

Agenda Item	17
Report No	ECI/26/2021

HIGHLAND COUNCIL

Committee: Economy and Infrastructure

Date: 5 May 2021

Report Title: Public and School Transport Contracts

Report By: Executive Chief Officer Infrastructure and Environment

1. Purpose/Executive Summary

- 1.1 This report summarises the work required to retender the Council's public and school transport contracts effectively, the changes in legislation affecting transport, and the impact of Covid-19 on this activity. An extension of current contracts for a year, where achievable, is recommended.

2. Recommendations

2.1 Members are asked to:

- i. Agree to the extension of existing public and school transport contracts until 31 December 2022, where agreement of contractors can be secured; and
- ii. Agree that officers determine which (if any) contracts should not be offered for extension, taking account of short-and longer-term cost expectations on individual routes, and discussions with operators.

3. Implications

- 3.1 **Resource** - The recommendation to extend contracts by a year gives budget stability for those routes where extensions are agreed and increases the possibility of achieving efficiencies in the next round of contracts.
- 3.2 **Legal** - The proposals continue to fulfil the Council's statutory duty regarding school transport and can be implemented within the current Conditions of Contract.
- 3.3 **Community (Equality, Poverty and Rural)** - The Council's public transport contracts provide transport to some rural communities which would otherwise be isolated, and offset mobility deprivation and transport poverty.

- 3.4 **Climate Change / Carbon Clever** - There are no direct implications from this report. Maintenance of public transport routes helps to reduce car use.
- 3.5 **Risk** - The recommendations aim to minimise the risks of further budget pressures from retendering. There is a risk that not all contractors will accept the offer of contract extension, and there is a risk that new contract prices, where required, will be higher than existing ones.
- 3.6 **Gaelic** - There are no Gaelic implications.

4. Background

- 4.1 Most of the Council's current public and school transport contracts commenced either on 1 January 2017 or 24 April 2017 and were awarded until 31 December 2021. Where needs have arisen during the contract period (unless short-term), the same end date has been used. The contracts include an option to extend for up to a further 12 months.
- 4.2 There are currently 423 school transport contracts, plus 85 public bus or dial-a-bus contracts; many of the public bus contracts include transport of entitled pupils and are designed around school needs. (There are also 106 parental expenses routes which do not require tendering).
- 4.3 The Transport (Scotland) Act 2019 has introduced new powers for Councils to provide in-house services (although secondary legislation is yet to be made) and to create Bus Service Improvement Partnerships (BSIPs). Both of these will have a bearing on the content of future contracts.

5. Preparation for retendering

- 5.1 Prior to the Covid-19 pandemic the intention had been to carry out design work during 2020, in readiness for tendering in 2021. Design work includes review and optimisation of routes, consultation with communities and consideration of in-house and Community Transport options. A thorough review is needed in order to maximise effectiveness and value for money, with examination of each route. Other rural authorities have noted significant cost increases in recent retendering, as well as difficulty in attracting any bids in some locations.
- 5.2 Due to the pandemic, it was impossible to carry out community consultation in 2020 as would have been wished. Other priorities, including altered school transport arrangements, occupied the time of the Transport team and virtually excluded advance design work. Therefore, any retendering this year could only be on a like-for-like basis or with minor variations.
- 5.3 The Council has begun to involve Community Transport groups in provision of home to school transport and to expand Community Transport provision where it has been found to be a more effective solution than an existing bus contract. This is not appropriate to all situations but can be beneficial on small vehicle routes where there is community capacity and a limited private sector market.

5.4 The TAS Partnership, a specialist passenger transport consultancy, has been appointed to review our school transport policies, practices and operations. This work, funded from the Change Fund, is expected to be complete around the end of June. This work will help to shape the specification of future contracts and the assessment of alternative means of provision. It is intended that a report on the findings of this work will be made to the Committee in September.

6. The procurement process

6.1 For a large-scale contract renewal, the procurement process, including advertising of tenders, evaluation, selecting the best options from combined tenders offered, and award, generally takes from March to September, for commencement of operations in January. At least three months between award and commencement is necessary to enable contractors to acquire vehicles, employ staff and for public routes, register them with the Traffic Commissioner as required by law. Although the new Dynamic Procurement System (DPS) will streamline some aspects of the procurement process, a significant timescale is still required. Tendering work for a January 2022 start would therefore have to commence very soon.

7. Economic impact of Covid-19 pandemic

7.1 Market conditions have been adversely affected by the pandemic. Some contracts have been terminated, and emergency contracts required. Limited retendering has shown an increase in like-for-like prices. With continuing uncertainty around the recovery of the transport market in general, there is a high risk that tendering this year would result in further price increases as operators set their prices to safeguard themselves against the costs and losses they have already incurred due to Covid-19 and the unknown level of economic recovery. Other rural authorities have noted significant cost increases in recent retendering, as well as difficulty in attracting any bids in some locations. While it cannot be guaranteed that economic recovery would result in more competitive prices if retendering is deferred until next year, this is considered likely.

8. Proposal to extend contracts

8.1 Taking up the option to extend existing contracts will enable consultation and design work, allow consideration of the role of in-house operation under the new legislation, and give budget security for a further 12 months. It will also enable the contract specifications to take account of the recommendations of the TAS Partnership work and to be consistent with the Bus Service Improvement Partnership.

8.2 There is a risk that not all contractors will agree to the extension, and the Council cannot compel acceptance of it. It is also intended that where prices for certain routes are unusually high, and there is a reasonable chance of obtaining a better price when retendering, these would be excluded from the offer of extension. Instead, new tenders would be invited for commencement in January 2022 for these routes. These may be on a short- or long-term basis, depending on the likely overall impacts on the network and the budget.

8.3 Discussions with operators are ongoing. Many of our smaller contractors have agreed in principle to contract extensions. Some contractors have asked questions which need to be addressed before they can give a view on their willingness to extend.

Designation: Executive Chief Officer Infrastructure and Environment

Date: 5 April 2021

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