

### 1. PURPOSE OF THE HEADS OF TERMS AGREEMENT

- 1.1 The draft Heads of Terms (HoT) Agreement is intended to be a forerunner of any future Statutory Quality Partnership (SQP) scheme and is intended to set out a new enhanced quality partnership agreement for the whole of the Tees Valley.
- 1.2 For Darlington, the HoT Agreement builds on the Memorandum of Understanding agreed between the Council and Arriva in late 2007.
- 1.3 The HoT Agreement shows a commitment by all Partners to providing “a better and more sustainable bus service for the people of the Tees Valley” and will be vital to support the major scheme bid in demonstrating such a commitment to the DfT.
- 1.4 The HoT Agreement also binds the bus operators into working with the Council on key issues such as fares, ticketing and information from the submission of the bid, rather than from completion of the infrastructure, as would be the case with the SQP.
- 1.5 The HoT Agreement provides flexibility for the Council to determine, along with the other Tees Valley Authorities, the most appropriate form of any future partnership agreement once the forthcoming Local Transport Bill has received Royal Assent.
- 1.6 The HoT Agreement defines the Partnership Area as covering the whole of the City Region bus network, which commits the bus operators to consider the Secondary Commercial and the Tertiary and Rural networks at this stage, rather than simply concentrating on the Core Commercial network that is the feature of the major scheme bid. This will mean that benefits from joint working on ticketing and information will be felt across the entire network.
- 1.7 The HoT Agreement includes a clear series of Partnership Objectives and Responsibilities that articulate the reasons for pursuing the infrastructure and bus stop improvements that comprise the major scheme bid.
- 1.8 Finally, the HoT Agreement includes a series of caveats that may affect the implementation of the Agreement, and are intended to address some of the implications of the Agreement, as described below.

## 2. IMPLICATIONS OF THE HoT AGREEMENT

- 2.1 The overall objective of the HoT Agreement to provide a binding framework agreement within which to improve bus services across the Tees Valley.
- 2.2 However, Members need to be aware of the implications of approving and signing this Agreement. These are:
- The Partnership Area has been defined from the Tees Valley Bus Network Review that **was endorsed by the Council in 2004**, and also includes some cross-boundary service into County Durham and North Yorkshire. **This concept has been agreed with the neighbouring authorities.**
  - The Partnership Objectives and specific outputs have been discussed between the Partners and **are in line with the objectives of the Second Local Transport Plan and the Community Strategy.**
  - The implementation of the HoT Agreement is deemed to be from signing and commits the Council to working towards a further agreement once the infrastructure measures are being implemented, depending on the final form of the Local Transport Bill. **Any future Agreement will be brought back to the Cabinet before signing.**
  - The Partner Responsibilities commit the Council to develop a series of infrastructure proposals for each corridor, in order to deliver the required journey time savings to support the anticipated service frequencies and to allow the operators to achieve the targets on reliability and punctuality. The infrastructure measures contained within the register are those currently seen as necessary to achieve the various objectives. **These measures will be subject to detailed design and evaluation and further approval by the Cabinet.**
  - Similarly, improvements to bus stop and bus interchange facilities are part of the HoT Agreement, and an outline improvement schedule has been developed. **These measures will also be subject to more detailed design and consultation.**
  - The Partner Responsibilities make reference to enforcement of the infrastructure measures, but **the design of such measures have been developed to be as self-enforcing as possible so as to reduce any future increase in enforcement costs.**

- The Partner Responsibilities required of the bus operators will bring about a significant improvement in bus services throughout the Tees Valley and **build upon the Memorandum of Understanding agreed with Arriva in 2007.**
  - In terms of monitoring, the indicators included within the HoT Agreement have been discussed with the other Tees Valley Authorities and, in the main, **form some of the indicators by which the Council reports progress in the implementation of its LTP, thus reducing any additional monitoring requirements.**
  - The need for a penalty regime to ensure that the HoT Agreement is meaningful is recommended to Members, but, whereas the penalty regime in an SQP may involve litigation and financial compensation to the Partners, this penalty regime outlines a mechanism whereby the customer is the direct beneficiary of any penalties, which is closer to the overall ethos of the Agreement. **The precise penalty regime will be defined following the publication of the Local Transport Bill and further discussion with the Partners, and then brought back to Cabinet for approval; approval is sought at this time for the principle of a penalty regime that benefits the customer rather than the Partners.**
  - Finally, the series of caveats included are intended to reflect that circumstances may change during the implementation process, and that there are still some barriers to overcome. This is particularly true of the need for planning approvals, some third party land acquisition and a successful funding approval from the DfT. **This clause is intended to ensure that the Council is not financially expose beyond its committed investment in bus priority through the LTP unless these caveats are addressed.**
- 2.3 Overall Members will note that the HoT Agreement is intended to be a significant step forward in providing a new style of partnership agreement across the Tees Valley that will underpin the ambitious plans for the improvements to the bus network.
- 2.4 Members will also note that, on signing this HoT Agreement, the Council's exposure to risk is minimised, and that important decisions on the final form of the infrastructure measures, financial commitments and penalty regime will be brought back to Cabinet at the appropriate time. To this end, Members are asked to endorse the HoT Agreement as drafted and authorise the Executive Member to sign the document on behalf of the Council.

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