Scrutiny Committee, and on a technical issue which affects the award of contracts.

Economy and Environment Scrutiny

2. At its meeting on 16 February 2009, Economy and Environment Scrutiny Committee received the report to Cabinet (except Appendix 7 dealing with tenders) and considered which bus services might be supported. The Committee resolved:

“RECOMMENDATION – (a) That if funding can be identified, this Economy and Environment Scrutiny Committee recommend Cabinet support the provision of additional supported bus services as listed below :-

- (i) West Park Hospital Sunday Service;
- (ii) the variation to the Blackwell service;
- (iii) Town Centre/Harrowgate Hill to Whinfield (6a/6b) Evening Service; and
- (iv) Glebe Road/Mayfair Road to the Town Centre Service.

(b) That with regard to the Brafferton Service, this Scrutiny Committee accepts that this service is currently not good value for money in its present form but recommend that officers explore the costs associated with a reduction in the frequency of the current service.

(c) That the demand for a service from Firthmoor/Lanethorpe Crescent to Yarm Road be kept under Review.

(d) That, if Cabinet decides to seek tenders for (iii) and (iv) above, then Cabinet may wish to consider supporting for a trial period to monitor usage (for example through a contract which could be terminated or extended after a year).”

3. The West Park Hospital Sunday service and the variation to the Blackwell service are already part of the recommendations in the report to Cabinet.
4. The Brafferton service is a negotiated variation to an hourly commercial service, and it may be possible to negotiate, say, a two-hourly daytime – only diversion through Brafferton at lower cost.

5. The issues involved in whether to support services set out in (iii) and (iv) of the Scrutiny Committee's recommendations are explained in the report to Cabinet.
6. In relation to a "trial" of any new supported services, the form of contract can be considered by Cabinet at a later meeting before tenders are sought.

Service to Glebe Road/Mayfair Road

7. Should Cabinet wish to seek tenders for a bus service from Glebe Road/Mayfair Road Harrowgate Hill to the town centre, Monday to Saturday daytimes, then the most effective way to achieve this would be to run the service from Glebe Road to the town centre and through to Broadway. This would necessitate a variation to contract DBC0917a for service 18 from Darlington to Sadberge (as set out in Table 2 of the Cabinet report and **Appendix 6**). In order to achieve this, it would be necessary in letting that contract to require the contractor to allow the Council to vary that route, if required, following the receipt of tenders for a new service from Glebe Road. A revised version of Appendix 6 (which is not for publication due to commercial confidentiality) has been prepared for the meeting reflecting this.
8. Since this would be a strategic procurement under the Contract Procedure Rules, a further report would need to be brought to Cabinet to agree the procurement terms and process.

Net and Gross Cost Contracts

9. Paragraph 21 of the Cabinet report explains that in most cases the award of 'net cost' contracts (where the bus operator keeps the fare box income) is financially preferable for the Council to 'gross cost' contracts (where the fare box income comes to the Council). Net cost contracts are also generally preferable for the Council in the current difficult budget position, because: the Council pays a known, fixed amount regardless of variations in patronage; it acts as an incentive for the operator to increase bus use and therefore revenue; and it is more straightforward for contract management. However, on further analysis of combinations of tenders, there are some services where awarding the contract on a gross cost basis would be financially advantageous to the Council based on current patronage figures. These are explained and incorporated in the revised versions of **Appendices 6 & 7**.

The following is amended version of Table 1 from the Cabinet report which reflects all the issues in this Addendum:

Amended Table 1 Projected Budget 2009/13: existing services with recommended variations and implications of Scrutiny recommendations

	2009/10¹ £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Council contribution	400	408	416	424	N/A
DfT Grant	109	111	115 ²	117	119
Other contributions	47	47	43	13 ²	13 ²
Budget ³	556	566	574	554	564
<i>Projected Expenditure⁴</i>	<i>349</i>	<i>358</i>	<i>372</i>	<i>388</i>	<i>403</i>
Variance	207	208	202	166	161
<i>Estimated cost of Scrutiny recommendations⁵</i>	<i>65</i>	<i>140</i>	<i>146</i>	<i>151</i>	<i>157</i>

10. To reflect the above, the recommendations in the Cabinet report can be amended as follows:

Amended Recommendations – Part 1 of the Meeting

11. It is recommended that:-

- (a) Members review the evidence about travel needs and the use of supported bus services within the Borough, in the context of the resources available in the Medium Term Financial Plan.
- (b) Cabinet agree to support the services set out in Table 2.

12. Should Members wish to consider supporting additional services, it would be recommended that: Tenders be sought for the following additional bus services:

- (a) From Glebe Road/Mayfair Road to the Town Centre to Broadway (Monday to Saturday day times).
- (b) Service 6A/6B each evening between Harrowgate Hill and Whinfield.

13. Should members wish to follow Scrutiny's recommendation (b), it would be recommended that:

¹ Current contracts have been extended until 2 May 2009; new contracts will begin on 3 May 2009.

² Estimate based on previous figures. Grant confirmed until 2010/11 Assumed grant levels for 2011/14.

³ A potential pressure of £92,000 was anticipated in the report to Cabinet on 14 January 2009.

⁴ Based on the award of contracts listed in Appendix 6 with inflation estimate of 4%.

⁵ To cover Scrutiny recommendations in para 2 above: (a)(iii), (a)(iv) and (b)

- (a) Officers be requested to explore the cost of a reduced frequency daytime-only service through Brafferton, and the Assistant Chief Executive (Regeneration) in consultation with the Cabinet Member for Transport be authorised to negotiate a reduced cost variation of the existing arrangement for the commercial service diverted through Brafferton.

Amended Recommendations – Part 3 of the Meeting

14. It is recommended that:

- (a) Cabinet approve the awarding of contracts as set out in the revised **Appendix 6** tabled at the meeting.

Reasons

15. The recommendations are supported by the following reasons :-

- (a) The need to balance the needs of the community against value for money considerations, the overall affordability of the bundle of services in the context of the MTFP and risks to future service provision.

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