

Southend-on-Sea Borough Council
Report of the Deputy Chief Executive (People)
to
Cabinet
on
9th January 2018

**Agenda
Item No.**

Report prepared by: Gillian Shine, Senior Procurement
Advisor and Mark Atkins, Lead Procurement Advisor

Passenger Transport - Operating Model and Procurement Process
Policy & Resources Scrutiny Committee
Executive Councillor: Councillor Moring
A Part 1 Public Agenda item

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval to progress the passenger transport review to procurement stage to identify a preferred partner through a competitive dialogue process.
- 1.2 The report details a series of processes that need to be undertaken in order to meet the proposed procurement timetable. To enable a number of approvals delegated authority is required and the report seeks Members' agreement to this.

2. Recommendations

- 2.1 That the following key elements are agreed for inclusion in the procurement documentation to set out the Council's ambitions, parameters and expectations for its Passenger Transport Service and to enable the procurement process (refer to Appendices A and C).
- 2.2 That Competitive Dialogue is agreed as the procurement approach to securing a preferred partner.
- 2.3 That commencement of the competitive dialogue process, based on the timetable set out in 4.4 is approved.
- 2.4 That the term "Partnership Approach" via a Corporate Structure be used in defining the approach to be developed by tenderers in response to the Council's objectives and that this be used throughout the procurement documentation.
- 2.5 That the proposed Passenger Transport objectives/requirements are agreed as an appropriate and comprehensive set of underpinning statements to be included in procurement documentation and to form the basis for evaluation questions.

2.6 That the Director of Strategy Commissioning and Procurement (in consultation with the Directors of Transformation, Learning, Adults Services, Finance and Resources) shall be authorised, to take decisions during the procurement process to ensure agile and timely decision making keeping the procurement to timetable and protecting the Council's position.

3. Background

3.1 The Council currently provides transport to adults and children across various service areas. The cost for this provision is estimated to be circa £2.1m per annum which is split between nine external contractors and the services/resources provided in-house. Contracts across the service areas will now expire in July 2019. New procurement arrangements are therefore required in the near future to continue the provision of passenger transport.

3.2 In November 2017, a report on Passenger Transport – 'Operating Model and Procurement Process' was presented to Cabinet which had outlined the various options that were explored as part of the Transport Review and that the Joint Venture approach was identified as the recommended operating model for the provision of passenger transport (see Appendix B).

4. Procurement

4.1 Cabinet agreed *that further work be undertaken on the Joint Venture operation as well as identifying the procurement route for the preferred partner*. Extensive work has been undertaken by the Council and its transport advisors to fully scope the necessary information to pursue competitive dialogue as the procurement route.

4.2 Competitive dialogue seeks to drive innovation from the market through an iterative process. It will put the provision of Passenger Transport to the market for response which, through dialogue, should result in significant added value while addressing the Council's requirements and objectives.

4.3 Below is an indicative timescale to undertake the procurement and implement the services:

Date	Activity
9 January 2018	Cabinet approval to proceed with the procurement
22 February 2018	Full Council
March 2018	Publication of Procurement
March – May 2018	Selection Stage
May-October 2018	Dialogue, Detailed Solution and Final Tender stages
November 2018	Award Contract
November 2018 - July 2019	1) Set up JV 2) Contract mobilisation for JV partner
July - August 2019	Implementation period for home to school transport
1 August 2019	All passenger transport services go live

4.4 Procurement will be undertaken in accordance with the requirements for the **Selection Stage** (formerly known as Pre-Qualification Stage), which will assess applicants' past experience of delivering similar services and their capacity/capability to deliver a fully integrated passenger transport service.

4.5 It should be noted that the procurement route will be seeking a preferred partner to provide a transport solution with its main purpose to deliver a passenger transport service. However, by procuring a transport solution means the JV model could consider additional services as listed under section 6 of Appendix A (if a commercial partner could provide this).

5. Governance and Shareholding Structure of JVC

5.1 The potential governance and shareholding structure of the JVC is detailed in Appendix C.

6. Other Considerations

6.1 Should the requirements, and processes outlined in this report not be approved this could further delay work that needs to be undertaken in order to be proceed with the recommended procurement approach. This would also impact on the procurement timescale and progress on shaping a robust tender specification as well as ensuring the implementation of the home to school service being ready for the start of the school summer holiday period and going live for the start of the academic school year in 2019.

7. Reasons for Recommendation

7.1 It is critical that the Council has an agreed, robust and transparent position on each of the matters presented in this report in order to shape the procurement documents and to ensure that the Council's ambitions for its Passenger Transport Service is delivered through the partnership.

7.2 On 7th November 2017, Cabinet endorsed the recommendation that a JV approach is the best delivery model to achieve sustainable transport provision for the Council. This model offers transparency of costs, visibility of profits and the ability for the Council to have some control in the delivery of the service. This approach, assuming a partner with appropriate experience, existing infrastructure and resources can be found, reduces risk to the Council.

7.3 This report is now asking for approval to commence the competitive dialogue process and agree the indicative timetable.

8. Corporate Implications

8.1 Contribution to Council's Vision & Corporate Priorities

This project will contribute towards the following Council Priorities:

Safe	To: <ul style="list-style-type: none"> • Look after and safeguard our children and vulnerable adults.
Clean	To: <ul style="list-style-type: none"> • Continue to promote the use of green technology and initiatives to benefit the local economy and environment. • Encourage and enforce high standards of environmental stewardship.
Healthy	To: <ul style="list-style-type: none"> • Improve the life chances of our residents, especially our vulnerable children and adults, by working to reduce inequalities and social deprivation across our communities.
Prosperous	To: <ul style="list-style-type: none"> • Ensure the town is ‘open for businesses’ and that new, developing and existing enterprise is nurtured and supported. •
Excellent	To: <ul style="list-style-type: none"> • Work with and listen to our communities and partners to achieve better outcomes for all. • Enable communities to be self-sufficient and foster pride in the town. • Promote and lead an entrepreneurial, creative and innovative approach to the development of our town.

8.2 Financial Implications

8.2.1 The expectation is that efficiencies will be delivered through the proposed new operating model and thus there will be a contribution to the Council’s savings targets in future years. It is anticipated that the integration of services will demonstrate savings across the duration of the contract and business growth will in turn demonstrate some income generation opportunities.

8.2.2 Further savings could be achieved through the implementation and adoption of the revised/new travel assistance policies which will need to be enforced prior to the implementation of the JVC so the Council benefits in advance and these savings are then not shared with the JVC. The Council will also need to ensure that there is a mechanism in place whereby the Council policies shape the service being delivered by the JVC.

8.3 Legal Implications

8.3.1 Any new operator will need to supervise and monitor drivers in connection with DVSA and DVLA licensing and permit requirements and holding of insurance.

8.4 People Implications

- 8.4.1 A full consultation will be required with staff that will be transferred to the JV partnership as well as those where TUPE applies to the external contracts. This consultation will need to include Trade Unions in keeping with prevailing Council policy.
- 8.4.2 The Council's prescribed TUPE process and timescale for TUPE transfer will then also need to be followed.
- 8.4.3 The JV partner would be expected to provide their own expertise on TUPE to actively support the Council's HR Team with all aspects of TUPE.
- 8.4.4 The Council needs to consider the contract management arrangements with the JV partner. This would form part of the dialogue process.
- 8.4.5 Policies would need to be developed to confirm the duties of a Company Director for the JVC. The primary obligation and legal duty of care of directors of the JVC constituted as the JVC is to itself and not to the person of whom they are representative or by whom they are nominated. They have an obligation to exercise independent judgement and act in good faith as to promote the success of the JVC.
- 8.4.6 Further to 8.4.5, it should be noted that the nominated Directors will need to receive the appropriate training before they agree to sign acceptance of their directorship.

8.5 Property Implications

- 8.5.1 Whilst some space in the Tickfield yard could be released, the JV will still need to source premises to store the fleet and sites presented by the Council's asset team may need to be explored as part of the implementation.

8.6 Consultation

- 8.6.1 Consultation will need to be held with staff that are currently involved in the in-house services and there will be a need to consult with operators delivering the external contracts. Further consultation with service users as and when necessary.

8.7 Equalities and Diversity Implications

- 8.7.1 As the JV proposals involve a re-modelling of service delivery there will be a requirement for the procurement and service area leads to conduct an Equality Analysis.
- 8.7.2 Equality analyses have been initiated on the basis of the proposed policies.

8.8 Risk Assessment

8.8.1 Inevitably there will be a degree of risk in setting up a Joint Venture partnership with a third party. However, given the nature of the proposed JV this risk is not considered high. It is unlikely that the creation of the JV would cause any financial risk to the authority other than the loss of one-off set up costs should the company fail at an early stage.

8.8.2 There is the potential for risk to reputation through negative media campaigns and dissent from incumbent suppliers or users, e.g. parents who prefer to retain existing transport arrangements.

8.8.3 A Risk Register will be established by the new Board of Directors and all risks will be actively reviewed on a regular basis. Mitigation strategies will be agreed with the Council.

8.9 Value for Money

8.9.1 This proposal aims to enhance value for money through streamlining service delivery and reducing the number of current external contracts and in-house services.

8.9.2 The JV model also offers an improvement in quality and ultimately the potential for income generation and profits to be split between shareholders.

8.10 Community Safety Implications

8.10.1 The proposed JV partnership will aim to provide a more comprehensive service that ensures access to suitable transport as required by clients.

8.11 Environmental Impact

8.11.1 Improved route planning and the reduction in need for transport across the borough would lead to a reduction in traffic and travel which will lower the environmental impacts generated by the current arrangements.

9. Background Papers

9.1 None

10. Appendices

10.1 Appendix A - Service Requirements

10.2 Appendix B – November 2017 Cabinet Report

10.3 Appendix C – The Joint Venture Partnership