

Title of meeting: Cabinet meeting for member for Traffic & Transportation

Date of meeting: 16 February 2023

Subject: Portsmouth Park & Ride Contract Extension

Report by: Tristan Samuels, Director of Regeneration

Report Author: Simon Bell, Principal Public Transport Officer

Wards affected: Charles Dickens, Nelson and St Thomas

Key decision: Yes

Full Council decision: No

1. Purpose of report

The purpose of this paper is to seek agreement to extend the existing Portsmouth Park & Ride contract to October 2024.

2. Recommendations

It is recommended that the Cabinet Member for Traffic and Transportation:

- 2.1 Agrees to extend the current supported Portsmouth Park and Ride contract up to 26 October 2024 with delegated authority to the Director of Regeneration in consultation with the Cabinet Member for Traffic and Transportation and Section 151 Officer to negotiate with the current contractor;**
- 2.2 Agrees the increase to the current contract price to an amount identified through the Department for Transport instigated network review process to a maximum increase of £45,000 per annum;**
- 2.3 Approves the development and implementation by the Transport Service supported by Procurement and Legal Services, of a procurement strategy to re-tender the contract. The process will include review of options for the electrification or hydrogen operation of Park & Ride services, either at point of contract award or over the term of the contract. This process will be informed by the projected impact of recent successful Portsmouth City Council funding applications including South East Hampshire Rapid Transit (SEHRT) and Portsmouth Bus Service Improvement Plan;**



2.4 **Approves that pre-procurement activities may commence, including for peer review with fellow councils and soft market testing with operators.**

2.5 **Notes that waiver approval will need to be sought from Procurement and Legal Services in respect of the proposed extensions to the contracts set out above, in accordance with the Council's Contracts Procedure Rules.**

3. Background

3.1 The Transport Act 1985 outlines the statutory duty and powers of Portsmouth City Council, to consider the provision of bus routes where there are no commercial services. Park and Ride services operate as a mostly tendered provision across other English cities, although some operate services as part of a commercial network in more established operations.

3.2 Portsmouth's Park & Ride service commenced operation on 5 April 2014. It continues to provide a frequent, reliable, high-quality bus link between the Portsmouth Park & Ride site adjacent to the M275 at Tipner and the city centre, with stops for Portsmouth International Port; Charles Dickens birthplace; the City Centre; Nelson Gate; and The Hard for the Historic Dockyard and Gunwharf Quays.

3.3 The service operates with passengers parking for free and paying for the bus journey via paper ticket or smart card. Concessionary passes have not been valid for the service during its period of operation. The current return fare is £4 a day for up to five people in a car with a range of reduced fares for regular travel.

3.4 The current Portsmouth Park & Ride service (PR1) operates with a daily frequency of every 15 minutes between 7:00 and 19:15 on weekdays, (with later starts at the weekend and earlier finish on Sundays).

3.5 Portsmouth Park and Ride service (PR1) has operated on the same contract since 2014 with variations on frequency, stopping arrangements and for local events as requested by the city council to meet passenger demand. This contract has been provided using high quality branded double decker buses. The contract for the Park & Ride service has run past its maximum term of 5 years plus 3 years extension and is now extended to expire in April 2023 through an approved waiver.

3.6 The service has been enhanced with additional services, which operate as demanded, including PR2 (University service) and PR3 (Southsea service), these were operated by separate contracts. Additional Park and Ride services also operate for specific events or seasonal purposes and are often provided by different bus operators with the same fares' arrangements.



- 3.7 As part of the National Bus Strategy Government expressed the aspiration for the widespread adoption of electric or hydrogen buses. Other cities park and ride services have been a target for early conversion across England. The Zero Emission Bus Regional Area (ZEBRA) grant was developed to facilitate this and subsequently the council and First Bus South was successful (£6.5 million) in attracting funding for buses, (and associated infrastructure) that run on commercial services in the city. The vehicles which are operated exclusively on the contract continue to be CAZ compliant Euro VI engines.
- 3.8 The Park & Ride service is a key element in delivering Portsmouth Transport Strategy (Local Transport Plan 4 (LTP4)) and has been a key consideration of the council's successful capital bidding programme. This has supported the aim of the LTP to deliver cleaner air to the city through the provision of an alternative to driving into the city centre.
- 3.9 There is an aspiration for Portsmouth Park and Ride to be developed and enhanced. A bid was submitted to the Government's Levelling up Fund 2 for the expansion of the park and ride and creation of a Transport Hub. Whilst the Council was unsuccessful in attracting funding through the Levelling Up Fund it still is considering other funding opportunities to pursue the development. With Policy D of the Portsmouth Transport Strategy outlining how we will seek to extend operating hours to meet demand and services to key attractions within the city, such as the seafront, Queen Alexandra Hospital and Fratton Park, It is hoped that a new Transport Hub will have larger capacity, a greater range of destinations and a wider range of complimentary services on-site.

4 Current Position

- 4.1 The contract for Park & Ride will expire on 4 April 2023. At present the interventions in the Transforming Cities Fund (TCF) and Bus Service Improvement Plan (BSIP) programmes are being developed and remain to be finalised. If the council were to undertake a full procurement exercise immediately this would impact significantly on detailed consideration of opportunities from these funding streams, which may then have an impact on longer term achievement of strategic objectives and best value consideration.
- 4.2 The Levelling Up Fund 2 announced in late January 2023, that no funding would be made available for the project. Following this, the council are assessing possibilities for alternative funding. The council has aspirations for improved and enhanced park and ride services with the introduction of the transport hub. The inclusion of such enhanced services would substantially alter the specification within the procurement process and as such a review of the business case remains to be undertaken to consider if the TH can be brought forward via an alternative funding route. It is not possible to undertake the review prior to the procurement process which is due to be completed April 2023 which would have needed to have started prior to the Levelling Up Fund 2 announcement.

- 4.3 There is currently no capability within Portsmouth for electric or hydrogen buses. The ZEBRA bid will deliver some capacity for First at their Hoeford (Fareham) depot in the area in 2024. There continues to be uncertainty around Bus Service Operator Grant revenue for electric services and some concern over supply of electric buses in this emerging market. There will be an ambition for Park and Ride Services to become carbon neutral over the lifetime of the next contract.
- 4.4 Whilst the council has been successful in attracting external funding it should be noted that this is against a backdrop of pressure on bus service provision. This is in line with the cost pressures on all park & rides services across England. This is due to:
- Bus recovery grant possibly ceasing in April 2023.
 - A reduction in fares revenue due to reduced passengers.
 - Increased driver costs due to the national driver shortage.
 - increased fuel costs due to international events.
 - Decrease in patronage as a result of pandemic behaviour change
- 4.5 Associated with the pressures above the current contractor advised the council of an increase in subsidy needed for the park & ride contract of £45,000 per annum would be required to continue operation. This was part of the "network review" process which was implemented by the Department for Transport with bus operators and local authorities.

5. Reasons for recommendation

- 5.1 A number of factors resulting from external issues creating uncertainty in the market and the council success in capital bidding programmes have led to the recommendation to delay the procurement process for the Park & Ride contract. These include:
- 5.1.1 **Financial**
The current contract continues to offer value for money, (with the contract uplift of £45,000 per annum) as the vehicles are not life expired and the service continues to attract increasing revenue as the patronage increases after pandemic.
- 5.1.2 **Environmental**
There is an expectation for a carbon neutral operation to be included in the lifetime of the new contract. Whilst capacity in electric/hydrogen buses is progressing, the market locally is not developed enough for the council to embark on a successful competitive tender due to lack of operator capacity for sustainable energy provision.

- 5.1.3 **Operational**
The Council, through its successful delivery of its capital programme anticipate works along the route of the Park & Ride and at its termini at The Hard Public Transport Interchange. This could prevent the successful implementation of a new contract and service over the period of part of the waiver.
- 5.1.4 **Market uncertainty**
To proceed to contract at present could attract a premium due to a number of uncertainties in the market for the provision of bus services. This includes the future of Bus Service Operator Grant, whose current arrangements financially favour diesel operation. There also has been uncertainty in regard to the procurement of electric buses, with one supplier halting production. This is in addition to the present structural change in the economy which is affecting the cost and supply of labour, parts and energy.
- 5.1.5 **Opportunities from the capital bids**
A delay to the procurement process would allow us to fully incorporate in the benefits of time savings from the SEHRT and BSIP programmes into the procurement programme. Funding for a transport hub would substantially increase the amenity of the trip generation potential and lead to a substantially enhanced revenue stream or reduced financial need to support the service.
- 5.1.6 **Timescales**
In view of the above points, it is recommended that procurement of a new contract for delivery of park & ride services is undertaken in line with the summary indicative target programme set out in Table 1. This programme will allow for an effective procurement to be undertaken in full compliance with procurement regulations and Council governance processes.

Table 1: Park & Ride tender proposed timescales

Park & Ride tender proposed timescales	
Tenders issued	Summer 2023
Tenders returned	Autumn 2023
Decision at T & T meeting	December 2023
Award Date	January 2024
Service commencement	No later than October 2024

6. Integrated impact assessment

An Integrated Impact Assessment is found in Appendix A.

7. Procurement implications - Assistant Director, Procurement

7.1 Noting the legal implications set out below, the Council should ideally seek to compliantly re-tender the park & ride service contract as soon as is practically possible. However, given the strategic objectives that the service supports coupled with the need to properly assess opportunities for service development arising from the various funding programmes and initiatives, there would be a risk to the Council achieving long term best value if a procurement process was fast tracked on a pure compliance basis.

7.2 The procurement timetable outlined above will allow for the required pre-procurement activities that will enable the Council to effectively and compliantly re-procure a long-term contract that has the flexibility to address current and future needs.

7.3 The procurement timetable and strategy will require further development dependent upon achieving formalised agreement with the current operator in respect of the terms of proposed extension period and assessment of the impacts of funding streams and infrastructure development initiatives is developed. Information gathered from operators via soft market testing and other councils running park & ride services through peer review prior to formal issue of the tender in Summer 2023 will also be used to inform strategy, programme and post award mobilisation timescales.

7.4 Whilst there may be opportunities to shorten the length of the proposed contract extension, until the pre-procurement activities are undertaken, and reported back to decision makers, it would be unwise not to proceed with an extension duration that does not provide for flexibility and contingency.

7.5 It is understood that experienced Council Traffic & Transportation officers are undertaking a detailed review of proposed alterations to the pricing structure that would cover the extension period. It is also understood that the Council's legal services will review the terms of the contract to ensure that they are fully synchronised with the agreed rates, revised specification and any changes in relevant legislation. This work will be further developed to allow for formal sign off of the contract extension in accordance with the Council's procurement governance processes.

8. Legal implications

8.1 The Council has a duty under the Transport Act 1985 ("TA") "*to secure the provision of such public passenger transport services as the Council*

consider it appropriate to secure to meet any public transport requirements within the city which would not in their view be met apart from any action taken by them for that purpose".

- 8.2 To secure the duty, the Council has the power to enter into agreements for the provision of service subsidies, but this is limited to where the service would otherwise not be provided to a particular standard but for the subsidy. "Standard" in this instance meaning the frequency or timing of the service, the days or times of day the service is provided, and the vehicles used to provide the service.
- 8.3 The exercise of the power by the Council is conditional on a competitive tender being undertaken, which must have consideration for a "*combination or economy, efficiency and effectiveness*" and "*the reduction or limitation or traffic congestion, noise or air pollution*". These agreements must not exceed 8 years.
- 8.4 The contract for Park and Ride services commenced in April 2014 and expired (having used all extension options) in April 2022. The contract was then extended beyond the 8-year term provided in the original procurement until April 2023, and this paper seeks to do the same again until October 2024.
- 8.5 The Council does have the power to subsidise services, without competitive tender, where the subsidy is urgently required for the purpose of maintaining an existing service. Were this decision challenged, the court would likely consider the ordinary meaning of the word urgent i.e. requiring immediate action or attention, when deciding whether the conditions have been met, and would also consider things such as the Council's own conduct when deciding whether such circumstances were urgent. If the Council was unable to evidence this then that would expose the Council to legal, financial and reputational risk until the services are re-tendered, or the non-compliant subsidy is withdrawn.
- 8.6 As a consequence of this proposal, the Council must ensure that this route is subject to competitive tender and must invite tenders for the provision of the subsidised service as soon as possible. Any agreement entered into which is exempt from the tender process, may only remain in force for a period of 3 months after the tenders have been received as part of the tender process. As such, any extension approved should be for no longer than reasonably required to run the new tender exercise.
- 8.7 These services are standard services under the Public Contract Regulations 2015 ("PCR") and so the Council must procure the services in accordance with Part 2 of PCR.

9. Director of Finance's comments

- 9.1 The Park and Ride Service runs at a deficit which is subsidised from the Parking Reserve. The ridership numbers remain low and have not recovered since the pandemic. Consequently, the income from users of the service does not cover the operating costs and the site running costs.
- 9.2 The increase of up to £45,000 to the current contract price will be met from the Parking Reserve.

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Signed by: Tristan Samuels, Director of Regeneration

Table of background documents

Portsmouth Local Transport Plan 4 21 - 38	Local Transport Plan 4 (LTP4) - Portsmouth City Council
Portsmouth Transport Strategy	Portsmouth Transport Strategy 2021-2038
Portsmouth BSIP	National Bus Strategy (portsmouth.gov.uk)