

Executive

11 February 2011

Report of Head of Finance

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To: CABINET

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To: EXECUTIVE

DATE: 11 February 2011

Ongoing provision of concessionary fares services

Recommendations

(a) That Executive recommends each council to approve entering into an agency agreement on a full cost recovery basis to provide the customer element of the concessionary fares service on behalf of Oxfordshire County Council for the 2011/12 financial year

(b) That Executive recommends each council to delegate the authority for negotiating the detail of the agency agreement to the Chief Financial Officer

(c) That subject to recommendation a) Executive agrees to extend the Applied Card Technologies (ACT) contract for the provision of a Customer Management System (CMS) for a 12 month period

(d) That subject to recommendation a) Executive agrees to enter into a contract with the existing supplier Euclid Limited for the manufacture and despatch of concessionary bus passes for a 12 month period

Purpose of Report

1. From 1 April 2011 South Oxfordshire District Council and Vale of White Horse District Council will no longer have any statutory responsibilities for providing concessionary fares services: they will become the responsibility of Oxfordshire County Council. However, to ease the transition between the tiers of local government, the county council has asked if the districts would continue to provide the “customer” element of the services for a further year. The “customer” element of the services comprises processing applications for bus passes; ordering replacement passes; dealing with customer enquiries, etc. It will not involve any work relating to reimbursement of bus companies.
2. This report will seek approval from Cabinet and Executive to:
 - a) Provide concessionary fares services on an agency basis on behalf of Oxfordshire County Council for one year
 - b) Extend and award contracts to third-party suppliers to enable the services to be delivered

Strategic Objectives

3. **Strategic objective – “managing our business effectively”:** Although the statutory responsibility for providing concessionary fares is moving to Oxfordshire County Council with effect from 1 April 2011, South Oxfordshire District Council and Vale of White Horse District Council are being asked to provide the service for a further year. If South and Vale are to do this, necessary arrangements need to be put into place to ensure there is no disruption to the service, or reduction in level of service provision.

Background

4. The Concessionary Bus Travel Act 2007 placed a statutory duty, effective from 1 April 2008, on “Travel Concession Authorities” (TCA’s) to issue bus passes that adhered to a national specification to eligible residents. South Oxfordshire District Council and Vale of White Horse District Council are both TCA’s. The bus passes entitle passholders to free travel on local bus services throughout England during specified times. TCA’s are required to reimburse bus operators for these journeys.
5. The specification for the bus passes requires them to conform to a national physical design, varied only by individual council logo, and to contain a microchip encoded to “ITSO” standards: these were defined as “smartcards”. ITSO is a technical specification created to provide interoperability for smart ticketing in public transport.
6. To assist the implementation of these new requirements the Department for Transport (DfT) put in place framework agreements with certain suppliers so that TCA’s could enter into contracts without the need for conducting their own procurement exercises. The suppliers were offering services for the production of smartcards and the provision of “Customer Management Systems” (CMS) for the maintenance of customer records.

7. South and Vale decided to take advantage of the framework arrangements and through the frameworks appointed Fujitsu to undertake smartcard production and Applied Card Technologies (ACT) for CMS provision. In autumn 2009 both councils decided to test the market for smartcard production and, following a tender exercise, selected Euclid Limited as their preferred supplier for smartcard provision with effect from 1 January 2010. The contracts with ACT and Euclid Limited are both due to expire on 31 March 2011.
8. The work involved in providing concessionary fares services can be split into two main elements – i) customer services (currently provided by Capita as part of the wider financial services contract and involves processing bus pass applications, dealing with customer enquiries, etc), and ii) reimbursement to bus operators (currently provided in-house and involves determining reimbursement levels, processing operator claims, dealing with operator appeals, etc).
9. On 31 March 2010 the Concessionary Bus Travel Act 2007 (Variation of Reimbursement and Other Administrative Arrangements) Order 2010 was approved by Parliament. This order amended the definition for Travel Concession Authorities so that in two-tier areas, district councils are no longer TCA's; county councils are the responsible body. This change is effective from 1 April 2011 and means that from April South and Vale will no longer have any statutory responsibilities or powers to provide concessionary fares.

Current position

10. Whilst Oxfordshire County Council is prepared for taking on the reimbursement of bus operators element of the concessionary fares service from 1 April 2011, it is not in a position to provide the customer element of the service. Because of this it has approached the five Oxfordshire districts and asked if they would be able to provide the customer element of the service for a further year. The county council will put into place an “agency agreement” with each of the district councils which will devolve responsibility for the customer element of the service back to the districts.
11. South and Vale had previously given notice to Capita that the concessionary fares element of the financial services contract would cease with effect from 31 March 2011 due to a change in legislation. However, following the approach from the county council, officers asked Capita if it would provide the service for a further year. Capita has agreed to do this on the same terms and conditions as previously agreed.
12. In addition to the work undertaken by Capita, South and Vale will require a Customer Management System (CMS) to manage customer records, etc and will require a company to physically produce bus passes and distribute them to customers. The councils currently have contracts for the provision of these services but they expire on 31 March 2011. Tender exercises could be undertaken for the provision of these services for the period 1 April 2011 to 31 March 2012 but, given the short timescales involved, there would be substantial risk involved: in either case, if a new supplier were chosen, there would be very little time to robustly manage the transition from the current supplier.

13. Section J of the councils' Contracts Procedure Rules provides exceptions that allow contracts to be approved without seeking quotations or tenders if there are special circumstances which justify the exception. Specifically, paragraph 77 allows exceptions to be authorised by the Cabinet or Executive. Therefore, to reduce the risk involved with providing the concessionary fares service for a further year and to ensure that there is no disruption to service provision, officers believe that extending the contract with ACT for the provision of a CMS and awarding a one year contract to Euclid Limited for the manufacture and despatch of bus passes is the appropriate course of action to take. The costs of the contracts are not expected to exceed the current European Union threshold of £156,000 so the councils can rely on their own contract procedure rules.

Options

14. Because both councils will not have a statutory responsibility for concessionary fares they could simply decide not to assist the county council by providing the service for a further year. However, there are a significant number of residents in both districts that hold bus passes (21,000 South, 23,000 Vale) and this is increasing year on year.

15. For many of these residents, and those who will be first time bus pass recipients during the course of the year, their bus pass contributes to their well-being. Officers therefore consider it necessary to ensure there is no disruption to this valuable service. In view of this, officers believe that the only viable option is to assist the county council by providing the customer element of the concessionary fares service for a further year.

Financial Implications

16. At present neither council has a budget for providing the customer element of the concessionary fares service from 1 April 2011. Because the councils' statutory responsibilities have been removed, the respective budgets have also been removed and neither council will be receiving central government funding.

17. Therefore, if South and Vale are to provide a concessionary fares service for a further year, the county council will need to reimburse them in full to prevent the costs falling on South and Vale taxpayers.

18. Officers' current best estimate is that providing the service for a further year will cost **£90,750** at South Oxfordshire District Council and **£94,550** at Vale of White Horse District Council. The total amount of reimbursement that will be sought from Oxfordshire County Council is **£185,300**. The costs at both councils include a "risk premium" of £5,000. Full details of the costs are set out in **Appendix 1**.

19. The county council has been advised that, should any of the costs increase for any reason, South and Vale will be passing on the additional costs. It is therefore expected that all expenditure on the customer element of concessionary fares during 2011/12 will be fully recouped from Oxfordshire County Council.

20. In addition to the costs for 2011/12, South and Vale have incurred expenditure during the current financial year because of the unexpected work required to prepare for providing the service for one more year. This expenditure currently amounts to £2,045 and will also be recouped from Oxfordshire County Council.

Legal Implications

21. The "Concessionary Bus Travel Act 2007 (Variation of Reimbursement and Other Administrative Arrangements) Order 2010" removes shire districts' statutory responsibility for concessionary fares with effect from 1 April 2011. This means that South and Vale have no legal powers to provide concessionary fares services, or incur expenditure for concessionary fares after 31 March 2011.
22. Oxfordshire County Council will issue an "agency agreement" to South Oxfordshire District Council and Vale of White Horse District Council which will devolve responsibility for providing the customer element of concessionary fares back to the district councils for one year commencing 1 April 2011. The county council will use the powers provided in Section 101 of the Local Government Act 1972 to do this.
23. South and Vale both need to extend the contract for the provision of a CMS and award a contract for the manufacture and despatch of bus passes. It is the view of officers that this is best resolved by extending the contract with ACT for CMS provision and awarding a one year contract to Euclid Limited for manufacture and despatch of bus passes.
24. The combined total of these contracts is not expected to exceed the current European Union threshold of £156,000 so the councils can rely on their own contract procedure rules. Ordinarily these rules would require the councils to obtain three tenders from suppliers. However, given the unique situation and tight timescales, officers wish to use one of the exceptions listed in the contract procedure rules and are asking Cabinet and Executive to authorise the award of the contracts to the suppliers currently being used.

Risks

25. Concessionary fares is a high profile service with approximately 21,000 customers at South and 23,000 customers at Vale benefiting from the service. Although concessionary fares will be the responsibility of Oxfordshire County Council from 1 April 2011, because it is the districts that currently provide the service, any failure or deterioration in service levels is likely to reflect badly upon South and Vale.
26. Officers have undertaken an exercise to identify risks associated with the immediate and ongoing provision of the concessionary fares service. Four main risks were identified which are:

Risk	Net risk rating
"Agency agreement" with county council not in place by 1 April 2011	B1
Oxfordshire County Council fails to reimburse councils for providing the service	E3
Contracts with 3rd party suppliers (ACT & Euclid) not in place for 1 April 2011	E1
Bus passes due for renewal by 31 March 2011 do not get renewed	E2

27. Officers will be working closely with Oxfordshire County Council, Capita and the third-party suppliers (ACT & Euclid) to manage these identified risks.

Equality and diversity implications

28. For many residents in South Oxfordshire and the Vale of White Horse, their only means of travel is by public transport and the ability to use such transport free of charge can make a real difference to the elderly and disabled. It is therefore imperative that the concessionary fares service provided meets customers' needs.
29. Because Oxfordshire County Council is not in a position to fulfil its statutory duties in respect of concessionary fares, and given the importance of the service to many residents, officers believe it necessary to assist the county council by providing the customer element for a further year. To do otherwise could adversely affect customers' well-being.

Human resource implications

30. There will be human resource implications for both councils which will mainly be from the Legal and Democratic service and the Finance service.
31. As far as Legal and Democratic is concerned, the resource will be ensuring that all the necessary procedures and constitutional requirements have been followed and the agency agreement with the county council is legally robust.
32. The resource implication in Finance will be from putting all of the arrangements in place prior to 1 April 2011 and the ongoing contract management of our contractors throughout the year. As with all other costs, the councils will be recouping the human resource costs from the county council.

Conclusion

33. Following a change in legislation, the statutory responsibility for providing concessionary fares services is moving from shire districts to county councils with effect from 1 April 2011. The service itself has two main elements of "customer services" and "reimbursement of bus operators". Oxfordshire County Council will be in a position to deal with the bus operator reimbursement from next April, but not with customer services. Because of this it has approached the district councils in Oxfordshire and asked if they would provide the customer element of the concessionary fares service for a further year.
34. To enable South Oxfordshire District Council and Vale of White Horse District Council to provide the concessionary fares service for a further year the councils require an "agency agreement" from the county council which gives them the necessary powers to provide the service. The councils also need to award contracts to third-party suppliers so that the service can actually be delivered.
35. Concessionary fares is a high profile service which benefits many residents in both districts and contributes to their well-being. Officers therefore consider it necessary to assist Oxfordshire County Council by providing the service for a further year. There are risks involved in doing this but these have been identified and will be managed by officers.
36. All costs involved in providing the concessionary fares service for a further year will be recouped from Oxfordshire County Council so there will be no financial burden on South Oxfordshire and Vale of White Horse taxpayers.

Background Papers

- The Concessionary Bus Travel Act 2007 (Variation of Reimbursement and Other Administrative Arrangements) Order 2010 (SI 2010/1179)