

**Forward Plan reference number:** FP/518/09/19

<b>Report title:</b> Extension of the Essex English National Concessionary Travel Scheme administration provider contracts	
<b>Report to:</b> Councillor Ray Gooding- Cabinet Member for Education and Skills	
<b>Report author:</b> Richard Gravatt T: 03330136342 E: richard.gravatt@essex.gov.uk	
<b>Date:</b> 06 March 2020	<b>For:</b> Decision
<b>Enquiries to:</b> Richard Gravatt E: richard.gravatt@essex.gov.uk	
<b>County Divisions affected:</b> All Essex	

## 1. Purpose of Report

- 1.1 To seek authorisation to extend the three contracts that administer the English National Concessionary Travel Scheme (ENCTS) in Essex. These are held by two suppliers: one by MCL Ltd (“MCL”) and two by Euclid Ltd (“Euclid”). The extension for each of the three contracts would be for a further 24 months from April 2020 in line with the options for extension set out in the current contract length and would be charged to the County Council at the current rates

## 2. Recommendations

- 2.1 To extend the two contracts for the administration of the ENCTS with Euclid for a further 24 months from April 2020 until 31st March 2022.
- 2.2 To extend the current contract with MCL for a further 24 months until 31st March 2022.

## 3. Summary of issue

- 3.1 The Concessionary Bus Travel Act 2007 requires each authority responsible for a concessionary travel scheme (known as a ‘Travel Concession Authority’ (TCA)) to provide, free of any charge, a bus pass that allows qualifying residents to travel free on local bus services across England. These service users are known as Concessionary Pass Holders. The CTA must also compensate operators who carry Concessionary Pass Holders such that the operators are neither better or worse off than they would have been had the scheme not existed.
- 3.2 Essex County Council (the “Council”) is the TCA with responsibility for the ENCTS for the administrative area of Essex. To meet these statutory requirements, the Council employs external service providers to undertake a range of administration tasks. These contracts are let in three lots covering the provision of smartcards, eligibility assessment, customer engagement, pass replacement, secure data processing and database management.

## Extension of the Essex English National Concessionary Travel Scheme administration provider contracts

Lots 1: 0080 Smartcard, Administration and Support Requirements (held by Euclid Ltd) Administration of the Card Production Scheme

Lot2 is 0080Smartcard, Administration and Support Requirements (held by Euclid Ltd): Card Production and Issue Including Smartcards And Tickets

These lots cover applications, card production and customer engagement.

Lot 3 is for Smartcard, Administration and Support Requirements (held by MCL ltd) Consultancy Advice And Support For Operator Reimbursements

This lot covers bus service data analysis and consultancy services.

- 3.3 The contracts for Lots 2 and 3 also cover work undertaken by MCL and Euclid for Southend-on-Sea and Thurrock Unitary Authorities for the administration of their concessionary fare schemes for which both councils reimburse the Council for all costs incurred.
- 3.4 Euclid are the Council's main supplier for the production, management and support for the pass application process for Essex residents (including the on-line application process). Data is held and managed by Euclid through the Faredeal database to this end. Euclid are also responsible for secure pass production and for delivery to customers. They also manage enquiry calls, collection of data, and help with lost or stolen passes.
- 3.5 MCL are the Council's main supplier for the collection of data from transport operators for the use of concessionary passes on Essex Local bus services. MCL are responsible for producing the data that the Council uses to reimburse operators for the use of concessionary fares on their services. MCL also assists and advises the Council over reimbursement negotiations, provide professional advice on changes to process or legislation, support the Council in the event of any appeals or legal action over reimbursements and offer consultancy services on other aspects of the concessionary fare operation that may be required.

All three contracts were awarded following an open tender in 2014/15 are due to expire from 31<sup>st</sup> March 2020 if not extended. Without either extending the contracts or retendering them so that new contracts are in place, there will be no mechanism to allow ECC to meet its statutory obligations in this regard.

Exploratory discussions with both MCL and Euclid have indicated their willingness to extend the existing contracts at the current rate.

Both suppliers continue to deliver the requirements of the contracts to a good standard.

- 3.6 The terms and conditions of the current contract lots allow for their extension in paragraph 2.3:

*"Para 2.3 The Authority may at its sole discretion extend the Contract Term by such period as it may specify in written notice given not less than 3 months"*

*prior to the expiry of the Contract Term (as extended from time to time). The Contract Term may be extended for 2 periods of 12 months.”*

- 3.7 On this basis it is recommended that the current contracts be extended for the full 24-month period at this time and commence preparations to retender the contract for the following period. The tender process is complex and takes significant time to run – the 2015 tender took over a year to finalise. In addition, it is operationally important to minimise disruption in the fourth quarter of the year, as during this period the Council undertakes the annual negotiations with bus operators to determine the level of reimbursement they receive and carries out a range of pass renewal and data base cleansing checks (passes are issued with a 5 year validity period with an annual rolling renewal programme). All these processes require the participation and full focus of the service providers. Any change of service provider therefore has to take place outside the fourth quarter of the year to minimise the risk of disruption from changes in personnel, data and systems. The two-year extension allows for the switch of any new provider to be offset from the fourth quarter and integrated with the operational tempo and minimise the risk of such disruption.

#### **4. Market Analysis**

- 4.1 When the contracts were last tendered in 2014/15 there were nine individual expressions of interest at invitation to tender. The bidders included all of the major service providers operating nationally at the time.

Fewer suppliers made a final bid

- Lot 1 received 1 bid,
- Lot 2 received 1 bid
- Lot 3 received 3 bids
- There was 1 bid for Lots 1 and 2 combined

Since the original tender at least one of the major service providers has withdrawn from the concessionary fares market.

#### **5. Options**

##### **5.1 Option 1 Do nothing (not recommended)**

The Council has a statutory duty to provide a concessionary bus pass scheme. If no action is taken the county would not be in a position to meet its statutory obligations from 1<sup>st</sup> April 2020.

##### **5.2 Option 2: Extend the contracts with Euclid and MCL (recommended)**

Extend the current contracts with Euclid and MCL for 2 years as allowed for in the current contract with no price increase. This would allow the Council to meet its statutory duty from April 2020 at the current rate and avoid the costs and risks associated with tendering.

### 5.3 Option 3: Commence a tender process for the services (not recommended)

Tender the services for the concessionary fare process, for a new five-year contract. This would require a significant resource commitment. Given that this is a 5 year old contract, originally tendered through an open procurement with a limited supplier base and that the Council is being offered a continuation of the current charging rates, that have not increased over that period, it seems unlikely that there would be a significant saving from tendering. There would also be an resource cost involved in tendering for the Council and for the supplier market. The current contract is working well and the resource expended would likely not return significant savings or service improvements.

## 6.1 Financial implications

6.1.1 The Medium-Term Resource Strategy (MTRS) budget envelope for the provision of concessionary travel, as detailed in this report, is £17.836mm for 2020/21. The budget for administration costs is included within this envelope in addition to the concessionary fares fixed pot scheme itself. Expenditure on the scheme administration for 2020/21 is forecast to be at the same level as incurred for 2019/20.

6.1.2 The forecast cost estimate for 2019/20 is detailed below for all authorities. With regards to replacement tickets, the Authority only pay for the tickets that are replaced.

<b>2019/20 cost estimate</b>				
	<b>ECC</b>	<b>Southend on Sea</b>	<b>Thurrock</b>	<b>Total</b>
Lot 1 (ECC only)	£89,132	£0	£0	£89,132
Lot 2	£220,197	£13,229	£29,690	£263,116
Lot 3	£71,896	£15,266	£8,041	£95,203
<b>Grand Totals</b>	<b>£381,225</b>	<b>£28,495</b>	<b>£37,731</b>	<b>£447,451</b>

## Extension of the Essex English National Concessionary Travel Scheme administration provider contracts

This is included within the approved budget for future years as follows;

	2020/21	2021/22
<b>Expenditure</b>		
Cost of services to be procured	£447,451	£447,451
All other services	£21,803,022	£22,269,307
<i>Total Expenditure Budget</i>	<i>£22,250,473</i>	<i>£22,716,758</i>
<b>Income</b>		
Income recharge in relation to procured services	(£66,226)	(£66,226)
All other services recharge	(£4,348,642)	(£4,436,940)
<i>Total Income Budget</i>	<i>(£4,414,868)</i>	<i>(£4,503,166)</i>
<b>Total Net Budget</b>	<b>£17,835,605</b>	<b>£18,213,592</b>

The cost of administrating the scheme for Thurrock and Southend is recouped in full via an invoice mechanism on a monthly basis.

6.1.3 Total expenditure on concessionary fares including the value of the fixed pot and administration of the scheme will exceed the approved MTRS for 2020/21 and thereby give rise to a pressure of c.£200,000. The service will be required to mitigate this pressure in year.

6.1.4. As the contract ties the Authority in to the agreement for two years there is no inflation risk in the short term. Once the agreement expires, the affordability of future options will need to be evaluated.

6.1.5. Any further adjustments or amendments required to the contract that result in a higher cost than anticipated will have to be contained with the Passenger Transport budget envelope in addition to the existing pressure as detailed above.

## 6.2 Legal implications

6.21 The Council has a statutory duty to operate a Concessionary Fare Scheme under the Transport Acts 1985 and 2000 and the Concessionary Bus Travel Act 2007.

The original contracts were tendered in accordance with the Public Contracts Regulations 2006, which was applicable at that time. The extension clauses were part of the original contract as tendered.

## 6. Equality and Diversity implications

In making this decision ECC must have regard to the public sector equality duty (PSED) under s.149 of the Equalities Act 2010, i.e. have due regard to the need to: A. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act. B. Advance equality of opportunity between people who share a protected characteristic and those who do not. C. Foster good

## Extension of the Essex English National Concessionary Travel Scheme administration provider contracts

relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s.149, is only one factor that needs to be considered, and may be balanced against other relevant factors.

By providing the English National Concessionary Travel Scheme, the County Council meets its requirements under legislation to provide a concessionary travel scheme.

In addition to this, the County Council also provides discretionary elements to the scheme including extended start and finish times and companion passes for disabled people who require assistance with their journey due to their disability.

An equality impact assessment has been undertaken. No adverse impact has been identified on any protected group by the current scheme which is similar to that which has been in force since 2010. It is proposed to continue with a similar scheme for a further year.

### 7. List of Background papers

EQIA: 163373608

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>	<b>Date</b>
<b>Councillor Ray Gooding, Cabinet Member for Education &amp; Skills</b>	<b>16/03/20</b>

#### In consultation with:

<b>Role</b>	<b>Date</b>
<b>Director of Highways and Transportation</b> <b>Andrew Cook</b>	19/03/20
<b>Executive Director Finance and Technology (S151 Officer)</b> <b>Stephanie Mitchener on behalf of Nicole Wood</b>	05/03/20

Extension of the Essex English National Concessionary Travel Scheme  
administration provider contracts

<b>Director, Legal and Assurance (Monitoring Officer)</b>	05/03/20
<b>Laura Edwards on behalf of Paul Turner</b>	