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**Report to:** Transport Committee  
**Date:** 7 July 2017  
**Subject:** Bus Service Contract Management Issues

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## **1 Purpose**

- 1.1 To advise the Transport Committee of issues arising from recent closure of several bus operators.

## **2 Information**

- 2.1 WYCA manages contracts with bus service providers to a total value of £26m (including those commissioned for Education Authorities). The contractors range from major bus companies such as First and Arriva to a range of small and medium sized enterprises (SMEs). Most of these contracts operate successfully. Terms and conditions of contract aim to ensure the services procured operate safely and in accordance with the specification set. WYCA has a contract compliance regime which monitors service delivery and takes such action as is necessary to safeguard passengers and deliver value for money. Procurement processes are in place to ensure operators have the capacity and capability to deliver the service.
- 2.2 Nevertheless there are circumstances where transport operators' businesses fail giving consequences for the Authority. This report sets out the consequences for WYCA of the closure of three bus operators in recent times.

### Company A

- 2.3 Company A were contracted to provide a range of school bus services mostly in the Leeds area. The company also operated a large number of school bus services on a commercial basis accepting passes issued for travel by WYCA together with a small number of local bus services. The company went into receivership in September 2015.
- 2.4 Earlier in 2015, Company A had reported difficulties to WYCA which would have resulted in the immediate withdrawal of key school services during the exam period. WYCA made arrangements to fund the hire of vehicles until the end of term recovering these costs from payments to contracts held by Company A in the following academic year. At the start of the 15/16 academic year, WYCA made advance payments to all bus operators for the travel of school pupils using free bus passes during the coming term. By going out of business in September 2015, these payments could not be recovered from Company A necessitating debts of £122,953

to be written off in the Authority's accounts. Representations to recover these debts were made to the Administrators however this proved unsuccessful.

#### Company B

- 2.5 Company B was a local bus company which had grown quickly over the previous five years and had provided very competitive tenders for contracts with WYCA throughout West Yorkshire. The company unexpectedly ceased trading with immediate effect in October 2016. At the time the company went out of business, there were outstanding invoices issued to Company B for departure charges and roadside information to the value of £6,707. The administrators were notified of these debts. Representations were made to the Administrators for recovery of these costs however these were unsuccessful.

#### Company C

- 2.6 Company C carried out a range of WYCA contracts mostly in the Wakefield and Kirklees areas. The company unexpectedly went into liquidation in February 2016. There were no outstanding debts however there were significant additional costs arising from the need to commission alternative operators to maintain services at short notice. These additional costs were reduced over time following a full procurement process.

#### Company D

- 2.7 Company D was a local bus company which operated mostly commercial local bus and school services in the Wakefield area. The company operated several services under contract with WYCA. The Traffic Commissioner is the bus service regulator with the power to issue and withdraw operating licences. Following a public inquiry to address issues regarding the company's performance in maintaining its vehicles, its licence was revoked with effect from 29 April 2017. Following receipt of the Traffic Commissioner's judgement, WYCA cancelled its contracts with Company D. There are no outstanding debts.

#### Review

- 2.8 Approximately half of WYCA's spending on local and school bus service contracts is with SME companies. This proportion has increased in the last five years bringing the benefits of increased competition for tenders contributing to a reduction in public expenditure and supporting business growth. It does however carry greater risks when business failure occurs.
- 2.9 An internal audit review has been held investigating the circumstances around Company A and B. This has highlighted the need for more due diligence before a transport contract is awarded and for periodic financial health checks of operators during the life of contracts. Procedures following company liquidation will also be strengthened.
- 2.10 The Vehicle Standards Agency is the agency established by Government to monitor vehicle safety and to report to the regulator. The Agency undertake periodic and random inspections of vehicles and operating procedures. For its own contractual

purposes, WYCA commissions vehicle inspections using the Freight Transport Association. Whilst these did not identify any major concerns regarding Company D, steps were taken to suspend contracts as soon as the Agencies findings to the Traffic Commissioner were made available to WYCA.

### **3 Financial Implications**

- 3.1 The debts with regard to companies A and B have been written off in the Authority's accounts.

### **4 Legal Implications**

- 4.1 Actions taken in response to the closure of all four companies were taken in accordance with the Transport Acts and secondary legislation and guidance concerning bus service procurement.

### **5 Staffing Implications**

- 5.1 None as a result of this report.

### **6 External Consultees**

- 6.1 None.

### **7 Recommendations**

- 7.1 That the Transport Committee note the issues emerging from the closure of bus service contractors set out in this report together with the actions taken to reduce this risk in future.

### **8 Background Documents**

- 8.1 Internal audit report 2016/17 Debtors.