

**Open Report on behalf of Richard Wills
Executive Director for Environment and Economy**

Report to:	Highways and Scrutiny Committee
Date:	12 September 2016
Subject:	Update On Local Bus Matters

Summary:

This report describes legislative proposals relating to public transport, along with an update on the following strands of activity being delivered under the Total Transport Initiative:

- Integration with NHS Services
- Real Time Passenger Information
- Market Moderation via LCC's Teckal Company

Actions Required:

Members of the Highways and Transport Scrutiny Committee are invited to consider and comment on the proposal for new bus legislation, highlight any recommendations or further actions for consideration, and continue to receive updates in relation to the Total Transport Initiative.

1. Background

TOPIC - Proposed Legislative Changes

- 1.1** Buses are England's most used form of public transport accounting for over 60% of all public transport trips, connecting people to education, employment, goods and services, friends and family.

Existing Legislation

- 1.2** The County Council has a statutory duty under the Transport Act 1985 to secure local bus services where none is provided commercially and which the council believes is necessary. In Lincolnshire these 'socially necessary' bus services are known as BusLincs services. In January 1999 criteria were adopted by Committee for determining which services should be supported within the budget available.

- 1.3 *Members may recall that at a previous meeting (21/03/16) they were advised that the current scoring scheme based on 3 metrics [Passenger No's per Journey, Cost per Passenger Journey and Journey Purpose] was fairly coarse-grained and that an enhanced scoring mechanism would be of benefit. A proposal for a revised methodology is to be presented in a separate report.*
- 1.4 The Transport Act 2000 increased the role and responsibilities of local transport authorities by providing statutory backing to Quality Bus Partnerships (QBP) and integrated ticketing schemes.
- 1.5 The Local Transport Act 2008 sought to provide local authorities with a wider range of options to help meet local people's transport needs, including Voluntary Partnership Agreements (VPA) and support with the OFT and competition law.
- 1.6 The legislation also introduced Quality Partnership Schemes (QPS) and Quality Contract Schemes (QCS). Both involve a council providing 'facilities' but under a QPS any operator who meets the standard specified in the scheme can use the facilities whereas under a QCS only the operator(s) awarded the contract may use the facilities. The QCS is a much more protracted and onerous process but as both are statutory schemes sanctions can be imposed for failing to meet the specified 'standard of service'. Standard of service can include requirements around service frequency, timings and maximum fares. These requirements had previously not been permitted under the former QBP schemes.
- 1.7 Early partnership schemes including 'InterConnect' were delivered through the QBP mechanism. More recent schemes have been successfully delivered through VPA arrangements.

Proposed Legislation

- 1.8 In May this year, the **Bus Services Bill 2016** was published. The Bill is currently going through the necessary parliamentary process with the aim of it receiving Royal Assent by early 2017.
- 1.9 The main points of the Bus Services Bill are:
- to strengthen arrangements for partnership working in the sector, introducing new 'Partnership' arrangements
 - to introduce new franchising powers with decisions at a local level
 - to provide for a step change in the information available to bus passengers
- 1.10 The Bus Services Bill makes provision for local transport authorities (LTAs) and local bus operators to enter into an Advanced Quality Partnership

Scheme (AQPS). Under the existing QPS provisions, the LTA must commit to provide new infrastructure ('particular facilities') and the bus operators commit to providing services of a particular standard.

1.11 AQPS would essentially replace the QPS but differ in that it would allow a scheme to be set up based on bus improvement measures as well as, or instead of, infrastructure facilities. 'Facilities' might include the provision of new bus stops or waiting facilities and 'measures' might for example include agreeing to changes in car parking provision and charges (at Unitary Councils).

1.12 It also adds new standards of service that may be included in an AQP scheme. These include requirements relating to:

- the marketing and promotion of bus services, ticketing and fares (including multi-operator)
- how passenger information is provided, and
- Operators' participation in ticketing and smartcard schemes.

1.13 The Bill also introduces a new form of partnership, called the Enhanced Partnership (EP), to improve joint working between LTAs and bus operators. EPs would enable partnership working to go further than under a QP/AQP scheme by:

- expanding the types of standards that partnership schemes can cover;
- specifically providing for more joined-up network planning; and
- allowing local implementation and enforcement of the scheme's requirements.

1.14 Examples of ways in which Enhanced Partnerships could help achieve better journeys include:

- setting the types of payment that must be accepted by operators, including contactless
- stipulating the information that must be provided to passengers
- setting standards for bus emissions and accessibility
- setting up multi-operator tickets to allow use on different operators' services and different modes of transport. There are some requirements that cannot be included such as the price of single-operator tickets or compelling operators to run services they do not wish to operate.

- 1.15** EP Scheme requirements cannot be imposed by the LTA but they would need the support of sufficient operators in the area. Some Community Transport Operators would be exempted from the scheme.
- 1.16** The Devolution Agreements that Government has signed with some Authorities include a commitment to introduce a simpler route to bus franchising than currently exists in the form of Quality Contract Schemes under the earlier legislation. The Bill provides the powers for Combined Authorities with directly elected Mayors to implement bus franchising should they elect to exercise them.
- 1.17** The Bill also includes the powers needed to achieve a step change in the information available to bus passengers, making it easier for them to access details of timetables, fares and routes, while streamlining the bus service registration process. The expectation is that this would encourage third parties to use the information to develop journey planning websites and applications, enabling passengers to have access to better information.

A useful table summarising the main changes proposed is included as **Appendix A**.

TOPIC - TotalConnect - Lincolnshire's Branded Total Transport Initiative

- 2.1** As previously presented, the Total Transport project is externally funded by the DfT to consider transport need and the feasibility of effective solutions on a more holistic basis in order to derive efficiencies and service improvement across the public sector. TotalConnect is exploring a number of strands of activities and the following summary outlines the development made to date across project streams.
- 2.2** Whilst the DfT pilot is a 2 year scheme (ending in March 2017), it is important to appreciate that complexity and timescales associated with project strands vary. Similarly results from some of the research strands will show there is no business case whilst others will show positive benefit. Of those that are considered feasible, some present immediate implementation opportunities whilst others will prove more difficult and the implementation phase could be longwinded and complex.

Integration with Health

- 2.3** The project team has had ongoing positive discussions with Officers from West Lincolnshire CCG for over twelve months in relation to the opportunities and benefits of working together to deliver an integrated transport service

across the county. (West Lincolnshire CCG lead on transport on behalf of the four Lincolnshire CCGs).

- 2.4** Following initial examination of a small data set which showed synergy between the schedules of NEPT and CallConnect services, a more in-depth analysis exercise with a larger dataset (Jan 2016) was planned. However, analysis of historical data proved to be complex in nature and very likely to provide unreliable results. Instead, an integration pilot was carried out in May 2016. This live pilot was carried out for the Skegness, Boston and Stamford / Peterborough areas. It involved two schedulers from the PTU working alongside NSL Controllers in North Hykeham, assessing which patient journeys could be carried out using Call Connect.
- 2.5** The pilot was planned to last two weeks; however, it was cut short due to limited available resources in the NEPTS Control/Planning team. Of the journey requests handled, the crew/vehicle combination offered by the CallConnect services was considered suitable for 104 patients and of these, a total of 53 (51%) fitted in with CallConnect schedules and were carried on the service. The exercise also showed that 16.3% of patients carried by CallConnect were already registered as passengers with the service. This is another indicator of the cross-over of passengers. Unfortunately, the pilot did not involve NEPTs vehicles carrying CallConnect passengers due to the pressures on the NSL Control/Planning team.
- 2.6** NSL, the current provider of Non-Emergency Patient Transport (NEPT) services in Lincolnshire, have given notice of their intention to exit the contract at the earliest opportunity. Contractually the contract could run until June 2019, with an earliest cessation date of June 2017. Notice of the early contract finish date has resulted in recent re-tendering activity by the CCG (West).
- 2.7** Despite the initial encouraging discussions and findings from the operational trial, the CCGs have decided against separating the new NEPTs tender into Lots. A single contract covering assessment of entitlement, scheduling of planned and 'on the day' journeys plus service delivery on the road is how the existing contract operates and this has not been without its problems. Splitting the tender into Lots (at least to differentiate the back office and field activities) would have made it much easier to integrate DRT/CallConnect and NEPTs Control and Planning functions.
- 2.8** Whilst the Invitation to Tender encourages the successful bidder to consider working with Lincolnshire County Council to deliver an integrated service, the project team consider that this approach is a missed opportunity. Instead, the CCG has opted to put the onus onto private providers to broker an arrangement with the Council (if they desire it). Should such a public/private

arrangement not be brokered for whatever reason, this means integration of services and the efficiencies to be derived from that cannot realistically occur before 2022 (or possibly 2024 as there is the possibility of a 2 year contract extension).

- 2.9** It is hoped that once the NEPTS contract has been awarded in December/January the successful bidder will sit down with LCC to discuss the possibility of integration. If the new provider does not choose to engage with LCC or the terms they offer LCC are not suitable then further development of this project is unlikely.

TOPIC - Real Time Passenger Information (RTPI)

- 3.1** There are studies that suggest the provision of an RTPI system can increase ridership by an average of 5%. More importantly though is the fact that in rural areas RTPI gives passengers real confidence to travel as it provides an assurance that the bus is 'on its way' and when it is likely to arrive. Also, the consequence of failed or missed bus services is far greater in rural areas than urban centres due to the infrequency of service.
- 3.2** Lincolnshire's bus RTPI and Traffic Light Priority (TLP) system has been in operation since 2004; providing bus passengers with real time service information. The existing RTPI system covers operations primarily in Lincoln, Boston, Gainsborough and Grantham. Buses are fitted with on-bus units, which communicate with a central server via a Private Mobile Radio (PMR) network. This system has become time expired and increasingly expensive to operate and maintain.
- 3.3** A new real time contract has just been awarded to 'Nimbus Journey Information'. Advancements in technology means that it is now possible to take feeds directly from electronic ticket machines, negating the need to fit separate equipment to each vehicle and allowing all vehicles in the fleet to be tracked at significantly less cost. Latest AVL technology and data exchange using GPRS will allow for greater information to be presented to the public. It will also enhance opportunities to use TLP more widely, including Lincoln's East-West link; the City's new Transport Hub; other major road schemes and at points around the county where buses can be assisted through congested areas. The Project Team are now exploring various media options for disseminating information (i.e. apps, signs, links to national bus enquiries etc.)
- 3.4** Nimbus are currently working with Operators and our Traffic Signals Team to identify accurate junction trigger and clear down points, and to set up/upgrade

junction hardware. The system will be put through appropriate Factory and Site Acceptance tests over the next few weeks before final installation. The quality of the data provided will also be monitored on a regular basis to ensure accuracy remains consistent.

- 3.5** The PTU has been set some challenging efficiency savings from next year. The new RTPI solution is expected to cost 80% less than the existing scheme. Savings are likely to be in the order of £100k per annum with running costs maintained around £20-25k p.a. The savings made will be profiled as a contribution towards the team's targets.

TOPIC - Market Moderation – Teckal Company Update

- 4.1** In April 2016, the Council's Executive Committee approved an exempt paper which included approval for:

- the establishment of a Teckal company wholly owned by the Council and meeting the requirements of Regulation 12 of the Public Contract Regulations 2015 for the purposes of delivering passenger transport services;
- the direct award without competition to the company of up to 27 transport contracts, subject to the company meeting all applicable licensing requirements;
- the initial focus being on the south of the County, but with the flexibility to extend into other areas should there be a need.

- 4.2** The purpose of establishing a Teckal company is primarily to enable the Council to moderate the market for passenger transport in the light of reductions in capacity in the market and increases in prices evidenced by recent tender exercises. As a result, the Passenger Transport Unit (PTU) has been managing the establishment of this company – TransportConnect Ltd.

- 4.3** It is intended that initially the company will be commissioned to deliver up to 27 contracts, which are currently not cost effective for the Council to commission elsewhere. From the potential 27 contracts, 20 contracts and associated staff are being transferred to TransportConnect Ltd from Essential Fleet Services (EFS), a transport operator, which is pulling out of the market.

Implementation Process

4.4 A Project Team was established in June 2016, to be operational until the end of September 2016, for the purpose of successfully establishing TransportConnect Ltd. The Project Team comprises:

- Richard Wills, Director of TransportConnect Ltd
- Howard Rowbotham, Managing Director of TransportConnect Ltd
- Anita Ruffle, Group Manager of PTU and the current nominated 'Owner' of TransportConnect Ltd for the Council, as well as the Council's Commissioner for the work that TransportConnect Ltd will deliver
- Verity Quinn, Project Manager for the Council

4.5 The Project involves cross-departmental working including Legal Services, Procurement Lincolnshire and Assurance Lincolnshire.

Project Plan Timetable

4.6 The aim was for TransportConnect Ltd to start delivery of transport contracts from 1 August 2016, after they had secured an Operator's Licence from the Traffic Commissioner. It was anticipated that this would take 9 weeks from date of application. There has been an added delay in the process and as a consequence an Operator Licence has not yet been granted. EFS have agreed to further extend delivery of their current contracts until the Licence is granted but with additional cost and conditions. It is hoped that a licence will be granted by the end of August. However, further delays could be presented if the Commissioner's Office insists on the 56 day notice period required to register the Company's bus routes being consecutive to the granting of an O' licence.

LCC Governance of TransportConnect Ltd

4.7 Legal Services Lincolnshire has written the Members Agreement, which includes agreements pertaining to the loan and cash flow facility agreed by the Council's Executive Committee.

4.8 A proposed governance structure for how TransportConnect Ltd aligns with the Council's existing structure is being drafted on the basis of a sub-committee or advisory board of the Executive being created to act as the 'Owner' of the company, to which the company Board of Directors would be answerable. For the interim, Anita Ruffle, Group Manager PTU, is the nominated 'Owner.' It is proposed that Richard Wills will act as Chairman of the Board of Directors. As the Council's Executive Director, Richard will be restricted through a protocol on what he will see in order to maintain appropriate probity. A formal decision will be needed surrounding the proposal.

- 4.9 The sub-committee of the Executive will need to consider the arrangements required to enable it to ensure TransportConnect Ltd is being governed and managed appropriately. This is likely to include regular auditing arrangements.
- 4.10 The Leader has the responsibility for appointing executive councillors to the Executive Sub-Committee. The sub-committee could be the governing body for further Teckal Companies, should they be formed.

Governance and Management of TransportConnect Ltd

- 4.11 The company is registered with Companies House. Assurance Lincolnshire is supporting the Project to advise on the necessary governance and management arrangements required, including the establishment and management of a Board of Directors and all relevant policies and processes. These include health and safety, financial management, cash handling, human resource management, IT management, data protection, procurement of services, auditing arrangements. The company has successfully applied for an account with the Council's bank, Barclays.
- 4.12 A detailed 5 year financial projection model has been created and populated with all available costs and projected income. An annual contract for professional financial services has been procured, to include management accountancy, annual compliance and payroll. The successful bidder, Wright Vigar chartered accountants, has reviewed the projection model and is satisfied with its robustness. The current cautious projection indicates a loss in year one, followed by a surplus in following years.
- 4.13 As a new 'start-up' business it is inevitable that it will take time for the Company to build sufficient financial reserves with which to expand. The Managing Director is drafting a 3 year business strategy and plan for the Board to discuss.
- 4.14 The Council will recover the key set-up costs from TransportConnect Ltd, including the purchase cost of vehicles and the costs of HR consultancy for the TUPE transfer of staff from EFS.

Staff Management

- 4.15 A HR consultant was procured to support the establishment of the company, including the staff TUPE process and establishing the appropriate HR policies and procedures. The Managing Director and Office Manager roles were recruited in May and the two post-holders are experienced and worked for EFS until the end of June. 47 members of staff are being transferred from EFS – 37 drivers, 8 passenger assistants, 2 vehicle technicians.

Operational Sites

- 4.16** There are leases in place regarding 4 sites: Pode Hole and Barrowby (Council-owned); Swineshead and Bourne (sub-let by EFS).

Fleet Management

- 4.17** 16 second-hand vehicles have been purchased by the Council, to then be purchased by TransportConnect Ltd. 11 of the initial transport contracts include vehicle provision, so this collective number of vehicles will enable the company to deliver the contracts and have some flexibility to take on additional work.

Commission Arrangement

- 4.18** The process the Council follows to commission more services through TransportConnect Ltd is currently being drafted.
- 4.19** Under another Total Transport strand of work looking at **Alternative Procurement Methods**, a new approach for SEND transport services (based on a one operator one site model) has produced efficiencies on some of the 11 lots tendered within a recent Tranche. Seven contracts were awarded under the new arrangement across four Operators, including a new entrant to the Lincolnshire market.
- 4.20** A price has now been sought from the Teckal Company for one of the non-awarded Lots in the south of the County. The Teckal price quoted is lower than the lowest tender bid received, and it is to be recommended that the contract be awarded to TransportConnect Ltd under the same Terms and Conditions as the other awards.
- 4.21** It is important that the arrangement for commissioning new work from the Teckal is established quickly, as the lead in time for these volume specialist contracts is considerable and the other contractors already have this in motion. Any delay will, in this instance, impact on the ability of TransportConnect Ltd to mobilise effectively and affect the desired contract start date of January 2017.

2. Conclusion

Members of the Highways and Transport Scrutiny Committee are invited to consider and comment on the proposal for new bus legislation, highlight any recommendations or further actions for consideration, and continue to receive updates in relation to the Total Transport Initiative.

3. Consultation

a) Policy Proofing Actions Required

n/a

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Bus Services Bill Summary

5. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Bus Services Bill 2016	www.gov.uk/government/publications/bus-services-bill-overview

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