

Commissioning Plan Report

Title: PSV Framework	Value: £10.7M 16/17 value
Commissioner name: Phil Lightowler	Date: 24th May 2016

Purpose of this report: to demonstrate how we will put in place services to achieve the agreed strategy and meet the identified needs. It helps us to answer the following key questions:

- What options are available to us for how we could improve these outcomes?
- What is our preferred option?
- How will we implement the preferred option?

Previous pathway of this document:

Group / meeting	Date considered	Recommendation from this group

1. Strategy for Commissioning Plan

The purpose of this Commissioning Plan is to outline the proposed mechanism for planning and procuring bus services, for two distinct services presently delivered by Kent County Council.

Bus services are procured for the delivery of socially necessary bus services (including Kent Karrier), this is where the authority will fund the provision of a local bus service which is not commercially viable, which would not be provided by a commercial operator but which services a social need i.e.: rural connectivity. A criterion for local bus services which KCC will fund/procure was agreed in February 2012 and is shown in Appendix A.

Secondly bus services are procured to provide dedicated school transport for those pupils who are determined by Education to be eligible for free home to school transport and where the volume of pupils is sufficient to justify a dedicated bus service. These bus services can only be used by those students allocated to the service and not by members of the public. Hence they are known as closed door contracts and within Public Transport are referred to as Hired PSV (Public Service Vehicle). The eligibility requirements to receive free transport from home to school are set out in Education's Home to School Transport Guidance and this is shown in Appendix B.

These bus service activities form part of Public Transport, a department of HT&W which is tasked with;

- Planning and procuring supported bus services
- Planning and procuring of Hired PSV
- Management and delivery of KCC concessionary travel schemes
- Management and publication of travel information
- Planning and procuring of SEN transport
- Public transport policy

Under this remit, Public Transport delivers services on behalf of HT&W, Adult Social Care and Education

The strategic outcome that Public Transport focuses on is;

- *That Kent communities feel the benefits of economic growth by being in-work, healthy and enjoying a good quality of life. This is delivered by providing appropriate transport to meet the needs of a diverse range of clients, enabling them to access education, healthcare and employment. In the case of supported services this element is enshrined into the criteria governing such services, as will be described below.*

In addition focusing on the supporting strategic outcome;

- *That Kent business growth is supported by having access to a well skilled local workforce with improved transport, broadband and necessary infrastructure. Kent's Fastrack service, managed and developed by Public Transport, is an obvious example of this role. In the case of Fastrack, its future development will support the planned growth of the Ebbsfleet Garden City, enabling fast access to key nodes, through dedicated way.*

The challenge faced by Public Transport in delivering its strategic outcomes are;

- Ensuring network connectivity – a range of services allowing all parts of the county to be connected.
- Protecting rural services.
- Meeting changing needs, ensuring that services today are what people want and need.
- Obtaining maximum utilisation from resources used.
- Ensuring that maximum value for money is obtained from suppliers.
- That the supplier market for services is strong, competitive and sustainable
- Pressure from Kent residents for continued service provision
- Ensuring service quality

The services delivered by the Public Transport team, were reviewed by the Facing Challenge Team in 2014, when the team was known as Transport Integration. This review not only included the services delivered by the team and the how, but also whether the use of an in-house team for delivering these services was the most appropriate model. The review

involved not only members of the then members of Transport Integration but also the wider HT&W, Education and Social Care.

Oversight and governance of the review was through the Head of the Facing the Challenge Team and also the Transformation Advisory Group.

The review presented its findings on the service model, individual service delivery and areas for transformation to TAG.X. The review was accepted at this meeting and actioned.

In respect to the model of service delivery, the options considered were;

- Retain services in-house – no change
- Retain services in –house – team restructure
- Create an in-house Transport Hub
- Commissioned through partial externalisation
- Commissioned through Complete externalisation
- Externalisation through a JV/Partnership

With the recommendation that the model of delivery remains in-house, on the basis that KCC are best placed to deliver the outcomes required, meet the needs of residents and ensure a consistent level of service.

As the review came to an end a re-structure of Transport Integration was moving forward, which addressed some of the findings of the review and also fed into the FtC review. The purpose of the re-structure was to improve focus on key services, ensuring the right people resource was in place and improve operational oversight of service delivered. The re-structure was completed in Jan 15, when Transport Integration became Public Transport.

However that is not to say that the commissioning of individual service elements cannot be improved and this commissioning plan is specific to one of those individual services.

This Commissioning Plan reviews how we commission bus services today, reviews other commissioning models and outlines our preferred approach. Its purpose is to seek the support of the Strategic Commissioning Board for the preferred option and to pave the way for the next step, which will be a Procurement Plan to the Board.

2. Summary of findings from ‘Analyse’ stage

Bus services are procured directly by Public Transport.

There are two bus service frameworks, to which tenders are directed, depending on the service provision. This despite the fact suppliers are licensed identically i.e. as PSV operators. There is no legal, regulatory or contractual reason why any PSV operator appropriate to undertake Home to School Transport work cannot also provide Local Bus Services for KCC and vice versa. Despite that, the activities have historically been treated

separately whereby Public Transport currently manage separate groups of suppliers (on which some are common to both), have separate terms and conditions of contracts and differing tendering processes and platforms – the intention is to standardise this through this process.

The planning and procurement for both services is undertaken by the same team within Public Transport.

KCC Socially Necessary Bus Services

The current network of services has developed historically, as arrangements have been put in place to replace withdrawn commercial bus services or specific journeys. This pattern continues today, where any new socially necessary service would be to replace a withdrawn commercial service/journeys.

Planning of such services is undertaken by a team of 3 planners, who look after West, Central and East Kent, both for socially necessary bus services and home to school transport.

Tenders are issued in the form of a service specification detailing the requirements of the particular service (routes, timetables, vehicle types, fares etc). Quality elements of the service / contract are also detailed as part of the specification enabling tenders to be assessed and awarded on the basis of the most economically advantageous submission. This is understood by the supplier base and ensures that the Council has been able to strike a balance of generating greater quality where it is required whilst always ensuring that it generates value for money which, in the current financial climate, is typically the cheapest safe and legal means of securing the provision required.

Typically tenders are issued and contracts are established on the basis of a 'Fixed Price' arrangement whereby operators retain the revenue applicable to the service in the form of fares taken on the bus and through reimbursement in respect of passes accepted against statutory fares schemes. This is considered to be the best structure for these contracts as using it incentivises the operator to provide a quality service and have controls for revenue retention whilst providing the Council with certainty around expenditure where the financial risk is (in the form of passenger revenue) is accepted by the supplier. In some instances, such as where the passenger revenue cannot be accurately estimated, contracts will be established on the basis of a revenue guarantee with fares taken being returned to the Council.

The 1985 Transport Act (the legal framework under which local bus services operate) caps the maximum length for a local bus contract at 8 years before they have to be retendered. KCC typically tenders and awards arrangements for a 4 year term as feedback from the market suggests that this provides a suitable period of certainty so as to invest in the service and cost keenly whilst not exposing them to too great a financial risk in the event that costs (wages, fuel, insurance etc) rise and outgrow the subsidy cost submitted at tender.

Establishing contracts for 4 year terms also marries well with Kent's 12 District structure.

Contracts are administratively identified against a particular district which in turn is managed by a given area based contract manager. Contracts within each district are established with common end dates enabling them to be reviewed as one offering an opportunity for KCC to combine routes and contracts with a view to efficiency. Equally by issuing tenders within a given area at the same time, operators are able to submit package and alternative proposals which cover a number of separate tenders at a reduced rate. The current tender process facilitates this and contracts are routinely awarded on this basis where the package submission represents best value to the Council. The 4 year cycle also means that typically each year, tenders will be reissued for around 1/4 of KCC's local bus services ensuring that workloads are manageable and the risk of changes to cost through retender is limited to a smaller proportion of the overall contract cohort in any given year.

In some instances, KCC will tender on the basis of the operator being allocated with a KCC owned vehicle as part of the contract for performance of the work. Where the right circumstances prevail, this approach is shown to generate a marginal saving to the Council overall, when depreciation and vehicle management costs are accounted for. The further attraction of this model is that it enables for the on-going subsidy cost of the contract to be off-set by one off (capital type) funding which can assist with budget management. In the majority of instances, this approach is not sensible i.e. where contracts are for more limited operations and there is also a restriction on the capital available for this sort of investment. There is also an inherent 'risk' with allocating a valuable asset to a third party supplier and whilst managed through a separate vehicle supply contract, the more typical approach is to tender on the basis of the operator providing a vehicle to the size and standard identified within service specifications.

PSV Home to School Transport Services

The assessment of eligibility for free school transport is completed by the Admissions and Transport team in the Education and Young Person's Directorate. On being deemed entitled (to transport), the details for a child are passed to the Public Transport team who then make the appropriate arrangements for transport using a standard procedure that seeks to identify the cheapest means of providing appropriate transport. The transport team will initially seek to identify existing hired transport arrangements (coaches and minibuses) operating in the proximity of the home address and the school as where space allows, children can normally be allocated to this transport at no or little cost because the vehicle has already been paid for.

Where there is no existing transport, the transport team will then seek to identify an appropriate bus or rail service for which an individual season ticket can be purchased which in this context will represent a cheaper solution than transport hired for the purpose of an individual. Only once, these options have been exhausted will the transport team consider the need to hire transport specifically for the purposes of moving children. Where it does so, various procurement techniques are applied depending upon the nature of transport sought.

When planning dedicated transport for entitled school children the transport team will seek to group children in a way that maximises use of one or a limited number of vehicles based

upon the home address and the location of the school or schools. In many instances this will mean that the transport required is of 8 or more passenger seats and where by definition the provider would need to hold a PSV license (as with the provision of public bus services).

The current procurement practice for Home to School PSV transport involves the issue of tenders via email to a managed list of suppliers who have presented themselves to the Council and who have passed a series of pass / fail entry questions verifying their ability to legally provide this sort of services. An OJEU notice advises potential new entrants of the ongoing cycle of opportunity. There are currently 125 approved suppliers of this transport to the Council of which 77 hold live contracts of which there are a total of around 330. A summary of these contracts is attached as an appendix.

Tenders are returned in hard copy to the Corporate Procurement team at Sessions House who log and complete basic compliance checks before passing valid submissions to Public Transport for detailed assessment and contract award.

Tenders are issued under the Kent School Transport Contract which provides the terms and conditions applicable to all of the discrete transport services / contracts. Specifications identify the particular requirements of the individual transport need; namely the numbers and locations for student pick-ups, the destination detail (the School) and the (school) times applicable.

Prices for this work can be submitted by operators in the form of a fixed cost for service provision operating as a closed (to the general public) door coach or minibus service or for the provision of season tickets on a registered (with the traffic commissioner) public bus service. This approach incentivises submissions from both traditional coach and bus operators to the benefit of competition. Also by facilitating submissions for services to be run as public bus services, operators are also able to account for the possibility of carrying other school children who are not entitled to free transport to school (and therefore not covered by the tender) and for whom the operator would then attract a fare or separate reimbursement thus giving them an additional revenue stream which off-sets the cost of transporting the KCC scholars for the Education budget.

Historically, contracts for Home to School transport have been awarded on the basis of a 4 – 5 year term which provides operators with the security to validate investment in the service and incentive to cost keenly whilst presenting a reasonable risk where many overheads such as fuel. Insurance and driver costs are fluid and can be prone to increase. However, in 2012 EYP introduced a new policy governing the eligibility of students and this has actively reduced the overall number of children entitled to free transport to school year on year. With this in mind, contracts identified as having a reducing number of clients have been awarded for shorter terms allowing for their more frequent retender to materialise the saving to KCC at an earlier stage.

Contracts serving the same establishments or establishments in a similar geographic area are typically established with common end dates. This allows KCC Public Transport officers to replan services taking account of all students with similar travel patterns which in turn

allows for services to be planned and tendered more efficiently, reducing the number of vehicles required and therefore the cost.

Spend Analysis - KCC Socially Necessary Bus Services

In the 2015 / 16 financial year, KCC made payments to operators of £7.26m relating to the provision of public bus services. This was formed of £6.5m of contractual payments (KCC subsidy) and £761k of payments made in respect of Bus Service Operator's Grant (BSOG).

BSOG is a separate stream of funding, which was historically a rebate on fuel duty paid to operator's directly by the Department for Transport but which transferred to Local Transport Authorities from January 2015. KCC receive £1.087m from DfT for this devolved funding and these payments are not therefore made using KCC funding.

In addition to the income received in respect of BSOG, the Supported bus budget also attracts income from other sources. Notably, there is internal income from EYP in respect of entitled school children travelling on these contracts – in 2015 / 16, this totalled £470k. Other sources of income to this budget included; developer contributions to bus services made through the planning process which has a value of approximately £300k and payments made by other local authorities for shared contracts which also total approximately £300k. This reduces the net budget requirement to around £6.2m.

Excluding contracts held by other local authorities, KCC has a total of 136 existing local bus contracts plus 11 contracts relating to Kent Karrier services. These vary in individual value from less than £2k per annum to £280k per annum depending on the level of service demanded under the contract. Contracts are held with 20 existing suppliers ranging from single contract suppliers with a limited total value up to Arriva and Stagecoach who hold contracts with a collective value of £1.2m and £1.9m respectively.

Spend Analysis - Home to School Transport Services (Hired PSV)

In the 2015 / 16 financial year, KCC will make payments to PSV operators totalling £5.1m relating to the provision of transport for children entitled to free home to school transport. This spend provides transport of 6,500 entitled school children and is paid by EYP's Mainstream Transport budget.

The majority of these arrangements have been arrived at following a procurement process which will identify the specific type of transport being provided which will be that which is best value to the Council. The type of transport provided under these contracts falls into two discrete categories; 1) 'Hired' vehicles i.e. Coaches and Minibuses operating as private, closed door contracts and 2) Season Ticket Agreements whereby KCC purchases season tickets for entitled children on a route which is a registered public bus services and therefore carries a mix of entitled and non entitled children.

As at the end of the 2015 / 16 financial year approximately 330 contracts were held with PSV operators for these services of which around 190 related to hired contracts and 140 related to Public Bus Services. Whilst the service requirements are more consistent for this

type of work than with public bus services (requiring one journey to school and one return from school), variables such as the number of children, times, vehicle type, journey length and the opportunity to attract revenue from other school children all have an impact on the cost to the Council. As such, the value of contracts varies. Season ticket purchases can have an annual value of between £500 to £1k per annum, whereas hired school contracts can have an annual value of up to £50k per annum.

The bulk season ticket arrangements held with Arriva and Stagecoach are worthy of particular mention. These operators are the commercial network operators in the West and East of the County respectively providing the vast majority of the public bus network on a commercial basis inclusive of journeys that cater for home to school transport flows and therefore socially necessary bus services as a by-product.

The Transport Act places a responsibility on local transport authorities not to directly compete with commercially provided bus services through the introduction of parallel services. Whilst this does not manifest itself into any direct requirement to use the commercial network for the conveyance of entitled scholars, KCC has traditionally made use of these commercially provided services for the conveyance of entitled children. Making use of existing transport offers the best financial outcome for the Council and at the same time assists to support the bus service throughout the day which brings a wider social benefit and at the same time removes a possible requirement that would otherwise exist for KCC to subsidise the day time bus.

These arrangements are established under a 'bulk season ticket agreement' with the respective operators. In essence, a per season ticket price is agreed with Arriva and Stagecoach which offers the Council a discount on the "usual" ticket cost taking which gives KCC an economy of scale when taking account of the volume of tickets purchased. In 2015 / 16, the bulk season ticket agreement with Stagecoach had a value of £990k for the conveyance of 1,500 children. The equivalent arrangement with Arriva had a value of £690k which related to 1,100 children.

A summary of contracts and ticketing agreements is attached as an appendix A.

Market Analysis

Entry to the PSV market is regulated by the Department for Transport through the Traffic Commissioner (TC) for the South East and Metropolitan traffic area who is the regulator of operator and of public bus services. With respect to the operator, the TC determines if a potential operator is an appropriate body to provide PSV services and establishes that they have the necessary financial support and arrangements for managing this type of business such as those required from a vehicle maintenance perspective.

If the TC is satisfied that all such requirements have been met then he will issue the operator with a PSV license. In addition, the TC also controls the scale of the operator's business through the licensing regime which requires each vehicle when in use to display the appropriate 'O' License. In affect this means that the TC can govern how many vehicles the operator is able to deploy commercially at any one time. Some operators with a more

limited financial and other support will be restricted to one or a few licenses whereas operators such as Arriva and Stagecoach will have hundreds of licenses across a number of operating centres.

Given this regulatory Framework, KCC has never sought to introduce a higher (than the legally required) standard for a PSV supplier. Whilst of course retaining the right not to use a particular operator in the event that there were concerns about their suitability, in essence the view that has been adopted is that if the body with the statutory responsibility for regulation has deemed an operator fit to operate and operate to a specified scale, then why or how could KCC hold a different view.

To be in a position to provide services on behalf of the Council, operators apply to be a supplier to the Council. In addition to the business and banking particulars required by KCC corporately, potential suppliers must demonstrate their being able to legally provide services through provision of their license and evidence of their holding the required levels of fleet and public liability insurances identified as a condition of transport contracts. These particulars are subject to annual checks in order that KCC satisfies itself that any supplier continues to be legally and contractually compliant. So long as this is the case, then the operator will be invited to tender for any opportunity moving forward under the respective procurement regimes identified above.

The supplier arrangements for both PSV schools work and for public bus services have been established in such a way as to allow new entrants to the KCC supplier market at any stage. This has assisted to ensure that levels of competition across the County have been maintained.

National benchmarking exercises completed annually indicate that levels of competition for PSV work in Kent compare favourably with those experienced by other Local Transport Authorities which suggests that the principles of the current practices are sound. Levels of competition vary for differing parts of the County and for the different disciplines of home to school and public bus work. Based on the latest national survey, the average number of bids for Local Bus and Home to Schools Transport work respectively was identified as 4.8 and 4.7. The average numbers for Kent tenders relating to contracts commencing in the 2015 / 16 financial years were 3.067 for local bus contracts and 3.75 for Home to School.

Levels of competition have been seen to fluctuate over the life of the current procurement arrangements. For example, it is noticeable levels of competition in north West Kent have seen a significant increase in recent years which has been supported by the ability of new suppliers to enter into competition without time restrictions. This has seen response rates to tenders for local bus work in this area increase to the benefit of cost.

Conversely, competition for local bus work in parts of East Kent is a cause for concern following the demise of some smaller operators in recent years. However, the same trend is not experienced with respect to schools transport. By exposing all operators to every opportunity, we expect to attract more of the schools transport providers towards bus work which would improve the position countywide, including in East Kent.

The current PSV supplier base consists of a total of 126 prospective operators. Of these, 31 are registered to tender for Public Bus Services and 125 are registered to receive Home to School Transport Contracts. In summary, the majority of bus service providers are also registered to receive Home to School Transport work but there are a large proportion of PSV suppliers who traditionally have not held an interest in tendering for Public Bus Service work.

The reason for this is probably best understood in terms of local bus work being considered to be more specialised and complex to provide. To an extent this is true given that Public Bus Services have unique elements (not present on Coach and Minibus work) notably in terms of the need to charge fares (and therefore handle cash have ticket machines), register services with the Traffic Commissioner and to a certain extent demand different vehicle features such as a destination display. It is considered that there are many very capable school transport operators who would be able to provide public bus services to the required standard. Standardising the supplier base and the procurement platform would expose them to these opportunities and facilitate KCC engaging and supporting a move towards competing for local bus work.

Of the 126 registered operators, 90 currently hold 'live' contracts which by definition mean that at the time of tender they were able to operate these contracts at the cheapest cost to the Council. There are 77 different home to school transport operators and 20 who hold local bus service contracts. It is believed that of the residual group many of these will have submitted bids but have simply not been successful in securing work. In conclusion, it is not believed that there is a bank of inactive and academic suppliers and therefore that the current volume of suppliers is about right and in some areas might benefit from growth.

3. Options for achieving desired outcomes

The following options are available for the provision of Hired PSV requirements for the Council

Option 1: Procurement of Services From Third Party Operators (Current Arrangement)

The current arrangement provides KCC with the ability to deliver services, retaining strong control of the service but working in partnership with Kent suppliers on actual delivery. Retaining this control enables KCC to review needs, against the whole network and deliver high quality services which deliver value for money. It is recognised though, as a result of a review of the current arrangements that there is a further opportunity to improve supplier choice, sustainability and potentially value for money.

The formation of a common platform for Local Bus and Home to School transport requirements would enable officers to consider increasing the extent to which multiple requirements within a common area (District or School for example) are aggregated to allow for use of a single or reduced amount of suppliers to provide for all requirements in that area. In other words, contracts for both home to school and local bus requirements could

be replanned and retendered at one creating greater opportunity for the aggregation of contracts by KCC and for operators to do likewise through submissions for a number of the discrete elements.

This practice already takes place within the respective disciplines and officers will review transport to establish if packaging work in this way can generate efficiency on the resource requirement and therefore the cost. Where for example two separate requirements can be completed with the same vehicle and driver these opportunities will already be aggregated with a single price being sought for both elements. In recent years, the Public Transport team have also completed some pilot initiatives exploring the potential to aggregate work on a greater scale – for example seeking a single operator for all local bus and home to school work in the Dover District. In this instance the conclusions reached were that this approach was anti-competitive (only Stagecoach was of a scale to tender for this work) and that the best value outcome for the Council was represented by the award of discrete contracts for the more individual elements.

The standardising of the approach to procuring local bus and home to school transport will provide greater opportunity to explore aggregation in this way. It is however considered that this needs to be on a case by case / area by area basis rather than a more strategic drive to limit the number of providers across the County or for a given area

At the same time, continuation of the current, separate, practices would forgo the opportunity to standardise the approach and the supplier base which has perceived advantages for the management and administration of suppliers and contracts and for levels of competition.

Option 2: KCC in-House Service Delivery

KCC has relatively recent experience of approach. From around 2000 until 2013, KCC had its own 'arms length' bus operation under the guises of KCC Passenger Services and latterly Kent Top Travel.

The agenda for the Council's previous operational involvement in this area was to assist to regulate the market in areas where competition had been lacking. This was successful for a period, with Passenger Services and Kent Top Travel winning contracts which they were able to provide at cheaper rates to the commercial market. Asides from the short term saving this represented, it is also thought that this assisted to drive a general suppression of transport prices in parts of the County where private operators were then forced to tender more keenly to retain or win back contracts.

Ultimately, the cycle changed and having gone through a period of winning contracts, in many instances these were then won back by private operators at the next anniversary of contract expiry and retender. Ultimately, this undermined the sustainability of the in house operation and Kent Top Travel was wound up in 2013 when the Council took the decision to exit the market.

In a County of the size of Kent any in-house operation would be of a considerable size,

probably 150+ vehicles, using geographically spread depots. The levels of investment required in fleet, facilities and human resources do not make this a realistic option. Even if such a fleet was only put in place for socially necessary bus services, the investment is high and it also needs to be remembered that an unwanted by-product of the Council's previous operational involvement in the provision of buses was the souring of relations with local suppliers whom the Council are reliant upon. Therefore any benefit gained from direct control of service could be a loss of supplier support in other areas.

Option 3 : Franchised Bus Operation – KCC Controlled

A pending buses bill will further the opportunity for local authorities to re-regulate the bus market through franchising or wider quality contract arrangements.

There are undoubtedly advantages to this approach but most of these would be considered to be in respect of the passenger through improved service quality and consistency and not necessarily in the financial interests of the local transpire authority that would likely have to assume commercial risk for the operation.

As part of devolution arrangements, some local authorities' have sought to explore this model and whilst ultimately achievable, the relative successes and merits to this approach are not properly understood and this approach would represent a significant risk for KCC. At this stage therefore, the risk and the fundamental change to approach this would represent means that this is not a serious consideration on anything like a county wide scale. It might however be something to consider for a more discrete area in the future when there will also be greater experience of how to manage this sort of arrangement and the merits of it.

4. Options appraisal summary

Option	Advantages	Disadvantages	Risk
Option 1: Maintain Current Status	<p>Enables access to the current supplier market.</p> <p>Does not require investment in capital assets.</p> <p>Does not require regulatory change.</p> <p>Award is based on competitive tender.</p>	<p>The current Framework agreement for the provision of local bus services expired in October cannot be extended.</p> <p>At the same time, continuation of the current, separate, practices would forgo the opportunity to standardise.</p>	

<p>Option 2: In house provision</p>	<p>Potential synergies with some client and community transport providers.</p> <p>Direct control of service provision, including service standards, vehicle specifications.</p>	<p>Capital investment and infrastructure set up needed.</p> <p>Distorts the supply market.</p> <p>Lack of flexibility to adjust subsidy especially in light of budget reductions.</p> <p>Suppliers already have the infrastructure in place and are able to operate across a much larger network than Kent alone, KCC would not be able to operate the same margins to make this option cost effective</p>	<p>Significant capital and revenue required to establish service provision.</p> <p>Market opposition as service provision being established.</p> <p>Operational challenge of delivering service to all parts of Kent.</p>
<p>Option 3 : re-regulation through franchising</p>	<p>Ability to define the network to meet community need and integrate with other modes.</p> <p>All revenues return to the authority to pay for the cost of the franchise, potentially releasing cost savings.</p> <p>Quality standards set by the authority.</p> <p>Network planning within the control of the authority</p>	<p>The power to franchise likely only to go to Authorities that have a devolution deal or are unitary.</p> <p>Would only be suitable for West Kent, where financial returns are likely to cover franchise cost.</p>	<p>The authority ultimately responsible for performance of bus network, both to the customer but also financially.</p> <p>Bus Operator legal challenges.</p>

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5. Dependencies

These are set out in section 4.

6. Commissioning plan

It is the view of Public Transport that the commissioning of bus services, both for socially necessary services and home to school transport should continue to be directly procured from the current supplier market, for the reasons set out in section 3.

However it is proposed to bring forward to Strategic Commissioning Board a procurement plan, which outlines the desire of Public Transport to combine its commissioning of bus services under one PSV Framework and the preferred procurement route for delivering this framework.

The procurement plan will identify the individual services to be tendered in the coming years and the dates that these will go to procurement.

There are a range of options available to the Council and these are identified above. However, many would represent a fundamental change in approach and many could be considered to be somewhat radical, carrying a risk to the Council in terms of cost and in some instances the instability this could introduce. As such, whilst it is worth highlighting their availability, options such as single source or in house provision or market regulation are not considered to be viable.

It is concluded that the scale and diversity of the ongoing requirements for local bus and home to school transport, demands a range of suppliers operating in a competitive environment across the County. Current levels of supplier competition can be used as a gauge to the necessary number of operators available to us and in this respect it is noted, that of (circa.) 130 recognised operators, around 90 hold current contracts and as such, the number of potential operators needed might be identified as somewhere between 80 and 100. The need to re-register in some fashion, will likely focus the current supplier base to ensure only those genuinely interested in tendering for work moving forward seek to register to be in a position to do so.

7. Project plan

Commissioning Plan presented to SCB – 24th May 2016

Procurement Plan presented to SCB –June 2016
OJEU Framework notice published – Sept 2016
Framework response deadline – Oct 2016
Kent Business Portal Training – Nov/Dec 2016
Framework Live – Jan 2017
Framework operation – 4 years
Procurement Plans – Tender Packages - annually

8. Next steps

Subject to the outcome of this board, a Procurement Plan will be brought to the next Strategic Commissioning Board, based on the preferred option, setting out the preferred route/s to market, the future tender plan and procurement rationale.