

REPORT TITLE: PARK & RIDE BUS CONTRACT – RESULTS OF TENDERING FOR NEW CONTRACT

13 DECEMBER 2023

REPORT OF CABINET MEMBER: Cllr Learney – Portfolio Holder for Climate Emergency

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WARD(S): ALL

PURPOSE

The purpose of this Report is to implement a new Park and Ride (P&R) bus contract to reduce the Council's overall annual carbon emissions by 8%. The current contract is due to expire on 18 April 2024.

The park and ride service is an integral part of the Winchester Movement Strategy and supports the achievement of the Council's carbon and air quality targets by providing an affordable alternative to parking within the city centre.

The previous Cabinet report in June (CAB 3397) recommended obtaining tender prices that allowed for three different tender options including Zero Emission buses, Euro VI standard buses (reuse of the existing or same specification buses), and Euro VI buses operating with HVO (Hydrotreated Vegetable Oil) as an alternative fuel. This was so that the comparison costs of different options could be determined. This report seeks to approve the award of a Tender that provides for HVO fuelled buses until such time as an electric bus option becomes more affordable or Government funding under the ZEBRA programme is secured.

Following additional legal and procurement advice it was subsequently determined that tenders could only be sought to one single option; therefore, tenders were sought for a service operating using HVO, albeit indicative prices were obtained for a zero carbon service. The HVO option supports the council priority of tackling the Climate Emergency and Creating a Greener District going greener faster and reducing the Council's overall carbon emissions by 8% within the existing service budget. The new reduced carbon service will commence in a timely manner as vehicles including infrastructure will be in place for April 2024 .

RECOMMENDATIONS:

1. The Strategic Director be authorised to award the contract in accordance with the published evaluation criteria to the company identified as Tenderer 2 in Exempt Appendices B and C.
The contract is for a 5-year period commencing April 2024 using Euro VI vehicles fuelled with HVO.
2. That the Strategic Director be authorised to enter into all necessary agreements with Tenderer 2.
3. That delegated authority be granted to the Service Lead, Legal to execute and enter into all necessary legal documentation.
4. Cabinet notes that external funding will be sought to enable a replacement zero emission bus contract in line with its ambitions to be carbon neutral and that the contract allows for termination with a 6-month notice period after the initial 36 months (3 years) to allow the City Council to procure a zero carbon service subject to funding availability.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 Tackling the Climate Emergency and Creating a Greener District

The city council has declared a Climate Emergency and addressing the climate crisis and reaching carbon neutrality is one of the city council's overarching priorities. The procurement of the cleanest buses to operate the park & ride service supports the council's strategy, though provision must be tempered against the need to present a balanced financial strategy for the authority.

The existence and operation of a park & ride scheme is already a key part of the council's desire to assist in tackling the Climate Emergency and Creating a Greener District in that it minimises the car based trips with associated emissions and congestion inside the city centre.

1.2 Vibrant Local Economy

The operation of the park and ride bus contract is a core part of the council's parking and movement strategies. It enables cost effective parking and access to the city for a range of trips and uses including employment, social, health, education and leisure. The park & ride now makes up more than 40% of the city's parking stock.

1.3 Living Well

Similar to the need to support and have a Vibrant Local Economy the park & ride offers access to a range of destinations to support employment, leisure and shopping activities.

2 FINANCIAL IMPLICATIONS

2.1 The majority of P&R services in operation around the UK do so with an element of public subsidy. Most, like Winchester, are supported by other off street parking income. The cost of the tendered bus service is the most significant part of the park and ride operation and therefore has a clear financial impact on the council's budgets.

2.2 The actual cost of the P&R operation in 2022/23 was £1.198m which included expenditure on the bus contracts of £0.963m with the remainder on NNDR, and running/maintenance costs. The total was offset by income of £0.974m leaving a total net expenditure of £0.223m. The relatively low level of expenditure on the bus contract (compared with figures for 2018 to 2021) is due to a reduced bus service reflecting a reduced passenger demand post pandemic.

- 2.3 The anticipated spend on the bus contract in 2023/24 is £1.12 million, which reflects the high CPI inflationary increase this year. Similarly, the budget forecast figure for 2024/25 is £1.195million.
- 2.4 The tendered option under consideration is slightly less than the budgeted figure for 2024/25 despite a lower carbon impact (HVO) service being delivered.
- 2.5 Further details on the costs of Park & Ride resource implications are included in Exempt Appendix A. The tendered price is within the available budget.
- 2.6 The indicative costs submitted by tenderers shows that at the current time a contract for electric bus operation would cost an additional £2million over 5 years (£400k additional yearly cost). There are also additional costs of c£1m to provide the infrastructure to charge the buses.

3 LEGAL AND PROCUREMENT

- 3.1 The contract has been procured in accordance with the Public Contracts Regulations 2015 (PCR2015) and the council's Contract Procedure Rules with support from the councils Procurement Team.
- 3.2 The recommendation made at Cabinet in June (CAB3397 refers) had been *"To include a tender option that allows for Euro VI standard buses (reuse of the existing or same specification buses) so that the comparison cost of a Zero emission vs conventional bus can be determined. This option will also include use of HVO as an alternative fuel."* This was so that the comparison costs of different options could be determined.
- 3.3 Although the tender approach adopted provided prices of the three options the only option that was assessed was the use of HVO as an alternative fuel. This followed external legal advice that advised that due to the complexities of evaluating the alternative bids against each other balanced with upholding the principal requirements of fairness and transparency as set out in the PCR 2015 there could be a risk of legal challenge.
- 3.4 The returns provide indicative costs of a zero carbon option. As such the tender approach decision should not prejudice moving to zero emission model in the future either based on ZEBRA funding or better understanding of the market response as was indicated in the previous cabinet report.
- 3.5 An open tender procedure was utilised, whereby a specification detailing sustainability requirements and a robust performance monitoring regime was issued to the marketplace. A public notice advertising the opportunity was placed on Find a Tender Service (FTS), and on Contracts Finder, inviting suitably qualified operators to submit tenders.
- 3.6 The evaluation of submitted tenders consisted of two stages.

- 3.7 Stage One; all Tenderers completed and needed to 'pass' a standard qualification selection questionnaire. The questionnaire is designed to check the business conduct of suppliers including proven offences of grave professional misconduct, including environmental matters and modern slavery.
- 3.8 Stage Two: was evaluated as determined by Cabinet (CAB 3397) in June this year, based on the most economically advantageous tender; an evaluation model of 80% price:20% quality.
- 3.9 10% of the of the evaluation weighting for 'quality' was allocated to environmental considerations including how the production and supply process of HVO would meet the council's genuine sustainability and low carbon credentials.
- 3.10 Evaluation details including results of the tenders submitted are set out in Exempt Appendices B and C. In summary, Tenderer 2 submitted the highest scoring tender bid, and it is recommended that its bid is accepted.

4 WORKFORCE IMPLICATIONS

- 4.1 The tendering process has been supported by existing staff resources as will the implementation and operation of the new contract.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Currently the City Council has a Tenancy at Will from HCC for the three park and ride sites which can be ended by HCC on very short notice. WCC does not have the legal right to request new leases from HCC. New long term HCC leases for the HCC owned park and ride car parks are currently being agreed. CAB3397 granted approval for the Corporate Head of Asset Management to enter into new leases for the county council owned park and ride sites.
- 5.2 Prior to 2020 HCC utilised their own private staff car park adjacent to the public P&R car park. HCC then made an annual £100k payment for HCC staff at this car park to utilise the P&R buses, since the pandemic this arrangement has stopped, and the associated support income has ended.

6 CONSULTATION AND COMMUNICATION

- 6.1 No further consultation has been undertaken since the June Cabinet report on this subject.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Park & Ride bus operation is a key part of the council's movement and parking strategies in that it seeks to encourage visitors and drivers to leave their vehicles outside the city centre and complete their journey on a bus. That action alone seeks to reduce and minimise the vehicular pollution and congestion within the city centre and on the approach roads and improves conditions for cyclists, pedestrians and residents.
- 7.2 Furthermore, the emission specification of the buses in operation on the P&R service can affect the air quality within the city centre. The last twenty years of P&R bus operation has seen the buses deliver cleaner and cleaner operations. The progression of much of Winchester's bus fleet to Euro VI emission standards has helped reduce the NOx emissions which had contributed to the declaration of an Air Quality Management Area for Winchester
- 7.3 Following detailed external legal and procurement advice (see above) it was decided to limit the tender specification to HVO fuelled (Euro VI) buses. HVO stands for Hydrotreated Vegetable Oil. This fuel is a suitable low-carbon drop-in replacement to regular diesel. It can be used in conventional diesel engines HVO and is a renewable diesel substitute based on vegetable oils, grease waste, or residue from industries such as food and agriculture. Compared to ordinary diesel, this can cut CO₂ emissions by up to 90%
- 7.4 P&R operations are responsible for 9% of the overall WCC carbon footprint. As research suggests that switching to HVO fuel can deliver a 90% reduction in net carbon emissions the introduction of HVO for the P&R buses will reduce WCC carbon emissions by 8% and the contribution of the P&R service to the overall figure would drop from 9% to 1%.
- 7.5 Traceability and accreditation certificates through the supply process for HVO will be required during the contract lifecycle to demonstrate supplier control at the various stages of production and to evidence genuine sustainability and low carbon credentials. To enable the council to track carbon emissions the appointed supplier must also submit reports to the council detailing fleet fuel usage in litres for the P&R service in Winchester.
- 7.6 In recent months it had become apparent that an electric bus option was unlikely to be affordable within current budgets without either external support or further reductions to the cost of procuring new Electric buses. At the time of tendering the ZEBRA (Zero Emission Bus Regional Areas) funding scheme had been suspended. This scheme had been designed to help Local Transport Authorities (LTAs) and Bus Operators to procure Zero Emission buses with financial assistance to offset the additional costs over conventional buses.
- 7.7 Without additional support the costs of transition to Zero emission buses is going to be very expensive and many bus operators are reviewing their intended plans to develop carbon neutral operations. It is also important to note that the city council is not an LTA and could not lead on a ZEBRA bid,

which would have to be done in partnership with the county council and local bus operator.

- 7.8 In September the Department for Transport announced a Second Round of Zebra funding. The Zero Emission Bus Regional Areas (ZEBRA) 2 scheme will provide £129 million to support the introduction of zero emission buses (ZEBs) in financial years 2023 to 2024 and 2024 to 2025. Officers have approached Hampshire County Council to explore the possibility of a joint bid and these discussions are ongoing. It should also be noted that there is long lead in times for the procurement of electric buses and in addition there are issues with electricity supply in Winchester which will be expensive to address and not within the Councils hands to deliver as well as appetite from the bus service provider to meet their investment requirements under the scheme.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 Fully accessible buses are specified in accordance with the current contract. No route changes are planned, and frequencies will remain as they have been for the past two years. There are no changes in bus stop locations. Real time passenger information will continue to be provided along the route. Customer feedback is regularly monitored and is mainly about bus delays due to incidents and or congestion. As such we do not foresee any equality issues.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None.

10 RISK MANAGEMENT

- 10.1 Risk assessment for post tender stage set out below.

Risk	Mitigation	Opportunities
Financial Exposure	Financial checks undertaken on bidders. Requiring successful bidder to sign a contract.	
Exposure to a legal/ procurement challenge	The tender documents were prepared and issued in accordance with the external and internal legal advice and the Public Contract Regulations 2015.	

	Careful and through tender evaluation/assessment	
Innovation Use of lower carbon fuel	Accredited sources of HVO specified.	Reduced carbon emissions. Contribution to carbon reduction target.
Reputation Benefits of HVO fuel		Reduced carbon emissions. Contribution to carbon reduction target
Achievement of outcome New service in place in time for existing contract completion.	Good project management and set project plan/ timescales.	
Property Leases	New leases being agreed with the county council for main park and ride car parks.	
Community Support Happy customers	No route changes proposed. Bus levels and frequencies suggested have been in operation for the past 2 years and working well matching current passenger numbers.	
Timescales Allow adequate lead in times for operator to set up for HVO.	Early approval allows adequate time for this.	
Project capacity	Internal project team established	
Other		

11 SUPPORTING INFORMATION:

- 11.1 The detailed operational parameters behind the Park & Ride bus service were covered in detail in the previous Cabinet report (CAB3397 refers) - There are several key elements in the specification of the bus contract to operate as part of the Park & Ride service -
- a) Vehicle (bus) size and passenger capacity
 - b) Timetable / Frequency of buses during the day
 - c) Duration (hours of operation of the bus service)
 - d) Bus Fuel / Emission characteristics (Zero Emission Vs Diesel)
 - e) Route choice of buses serving the P&R car parks
 - f) Additional services to meet times of enhanced demand (XMAS)
 - g) Duration and Termination details of the contract
- 11.2 Whilst CAB3397 sought permission to seek tenders to operate the P&R bus service, this report is to seek agreement to award that contract.
- 11.3 The main change since the earlier report is that due to the high risk of legal challenge it was not possible to seek alternative prices for three different bus fuel options and therefore only a tender price was sought for the operation of the conventional buses running on HVO fuel.
- 11.4 It was thought that whilst there is inevitably some element of compromise over the longer-term aspiration for electric powered buses, there are significant benefits in an HVO fuelled bus over a conventionally fuelled diesel bus.
- 11.5 The contract to operate the Park and Ride service is for a 5 year period from April 2024 using Euro VI vehicles fuelled with HVO. Following the evaluation of submissions, the recommendation is to award the contract to the bidder with the highest score which is: Tenderer 2, please see Exempt Appendices B and C for details. The contract allows for termination with a 6-month notice period after the initial 36 months (3 years) to allow the City Council to procure subject to funding (if varying the current contract is not viable) a replacement Zero Emission bus contract in line with its ambitions to be carbon neutral.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 Tendering options were agreed as part of CAB3397.

BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

CAB3397 - Park and Ride Bus Contract – 21 June 2023

CAB2791 – Park & Ride Contract – Results of Tendering - 21 October 2015

CAB2683 - Park & ride Tendering, Operation & Service Review - 15 April 2015

CAB2130 - Park & Ride Operation Review – 16 March 2011

CAB2240 - Car Parking Charges & Operation Review – 9 November 2011

Other Background Documents: -

None

APPENDICES:

Exempt Appendix A: Full P&R financial details 2018 to 2024

Exempt Appendix B: Price Evaluation of Tenders for the provision of the Park & Ride bus service

Exempt Appendix C: Summary Evaluation of Tenders for the provision of the Park & Ride bus service