

# North Tyneside Council

## Report to Cabinet

### Date: 14 November 2016

#### ITEM 6(g)

Title: Bus Shelters – Tyne and Wear procurement

Portfolio(s): Deputy Mayor;  
Housing and Transport

Cabinet Member(s): Cllr B Pickard;  
Cllr J Harrison

#### Report from Service

Area: Environment, Housing and Leisure

Responsible Officer: Phil Scott, Head of Environment, Housing and Leisure (Tel: 0191 643 7295)

Wards affected: All

### PART 1

#### 1.1 Executive Summary:

'Commercial' bus shelters (those which bear an advertising panel) in North Tyneside are maintained by an external supplier, who holds the advertising rights for these shelters. Other bus shelters are generally maintained by Nexus (Tyne and Wear Passenger Transport Executive), whose funding comes from the transport levy paid by local authorities to the North East Combined Authority (NECA).

Securing a supplier at Tyne and Wear level for commercial bus shelters could enable the renewal of the existing stock of commercial bus shelters and, subject to the level of interest and bids received from suppliers, would be expected to generate additional revenue relative to present arrangements.

Cabinet approval is therefore sought to proceed with a procurement exercise at Tyne and Wear level as described in the text of the report.

#### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) note the existing and proposed arrangements for the provision and maintenance of bus shelters and the associated advertising rights;
- (2) agree that North Tyneside Council should participate in a procurement exercise at Tyne and Wear level, to be administered by Nexus; and
- (3) authorises the Head of Environment, Housing and Leisure, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, Cabinet Member for Housing and Transport, Head of Corporate Strategy, Head of Law and Governance and Head of Finance, to make appropriate arrangements for the appointment of a supplier identified through the Tyne and Wear-level procurement process and the termination of North Tyneside's existing contract in relation to bus shelters and to enter into any appropriate agreements with Nexus relating to the process.

### **1.3 Forward Plan:**

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 17 October 2016.

### **1.4 Council Plan and Policy Framework**

The proposals in this report relate to the following priority in Our North Tyneside, the Council Plan 2016 to 2019:

- Our places will:
  - have an effective transport and physical infrastructure - including our roads, cycleways, pavements, street lighting, drainage and public transport

### **1.5 Information:**

#### **1.5.1 Background**

Encouraging travel by bus has positive impacts in terms of helping to improve accessibility to local services and contributes to minimising road congestion and carbon emissions. Ensuring that bus shelters are well maintained and fit for purpose improves the passenger experience and helps to encourage travel by bus.

The Tyne and Wear Local Transport Plan includes a policy that “We will increase bus use” (Policy 27) and lists (in section 14.91) three categories of intervention which favour bus use, one of which is improvements to “interchange and other passenger waiting facilities”. The Bus Strategy for Tyne and Wear includes (in section 3.1.8) an aspiration to “continue the roll-out of bus stop infrastructure improvements across Tyne and Wear in partnership with the Local Authorities.”

#### **1.5.2 Bus shelters**

‘Commercial’ bus shelters are those which bear an advertising panel. The advertisement faces the street and is visible to road users in general, not only to people waiting at the bus stop. Consequently the number of bus stops with the potential to be ‘commercial’ is limited, essentially to sites with substantial numbers of road users passing by: for example, those on heavily trafficked roads such as main commuter routes.

Commercial shelters in North Tyneside are currently managed under a contract between North Tyneside Council and an external supplier. The supplier owns, maintains and cleans the shelter, and holds the advertising rights, allowing the supplier to retain revenue generated through the sale of advertising space. Other authorities in Tyne and Wear have similar arrangements on an individual authority basis for the provision of commercial shelters.

‘Non-commercial’ bus shelters, which do not bear external advertisements, are generally maintained by Nexus (Tyne and Wear Passenger Transport Executive) from Nexus’ grant funding, which comes from the transport levy which is paid to the North East Combined Authority (NECA) by North Tyneside Council and other authorities in the area.

### 1.5.3 Factors to consider

The Authority's present contract for commercial bus shelters dates back to the 1990s, when the shelters were last replaced. The stock of bus shelters in North Tyneside is therefore ageing: the current contract is based on the supplier maintaining the commercial shelters as at present, and does not require the supplier to replace any of the shelters with new units.

Recent technological developments in advertising, such as the possibility of using digital advertising screens in place of traditional posters, suggest that there is potential over coming years for a supplier to secure a greater return from advertising at bus shelters by investing in new advertising technology.

### 1.5.4 Proposed procurement exercise

Following officer discussions with other authorities and Nexus, it is proposed that Nexus should undertake a procurement exercise to secure a single supplier for the provision, maintenance and advertising rights on commercial bus shelters in Tyne and Wear.

Allowing for the fact that bus shelter advertising is a specialised area and the number of potential suppliers is limited, it is felt that a single area-wide contract would be most likely to generate interest from suppliers.

It is proposed that bids would be required to cover all existing commercial shelters, but that bidders would also be free to identify any currently non-commercial bus stop locations where they wished to install commercial shelters.

The letting of a Tyne and Wear-wide contract would be expected to secure the phased replacement of all of the existing commercial shelters in North Tyneside with new units.

Subject to the level of interest and bids received from suppliers, it would be expected to generate revenue, which could be used to reduce the transport levy paid by each authority, or potentially could be transferred directly from Nexus to local authorities. It is expected that the chosen supplier would invest in new technology, e.g. digital advertisements, which could grow the level of advertising revenue.

The contract duration is still to be determined but is expected to be sufficient to allow the contractor to replace the full stock of 'commercial' shelters: as such it is anticipated that the award may be for a 10 year contract or if permitted under the Concession Contract Regulations 2016 (see section 2.2) the award may be for a 15 year contract.

In common with some other Tyne and Wear authorities, North Tyneside does not currently receive an income as a 'rebate' from the advertising revenue that their supplier currently achieves. It is intended that each Tyne and Wear local authority under this new contract will receive an income, via Nexus, as a rebate (subject to the level of interest and bids received from suppliers).

Nexus appointed a consultant in 2015 to look at the potential rebate level and they estimated that a notional rebate in the region of £700,000 p.a. for Tyne and Wear as a whole (largely attributable to bus shelters within Newcastle) could potentially be achieved: however it must be pointed out that market conditions have varied over the past 18 months and no guarantee can be placed on this figure.

It is proposed that the Authority would enter into a formal agreement with Nexus in relation to contract management and a deduction could be made from the rebate in respect of Nexus' contract management costs.

Rules relating to the content of advertisements would continue to be set locally by each authority and, for bus stops within each local authority area, the supplier would be required to apply the appropriate authority's rules.

The procurement exercise would cover the whole of Tyne and Wear, i.e. the area for which Nexus is the Passenger Transport Executive (Durham and Northumberland have their own distinct arrangements for bus stop provision).

As the expected value of the Tyne and Wear-wide procurement exceeds £500,000, Cabinet approval is sought for the procurement exercise to include bus shelters in North Tyneside.

The cleaning and maintenance of non-commercial shelters would continue to be arranged by Nexus. Nexus currently have contracts in place for this work and would undertake any procurement required to ensure the continued provision of this service.

#### 1.5.5 Implementation arrangements

Should a Tyne and Wear-wide contract be entered into, arrangements would have to be made for the termination of the Authority's current contract for commercial bus shelters. The current supplier retains ownership of the bus shelter structures on expiry or termination of the current contract, and discussions will have to be undertaken with the current supplier about future arrangements for these structures, the specific details of which will depend on whether the current supplier is the winning bidder or not. Under the terms of the existing contract, the Authority is obligated to restore the ground if shelters are removed by the supplier.

In addition, there are a small number of bus shelters in North Tyneside (20 shelters) which do not bear advertisements but are currently maintained by the supplier under the Authority's existing contract for commercial shelters. New arrangements would have to be made for these shelters, which could involve negotiating with Nexus for them to take on their management.

If Nexus takes on the management of these shelters a survey would have to be carried out on each shelter and, if necessary, they would have to be brought up to an agreed standard: they would subsequently be maintained by Nexus in the same way as existing non-commercial shelters.

#### 1.5.6 Working arrangements

The Bus Shelters project is administered by Nexus and is project managed through Nexus' internal 'stage gate' management process. An officer working group, chaired by Nexus and including representatives from the local authorities, meets regularly and reports to the NECA Heads of Transport officer group.

#### 1.5.7 Conclusion

Cabinet approval is therefore sought to proceed with a procurement exercise at Tyne and Wear level, to be administered by Nexus, for the provision and maintenance of bus shelters and the associated advertising rights.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

Cabinet approves the recommendations at paragraph 1.2 of this report.

### Option 2

Cabinet does not approve the recommendations at paragraph 1.2 of this report.

Option 1 is the recommended option.

## **1.7 Reasons for recommended option:**

Option 1 is recommended as the inclusion of bus shelters in North Tyneside in a Tyne and Wear-level procurement exercise would be expected to have positive outcomes for bus passengers in North Tyneside through shelter replacement, and has increased potential for revenue generation compared with current arrangements.

## **1.8 Appendices:**

None

## **1.9 Contact officers:**

John Cram, Integrated Transport Officer, 0191 643 6122

Dawn Tindle, Communications and Marketing Manager, 0191 643 7070

Alison Campbell, Senior Business Partner, 0191 643 7038

## **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) Tyne and Wear third Local Transport Plan (LTP3)  
<http://www.tyneandwearltp.gov.uk/documents/ltp3/>

(2) Bus Strategy for Tyne and Wear  
[http://www.nexus.org.uk/sites/default/files/Appendix%20G%20ITA%20Bus%20Strategy%20for%20Tyne%20and%20Wear%202012\\_0.pdf](http://www.nexus.org.uk/sites/default/files/Appendix%20G%20ITA%20Bus%20Strategy%20for%20Tyne%20and%20Wear%202012_0.pdf)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The proposed procurement for the commercial bus shelters will be administered by Nexus and the costs of procurement and contract management are to be met from Nexus' existing budgets and/or from funds deducted from any rebate secured under the contract. It is proposed that the Authority would enter into a formal agreement with Nexus in relation to this.

The procurement aims to ensure that implementation costs will be covered by the new supplier, as part of a transition process involving negotiation with the incumbent supplier and new

supplier (if different). Any anticipated costs resulting from obligations under the Authority's existing contract would be assessed as part of the preparation for implementation. Any costs incurred by the Authority would need to be met from existing budgets or a further report brought back to Cabinet for approval.

Of any revenue which may be raised through the process, it is anticipated that the proportion attributable to North Tyneside may be transferred to the Authority by Nexus directly or as a reduction in the NECA transport levy.

The cleaning and maintenance of non-commercial bus shelters will continue to be arranged by Nexus and would be funded either through the NECA transport levy, to which the Authority contributes, or from funds deducted from any rebate secured under the commercial bus shelters contract, which would enable a reduction in or partial refund of the NECA transport levy.

## **2.2 Legal**

The proposed procurement exercise would be administered by Nexus. Nexus is the Passenger Transport Executive of the North East Combined Authority and has a statutory responsibility to secure the provision of such public passenger transport services as NECA considers appropriate within Tyne and Wear. Nexus is accountable to NECA and its performance is monitored by NECA.

Nexus intend to procure under the Concession Contract Regulations 2016 and as such to issue an OJEU notice. The estimated concession value is dependent on the duration of the contract and is anticipated to be in the region of £21 million if a 10 year contract, or £30 million if a 15 year contract (based on the fact that the notional potential rebate of £700,000 across Tyne and Wear is calculated as being a one-third share on annual advertising revenue).

The Concession Contract Regulations 2016 states that where a concession contract lasts for more than 5 years, the maximum duration shall not exceed the time that a concessionaire could reasonably be expected to take to recoup the investments made in operating the service together with a return on invested capital. If Nexus proposes a 15 year contract they will provide a legal advice showing that this is in compliance with the Concession Contract Regulations 2016.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal Consultation**

Internal consultation has included the Deputy Mayor and Cabinet Member for Housing and Transport and a report to Senior Leadership Team.

### **2.3.2 External Consultation/Engagement**

External consultation is not required in respect of the proposed procurement exercise.

## **2.4 Human rights**

There are no human rights implications directly arising from this report.

## 2.5 Equalities and diversity

There are no adverse equality and diversity implications directly arising from this report. The project is managed through Nexus' internal Stage Gateway process and equality analysis takes place as part of this.

## 2.6 Risk management

The project is managed through Nexus' internal Stage Gateway process. As part of this, a project risk register is maintained by Nexus.

## 2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

## 2.8 Environment and sustainability

The replacement of existing 'commercial' bus shelters with new structures under the proposed arrangements will assist in making bus travel a more attractive option. By encouraging bus use as an alternative to car journeys, this will assist in reducing carbon emissions and air pollution.

## PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy