

10 October 2018		ITEM: 10 (Decision 110481)
Cabinet		
Bus Shelter Procurement		
Wards and communities affected: None	Key Decision: Key	
Report of: Councillor Aaron Watkins, Cabinet Member for Environment and Highways		
Accountable Assistant Director: Julie Nelder, Assistant Director Highways, Fleet and Logistics		
Accountable Director: Julie Rogers, Director of Environment & Highways		
This report is Public		

Executive Summary

The Council's current agreement for Bus Shelters is reaching end of life. The existing contract was originally for a term of 15 years, with the option to extend for up to 5 years; of which 2+2 years of extension have been agreed bringing the contract expiration to the 30 June 2019.

As such, the Council needs to undertake a procurement exercise to source a new provider of Bus Shelter units including maintenance and cleaning; as the majority of the existing Bus Shelter units are owned by the current provider and in principle would be removed post contract expiration.

Funding for this procurement has already been agreed under the capital budgets approved at February Council 2018, item 129 General Fund Budget Proposal.

1 Recommendation(s)

- 1.1 That Cabinet approves the procurement proposal for a new Bus Shelter contract.**
- 1.2 That Cabinet grants delegated authority for award of contract to the Director of Environment and Highways in conjunction with the portfolio holder.**

2. Introduction and Background

- 2.1 The current agreement for Bus Shelters and associated advertising is reaching end of life. This contract was originally signed for a 15 year term. With the option for up to 5 years extension, 2 years plus 2 years have been agreed, thus bringing the contract expiration to 30 June 2019 with further 1 year extension option acting as a contingency.
- 2.2 Under this agreement the existing provider owns 147 of the 170 shelters, and performs all cleaning and maintenance works on all 170 shelters; in return they also manage all advertising and retain all income from advertising. The nature of the current agreement does not allow the information on advertising revenue to be shared with the Council; therefore all future projections are best estimates based on general market knowledge.
- 2.3 Soft-market testing with main industry players and bus shelter manufacturers' in 2017 highlighted a lack of industry appetite for providing capital funding as part of a commercial agreement. Therefore, capital funding was applied for and agreed by Full Council February 2018 for replacement of the existing Bus Shelters.
- 2.4 As such, in working with Communications and Passenger Transport services, the approach taken has been to split this into 2 procurement streams:
 - Bus Shelters including maintenance and cleaning
 - Advertising
- 2.5 It should be noted that the Passenger Transport Team has no revenue funding for the maintenance of bus shelters; and that income from advertising would be used to fund this activity.
- 2.6 Of the current shelters, 50 have operational Real Time Information (RTI) displays for bus arrivals, of which 9 are the newer TFT display type and 41 are the traditional 3 line dot-matrix style. These are normally on locations which also support advertising; with these shelters being owned by the existing provider.

3. Issues, Options and Analysis of Options

3.1 Option 1 – Purchase existing shelters

- 3.1.1. Under the existing agreement, the Council could seek to acquire the existing shelter assets from the incumbent provider; but the incumbent could remove them for use on other contracts or for spare parts, and has taken this approach with other councils.
- 3.1.2 The acquisition option was discussed with the incumbent in Q1/17 who indicated an asset valuation of circa £3k per location – c. £440K in total. This

does not correctly reflect the assets' ages, conditions or depreciated values, or costs for the incumbent to remove and make good the locations.

- 3.1.3 Purchasing existing shelters would still require the Council to procure a new maintenance and cleaning agreement. And whilst having the maintenance and cleaning done by environment services may be feasible, it would not be recommended due to the specialist knowledge and access to parts required. The current shelters are aging and utilise older technology and upgrading to a new Real Time Information system and the cost of spares is likely to be prohibitive. Many of these older shelters will also need replacing in the next five year period.
- 3.1.4 Further, a marketing contract will still need to be procured, as marketing income would be required to cover the costs of maintenance, cleaning and repairs. However, due to the fact that the incumbent is not required to share any commercial information on income levels they are achieving; this point will only be able to be ascertained in full once Communications have decided how they wish the marketing activities to be run in the future.

3.2 Option 2- Purchase new shelters

- 3.2.1 New bus shelters would be procured, which would allow the Council to purchase modern high grade units, with long warranties periods (ideally 10 years) and life expectancy periods (25 year lifecycle). This would shift as much cost as possible into capital funding, and minimise revenue budget impacts.
- 3.2.2 During the replacement programme, under the existing agreement, the current contract requires the incumbent to agree a removal plan with the Council upon contract termination over a period up to 24 months. This will allow the shelters to be replaced on a phased basis.
- 3.2.3 Replacement units would also be able to take advantage of new technologies to improve the environmental impact they have for lighting, and light pollution. Through the use of modern LED lighting units, which can be motion triggered; along with the use of solar power units which could remove the need for utility connections and reduce operational revenue budget running costs.
- 3.2.4 Replacing existing units initially on a like-for-like basis would also allow the Council to profile the number of units, type and locations they are deployed at; to better meet the needs of the community.
- 3.2.5 Replacing the existing units would also allow marketing income opportunities to be reassessed; and units deployed with correct number of marketing panels to improve income streams, including consideration for more advanced electronic media formats.
- 3.2.6 This option would also allow the legacy Real Time Information (RTI) panels to be assessed and consideration for upgrading these to LCD units, which would

allow marketing messages and local council messages to be displayed along with bus information. The current RTI provider is also working with the Council to develop a marketing indicative income model, but initial indications point to the income potentially meeting the cost of ongoing servicing and maintenance.

3.2.7 Procurement of new bus shelters would enable the Council to implement updated units with a modern solution which will also support and integrate with emerging technologies; and can be upgraded to support items such as atmospheric measuring, CCTV, motion tracking, contactless device charging, solar lighting, solar energy production, digital advertising displays and interactive information panels.

3.2.8 Based on the above requirement the outline costs for the assets are based on:

- Bus Shelter acquisition, including the survey, preparation, installation (including utilities), commission and handover - £5k per bus shelter (maximum) for 170 locations
- Support for up to 10 additional locations to meet future expansion needs of the council
- Real Time Information Displays, relocation of existing units from existing shelters and installation into new units - £3,000 per RTI Display (estimated) for 50 locations
- Risk Contingency – as the Council does not have any true financial baseline for running this business area, a high risk margin of 20% is recommended for the capital project.

3.2.9 Total Budget Requirement

Budget for the procurement of assets has already been approved by Council in February 2018.

Item	Description	Unit Cost	Unit No.	Totals Costs
1	Bus Shelter units	£5,000	170	£850,000
2	Bus Shelter units	£5,000	10 Future needs support	£50,000
3	RTI Displays – Relocations	£3,000 Estimated	50	£150,000
Sub Total Capital Budget Requirement				£1,050,000
5	Risk Contingency	20%	All items	£210,000
Total Capital Budget Requirement				£1,260,000

Note that the Bus Shelter unit cost is an indicative maximum required for 15yr guaranteed, hi-grade and modular design bus shelters, based on the discussions held with bus shelter manufacturers. This cost excludes advanced option for solar energy lighting.

- 3.2.10 Additionally with this option, it will be necessary to procure a marketing contract to generate sufficient marketing income to cover the costs of maintenance, cleaning and repairs for the longer term. However, it is proposed that the initial procurement for the Bus Shelter contract includes cleaning and planned maintenance costs within the bus shelter unit price for the first 3 years; this will allow Communications sufficient time to decide on how and where marketing activity will be undertaken, and minimise any potential revenue cost implications to the Council.
- 3.2.11 Initial conversations held with JMW Systems (current RTI provider) has indicated that potential income should be in the region of £90k per annum, for the council assets based on the current number of advertising locations.
- 3.2.12 Further conversations have also been initiated with Community Asset Partners, to understand the potential income generation for all Council street assets; this activity is being led by Communications.
- 3.2.13 As the contract has been turnkey outsourced for 18 plus years, the impact of advertising costs versus operational running costs will only be able to be fully assessed once a new contract has been procured. As the Council does not have the historical information internally or access to the commercial model information of the current provider ClearChannel.

4. Reasons for Recommendation

- 4.1 The Council has two main options available, either to purchase the existing shelters requiring circa £440k funding or acquire new shelters which would also allow for evaluation of site locations, marketing income potential and use of newer energy efficient solutions.
- 4.2 In both cases, the Council will need to establish a separate new marketing agreement, to generate income from these locations. This is being addressed by Communications and would form a separate procurement activity.
- 4.3 The recommendation therefore, is to progress with the purchase of a new Bus Shelter contract for the following key reasons:
- a) Existing bus shelters are of varying age, condition and appearance; therefore purchasing them may still mean a proportion need replacing in the short term (under 5 years)
 - b) Existing bus shelters will require circa £440k capital funding for purchase from the incumbent (assuming incumbent would sell them, and not decide to remove them for use elsewhere); and would require the council to procure a separate maintenance and servicing agreement.
 - c) Purchasing new bus shelters would allow the Council to consider the use of more modern energy efficient solutions, such as solar lighting

- d) Purchasing new bus shelters would allow the Council to re-evaluate shelter locations and positioning to optimise the support for user needs.
- e) Purchasing new bus shelters would also allow evaluation of their marketing income potential, including the use of updated LCD RTI boards; to allow improved income generation from advertising.
- f) Purchasing new shelters would allow for capitalisation of costs, and minimise revenue pressures associated to maintenance and cleaning.

4.4 This is a supply and installation contract and therefore the value of the procurement exercise is above the EU threshold. The tender will therefore run in full compliance with the Public Contracts Regulations 2015 and advertised in the Official Journal for the European Union (OJEU).

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 This report was submitted to Planning, Transport and Regeneration Scrutiny Committee for their views prior to approval at Cabinet. Additional consultation is not applicable as this project relates to the renewal of existing street furniture assets and will not change the services or support provided by the Council to the residents and businesses.

6. Impact on corporate policies, priorities, performance and community impact

6.1 The renewal of the bus shelters will continue to support residents' and business users' use of local public transport services; by providing a safe, clean, maintained and well lit refuge area for users against environmental conditions.

This will also continue to enable service information to be provided to local public transport users, whilst also allowing the passenger transport service to assess the needs of each location.

In addition, this will also allow the potential for commercial marketing income generation to be assessed at each location; including the use of the specific locations for Council information and messages to be displayed.

7. Implications

7.1 Financial

Implications verified by: **Mark Terry**
Senior Financial Officer

The replacement of the assets is covered under capital funding already in place; in terms of the revenue funding necessary to support the ongoing

serving and maintenance this would form part of a separate procurement for Advertising on Council assets.

7.2 Legal

Implications verified by: **Afamefune Ajoh**
Legal Counsel

The Council are required to provide a suitable and safe environment for users of the public transport services. Updating the existing bus shelter assets should ensure that the council is meeting its legal responsibilities to provide a safe environment for users of public transport.

7.3 Diversity and Equality

Implications verified by: **Rebecca Price**
Community Development Officer

Bus shelters are necessary to support the equality needs of the Councils public transport users, by providing a safe, clean and well lit area of refuge from environmental conditions; which is especially relevant for those with mobility, sight and other health issues.

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

9. Appendices to the report

- None

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