

## **NORTH SOMERSET COUNCIL DECISION**

**DECISION OF:** COUNCILLOR DON DAVIS. LEADER OF THE COUNCIL

**IN CONSULTATION WITH:** THE DIRECTOR OF PLACE  
AND HEAD OF STRATEGIC PROCUREMENT



**DECISION NO:** 21/22 DP 222

**SUBJECT:** JOINT PROCUREMENT AND COMMISSIONING PLAN FOR BUS SHELTER  
ADVERTISING CONCESSION CONTRACT

**KEY DECISION:** YES

**REASON:** THE ESTIMATED TURNOVER VALUE IS ABOVE £500,000

### **Background:**

This procurement supports the council's corporate priority of A Thriving and Sustainable Place to drive growth in the North Somerset economy by offering a concession opportunity. It also supports that priority by ensuring the upkeep of street scene and local bus shelters, potentially encouraging investment in new infrastructure without the possible requirement to invest future council capital funding.

This procurement also supports the West of England's visions and objectives defined within the Joint Local Transport Plan 4 (JLTP4) and the new National Bus Strategy (Bus Back Better), which outline objectives to support sustainable and economic growth by managing and maintaining transport assets by delivering a comprehensive bus network and contributing to better health, wellbeing, safety and security by maximising service quality and the bus stop environment.

### **Decision:**

To approve the procurement and commissioning plan to proceed to tender

### **Reasons:**

#### **Introduction**

North Somerset council has promoted and supported the use of buses as a primary sustainable transport option reflecting the identified outcomes of past Joint Spatial Plans (JSP) and Joint Local Transport Plans (JLTP). The use of buses is recognised nationally and regionally as the most significant form of public transport catering for a high proportion of all public transport usage.

The ITU was established in January 2017 following the Total Transport Project. This project involved integrating the council's passenger transport services into one team, allowing existing resources to be allocated and co-ordinated more efficiently.

Within the ITU's remit falls the management of approximately 1,300 bus stops within the District, which includes 342 bus shelters. The establishment of a network of high quality

modern accessible bus shelters along key corridors helped to improve the confidence of patrons and the development of high frequency commercial services to key conurbations in North Somerset which continues to thrive a decade later, ultimately reducing the dependency on single car usage and the wider environmental and cost impacts to society.

A large proportion of the council's shelters were funded by central government grant funding and various initiatives, such as Local Transport Plan (LTP) and the Greater Bristol Bus Network (GBBN) major scheme which utilised capital investment, developer funding, and small-scale commercial concessions of high impact sites. Bus shelters have also been installed in new developments using section 106 contributions from developers.

The Council has an ongoing requirement to safely maintain the network of roadside infrastructure, which is entirely funded from revenue spend, except for 52 shelters supplemented with advertising panels that continue to be cleaned and maintained by Clear Channel UK as an interim arrangement which will cease 22 April 2022. The ITU currently have a revenue budget of under £8,000 to clean and maintain the remaining infrastructure with most of the work undertaken by the limited resources of the ITU.

The current estate of bus shelters requires cleaning and maintenance on a regular basis to ensure they are fit for purpose. This is already difficult to achieve with a limited budget and ambitions from the West of England will put further pressures on our budgets and resource. For example, JLTP4 aims to make public transport more attractive than the car and increase accessibility across the West of England and the Bus Back Better strategy actively encourages ambitious plans as part of an enhanced regional partnership. Success as a region means that we must be enterprising in our plans to support the region's growth and transport requirements over the next two decades.

A bus shelter advertising tender was carried out during 2018 but was not concluded as the market failed to deliver an affordable solution. Following that tender a revision of requirements has been undertaken and additional assets (11 advertising totems) have been included within the specification. Further to this, around 30 additional shelter locations have been identified previously that would make suitable advertising sites, although planning permission has lapsed and must be applied for again, and these will form an option to expand the number of advertising sites to maximise revenue opportunities.

The ITU has conducted soft market testing frequently over the last 36 months, as well as sought advice from comparable Local Authorities. The value of the franchise in North Somerset is not considered as highly attractive in comparison to areas such as neighbouring central Bristol, however there is sufficient interest and value to attract a modest revenue stream in key sites such as the main traffic corridors and the Weston-super-Mare conurbation: some of the industry leaders who previously submitted bids and remain interested in bidding for a franchise. The global Pandemic has hit the industry hard, it remains a risk that the lasting effects may reduce the value of our franchise offer further.

These amendments, together with the continued market engagement carried out by the client, are considered capable of delivering a solution that will reduce the council's overall budget requirement and has the potential to deliver a small income stream to the council.

The Executive at its meeting of 23 October 2019 approved the Commissioning Plan for Bus Shelter advertising, as detailed in attached Background Papers. However, the Covid-

19 pandemic disrupted the procurement process, and has subsequently necessitated a rethink of the original plans as a result of the adverse effects on the market. Additionally, the 2019 plan preceded the implementation of North Somerset Council's Town Centre Enhancement scheme, where existing shelters scattered around Weston-super-Mare Town Centre are to be replaced with a new Bus Interchange. As the works are now progressing, and scheduled for completion early 2022, the old shelters are being removed, and new ones ordered as part of the scheme. The new Bus Interchange offers a high-profile advertising location with new shelter infrastructure in place ready for the start of the new contract.

Therefore, it is the ITU's ambition to reduce the council's liability on the bus shelter estate by widening the remit of the bus shelter advertising concession contract to increase the number of bus shelters covered by the contract. There is also the potential to generate a revenue share for the council to reinvest in new bus shelters and other public transport related priorities, by asking suppliers to provide their proposals for a revenue share agreement or minimum revenue guarantee. The new bus shelter advertising concession contract will be procured through an open tender process supported by competitive dialogue.

### **Scope of contract**

Under the concession agreement in return for the advertising rights the concession holder will be responsible for the maintenance, repair and cleaning of all advertising shelters. Maintenance, repair and cleaning responsibility for non-advertising shelters will remain with the council.

With the agreement of the council the concession holder will be permitted to install new wayfinding totems and advertising bus shelters at existing, or new, North Somerset locations.

As part of the tender process bidders will be asked to provide a concession fee figure back to the council. It will be for bidders to determine the level of fee they will be able to bid back to the council.

The existing contract contains a range of goods and services that are prohibited for being advertised on the North Somerset sites. In accordance with Council motion (0.61 July 2021) this prohibited list will be extended to cover products that contribute to climate change and air pollution (see section on climate change below).

### **Duration**

It is proposed that the contract be offered with an initial term of 5 years, with the ability to allow for an additional 1 year.

### **Route to market**

The successful bidder will be expected to take on maintenance and cleansing responsibilities of the advertising shelters, and to offer a concession fee, in return for the advertising/sponsorship income that it can generate. The commercial risk will rest with the contractor.

The proposed structure and model of the contract means that the opportunity falls with the provision of the Concession Contracts Regulations 2016 (CCR). The estimated contractor's turnover is circa £800,000 based on an annual supplier's revenue stream of

£160,000 per annum, over 5 years. This value falls below the CCR threshold of £4.5 million above which the full requirements of the CCR apply.

Whilst, below the threshold limit, it is proposed that this concession is let in general compliance with the CCR's, which permit the council to design its own procurement process providing that it treats bidders equally, without discrimination and the process is transparent.

Overall, the client has a good understanding and expectation of the requirements of the specification. However, there are elements of the provision that cannot be fully determined at this time and will in part be dependent upon the commercial value that the bidders see in the opportunity. In order to gain a better understanding of the commercial value and the contribution it can play into the financial viability of maintaining the estate it would be beneficial to explore these with bidders during the tender period. The following tendering approach, and timeline is being proposed.

### Outline timeline

Stage	Details	Indicative timeline
Finalisation of contract documents		Late November
Publish tender documents	Potential bidders will be able to download the tender documents and start working on their submissions'	Mid December
Pre-submission Negotiation	All bidders given opportunity to meet with the council to discuss the opportunity and explore options, within the overall parameters of the contract.	Late December
Council publish any tender amendments	Following pre-submission dialogue, the council would have the flexibility to make adjustments to the overall requirements of the contract	Early January
Tender submissions and evaluation		Early February
Award contract or Open further Negotiation Stage	At this stage the council could decide to award the contract if submissions will deliver required solution.  However, the council will reserve the right to open a further negotiation stage, with up to the three highest scoring submissions.	Mid-February
<b>Optional further negotiation stage.</b>		

Council invites bidders to further negotiation stage		Mid-February
Further negotiation meetings	To fine tune council's overall requirements	Late February
Issue final tender documents		Early March
Final tender submissions and evaluation		Late March
Award Contract		Early April
Contract start		23 April 2022

The timescales are approximate and may need to be extended to reflect resource and progress made to market.

## Evaluation

The prime purpose of the contract is to reduce the council's maintenance and cleaning liabilities and to gain an income stream to the council to assist with the maintenance and cleaning of non-advertising shelters. Minimum cleaning and maintenance responsibilities will be specified within the tender documents, but it is expected that the contractor will exceed these in order to maximise the advertising potential from the sites. Consequently, it is proposed that more weighting is given to the price element and a 60 price/40 quality evaluation model is proposed.

Quality assessment will account for 40% of the evaluation weighting and will consider:

- Any added commercial value added by the bidders
- Scheme proposals and deliverability
- Proposals for meeting the minimum maintenance standards required
- In accordance with the council's priorities opportunity will be taken to secure social value and environmental contributions to the District.
- The bidder's approach towards working with the council to achieve our goal to become carbon neutral by 2030

## OPTIONS CONSIDERED:

### **Option 1 – Open tender to appoint a concessionaire to manage advertising, maintenance and cleaning with a revenue share agreement.**

This approach would mean tendering for a single supplier to manage, clean and maintain the advertising bus shelter estate.

Advertising is likely to be limited to the current 52 shelters supplemented with advertising panels, although the successful supplier would be encouraged to expand the number of advertising sites to maximise revenue opportunities. Around 30 additional shelter locations have been identified previously that would make suitable advertising sites, although planning permission has lapsed and must be applied for again.

The council also intends to include 11 additional concession sites currently occupied by backlit way finding maps in our highest footfall locations to further enhance the offer.

Risk is minimised as the concessionaire would be responsible for generating sales and revenue.

## Option 2 – Manage advertising, maintenance and cleaning concession in-house

This approach would mean the council is wholly responsible for all advertising sales and all cleaning and maintenance.

This approach relies on the council being able to sell enough advertising space to cover cleaning, maintenance and upgrade costs.

The council would have 100% responsibility to sell advertising space to generate revenue, therefore the risk would be greater.

The council will be responsible for all damages and repairs required within the network. If revenue falls, the council could be vulnerable.

### Recommendation:

The recommended option is to proceed with an open tender for a concessionaire to manage advertising, maintenance and cleaning with a revenue share agreement (option 1).

### FINANCIAL IMPLICATIONS:

The ITU are seeking a concessionaire to advertise on bus shelters in North Somerset, mitigating costs to the council through a reduction in overall maintenance and cleaning responsibility and the generation of an annual income stream.

There is a financial risk if liability for the upkeep of the entire bus shelter network rests wholly with the council. Bus shelters require cleaning and maintenance, and the concessionaire would take on the responsibility for high-profile advertising shelters, reducing our overall costs for the estate.

There are no direct costs as a result of this decision as the concession will be income generating.

### Costs

The following table demonstrates the annual costs to maintain the existing estate. The council aspires to cover some of these costs via the concession and any adjustments to the volume of the network;

Annual Revenue costs/Liability	High Frequency	Medium Frequency	Low Frequency	Total Costs
Cleaning	£7,524	£902	£1,221	£9,647
Maintenance	£57,000	£3,280	£3,330	£63,610
Rates	£1,000	£1,000	£0	£2,000
Power	£400	£100	£0	£500
Total	£65,924	£5,282	£4,551	£75,757

The council intends to include 11 additional concession sites currently occupied by backlit way finding maps in our highest footfall locations. The current wayfinding infrastructure is at the end of its useful life and the units are ideal for conversion to digital advertising units and tourist information combined units. By the very nature of the current sites and

infrastructure they lend themselves to a strong commercial offer whilst reducing our liability for replacement.

The re-letting of this contract will be undertaken in general compliance with The Concession Contracts Regulations 2016 with a view to attracting a reduced revenue budget to maintain the current estate, and the potential to generate a revenue share for the council.

## **Funding**

The council currently has a limited budget of under £8,000 per annum to maintain the existing network, which is reflective of maintaining the low and medium risk shelters, if we had to take on the high-profile shelters there would be a shortfall of over £65,000

The council will continue to explore opportunities to support the bus network through the new Bus Back Better strategy, grant funding and specific developer funding opportunities to mitigate this.

## **LEGAL POWERS AND IMPLICATIONS**

The council will be using a compliant process under the Concession Contracts Regulations 2016. The terms and conditions of the intended contract will be compiled/checked by legal services prior to the tender exercise.

## **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

In July 2021 North Somerset Council passed a motion to review and strengthen the councils Low Carbon Advertising Policies: [06.1 Motion - Low Carbon Advertising Policies.pdf \(moderngov.co.uk\)](#)

We are supportive of a move to restrict advertising for the following high carbon industries in addition to those already prohibited:

- petrol and diesel car advertising, particularly for the largest and most polluting cars such as Sports Utility Vehicles (SUVs)
- airline advertising for flights
- fossil fuel companies

The contract document will reflect this motion. As part of this procurement, the ITU will seek responses from creative and innovative businesses that have minimal impact on the environment and promote a more sustainable way of living and working. Suppliers will be required as part of the tender process to provide details on any renewable, sustainable or environmentally friendly products and processes used in the shelter maintenance and utilisation, and their waste and recycling policies, the council aspires to move to low environmental impact advertising media by default to reduce its climate impacts.

We are also investigating the availability of bus shelters with living rooves (low carbon/carbon offsetting) and what technology can offer by use of solar panels to supply power at bus shelters. We already have several solar lighting posts at some of our very rural stops, and shelter rooves offer a large surface area to capture solar energy which could be used to power a digital advertising screen (if not in total, then at least partially).

Through making improvements to bus shelter provision and prominence this may encourage more people to utilise bus services as an alternative to private motor vehicles.

## **CONSULTATION**

The ITU in conjunction with the council's Advertising and Sponsorship Manager undertook soft market testing, to understand the markets capabilities to meet the council's requirements. The consultation was carried out electronically and through meetings with bus shelter and advertising suppliers.

The chairman for PPSP (Cllr Crockford-Hawley) has been approached regarding scrutiny, and he has agreed that panel engagement is unnecessary for a relatively straightforward retender and is happy for the concession opportunity to proceed.

## **RISK MANAGEMENT**

The ITU identified the need for a new contract following a review of the estate and any associated contracts. To mitigate the emerging risks market testing has been carried out, to gain market intelligence on the value of our network. The opportunity will be advertised on Find a Tender, Contracts Finder and Supplying the South West.

The Covid-19 pandemic is presenting challenging economic and operational pressures across most businesses. The public are currently being advised to only use public transport if necessary. Decline in traveller numbers, increased business uncertainty and financial pressures and changing business models could all have adverse effects on advertising budgets and markets. This contract relies on the operator being able to generate enough revenue through advertising to finance the operational costs of the contract.

Through the negotiation stages opportunity will be taken to ensure bidders understand the requirements of this concession opportunity. Opportunity will be taken to discuss financial modelling and the best allocation of service delivery risk to help ensure a sustainable and viable commercial opportunity.

## **EQUALITY IMPLICATIONS**

Have you undertaken an Equality Impact Assessment? No

Equality implications will be managed by the tender specification ensuring all shelters and advertising units will be compliant with any applicable regulations.

## **CORPORATE IMPLICATIONS**

The bus shelter advertising contract will be managed by the Integrated Transport Unit Manager and resources within the ITU.

## **APPENDICES**

None

## **BACKGROUND PAPERS**

- Commissioning Plan. Executive 23 October 2019
- Bus shelter advertising concession 2018 (not awarded)
- Motion – Low Carbon Advertising Policies July 2021



SIGNATORIES:

DECISION MAKER(S):


Signed:  Leader of the Council

Date: 7 January 2022

IN CONSULTATION WITH:

Signed:  Director of Place

Date: 17 December 2021

Signed:  Head of Strategic Procurement

Date: 17 December 2021