



Transport & Infrastructure Committee		Agenda Item
13th September 2023		14
Title:	ITSO approved Contracts for English National Concessionary Travel Scheme (ENCTS)	
Report of:	Bess Sayers, Public Transport Business Manager	
Lead Member:	Cllr Anna Smith, Chair of Transport and Infrastructure Committee	
Public Report:	Yes	
Key Decision:	KD2023/027	
Voting Arrangements:	A simple majority of voting Members	

Recommendations:

A	To note the evaluation in the appendix to this report and recommend to the CPCA Board that the HOPS (Host Operator Processing System) and Smartcard Services continue to be outsourced; and
B	To recommend to the Combined Authority Board to delegate authority to the Interim Head of Transport, or any subsequent permanent postholder, in consultation with the Chief Finance Officer and Monitoring Officer, to: <ul style="list-style-type: none">a) approve the procurement of replacement HOPS and Smartcard services through an Integrated Transport Smartcard Organisation (ITSO) approved framework for a period of 5 years to commence on 1 April 2024;b) award a contract or contracts for HOPS and Smartcard Services following the procurement via a framework; andc) enter into and execute the contract or contracts for HOPS and Smartcard Services.
C	To note that officers will continue to investigate ticketing schemes for non-ENCTS residents as a separate project in 2024/25.

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):	
1	Increased connectivity: The ENCTS encourages the use of public transport and so contributes to ridership, making routes more viable and supports the connectivity agenda. The Combined Authority Public Transport is currently supporting the Department for Transport (DfT) initiative to encourage passholders back onto buses post covid, which saw ridership amongst this group fall.
2	Enabling resilient communities: The purpose of the ENCTS is to provide eligible residents with a bus pass enabling people who are often in the more vulnerable and disadvantaged groups to access essential services such as medical appointments and shopping and social and leisure activities and so avoid social isolation. Passholders are given independence and so may be less reliant on other social and support services.

1. Purpose

- | | |
|-----|---|
| 1.1 | <p>The Combined Authority is the Travel Concession Authority (TCA) acting on behalf of the Department for Transport (DfT) for the purposes of administering the Statutory English National Concessionary Travel Scheme (ENCTS) for Cambridgeshire and Peterborough residents. This scheme provides concessionary travel passes (bus pass) to eligible older and disabled residents allowing them off-peak travel on scheduled bus services. The rules for eligibility and guidance relating to how TCAs operate the scheme are set by the DfT.</p> <p>TCAs are prohibited by DfT legislation from extending the ENCTS scheme to offer benefits to people who do not qualify under one of the DfT criteria. Any other travel initiatives must be developed separately under different schemes and branding as the TCA's own scheme.</p> <p>Within the DfT's rules is a requirement for a HOPS and a card bureau to print smart enabled passes and specifies that all TCAs and suppliers of support services to them for the purposes of the ENCTS must be accredited by its appointed standards body, Integrated Transport Smartcard Organisation (ITSO). The ITSO oversees the development of the specification for smart ticketing including how the data is used and stored.</p> <p>The HOPS registers card usage using a POST (smartcard reader system) on the bus. The purpose of this smart tracking system is primarily to prevent fraudulent use of the scheme and to enable auditing of operator reimbursement claims. It also enables TCAs to track vulnerable individuals in cooperation with police should the situation arise. The HOPS must be provided by an organisation that has ITSO accreditation: as of authoring this paper, only three suppliers are accredited due to the onerous nature of meeting the standards and technical requirements.</p> <p>The design and technical specification of the cards is set by the DfT, which includes that of the chip programming being of tamper-proof quality and the inclusion of the scheme's rose logo and hologram. Cards must be stored and processed in a secure environment.</p> |
| 1.2 | <p>The budget for HOPS and Smartcard provision transferred to the Combined Authority upon TUPE of the services. This is a statutory function, and these services are required by DfT legislation. Based on the current 12-month framework agreement a 5-year contract is estimated to cost £550k considering price increases in raw materials such as silicon chips and plastic.</p> <p>The current budget for 23/24 is £106,441. With the current budgeted 2% increase in the Levy funded budget each year the total budget over 5 years is £554k so it is anticipated to cover the costs. The budget is part of the concessionary fares budget approved in the current MTFP.</p> <p>There are several proposed changes to the scheme that are worth noting that are likely to impact on the ENCTS budget going forward. The UTG (Urban Transport Group) has confirmed that as part of the national scheme policy review it is likely that the reimbursement formula will be changed with more funding going to the operator and a reduction in that received by the Local Transport Authority. In addition, the scheme is likely to be changed to remove the 0930hrs limit (start time). This could create significant issues with a number of pass users (non-paying) using the peak services to access work and education and taking the place of paying customers.</p> |
| 1.3 | <p>A paper was submitted to the Transport and Infrastructure Committee in July for noting and a request was made to evaluate whether the ENCTS service could be bought in-house, and whether the scheme could be extended to other groups outside of the ENCTS criteria set by DfT.</p> |

2. Proposal

2.1	<p>To replace the current ITSO accredited contracts that underpin the ENCTS service. The usual period of contract for this type of service is up to 5 years due to the development to integrate supplier services with the application and customer relations management systems and comply with DfT requirements to provide an efficient, seamless and General Data Protection Regulation (GDPR) compliant process.</p> <p>The budget is part of the concessionary fares budget approved in the current MTFP.</p>
2.2	<p>The ENCTS is statutory and enables the Combined Authority to fulfil its role as a TCA by providing eligible residents with a bus pass. This enables people who are often in the more vulnerable and disadvantaged groups to access essential services such as medical appointments and shopping and social and leisure activities and so avoid social isolation. Passholders are given independence and so may be less reliant on other social and support services. This is the purpose of the ENCTS scheme.</p> <p>When the ENCTS was centralised from districts in 2011, Peterborough City Council (PCC) and Cambridgeshire County Council (CCC) obtained a budget to procure the required support services. This budget was increased when a new contract was obtained and transferred to the Combined Authority as part of the TUPE of the two separate services.</p> <p>The ENCTS encourages the use of public transport and so contributes to ridership making routes more viable and supports the connectivity agenda.</p>

3. Background

3.1	<p>Prior to April 2021 the running of the ENCTS was delegated to the Public Transport Services at CCC and PCC who ran the scheme in the respective areas.</p> <p>In 2011 when most TCAs chose to contract out the CRM, customer support and application services, CCC's Public Transport Service chose to develop these in-house, thus benefitting from economies of shared corporate systems and ICT support. This facilitated the development of a compliant and responsive system that could be modified as required due to changes in legislation or in response to stakeholder feedback.</p> <p>In 2019, CCC's Public Transport Service took the lead for the second time, in procuring a framework agreement that included Peterborough and Northamptonshire for HOPS and Smartcard services that complied with DfT and ITSO requirements. The volume of ENCTS cards was small and to obtain best value and economies of scale, the framework was opened to include ENCTS and Home to School Services at Peterborough and Northamptonshire and Home to School, Community Transport Driver Data and Barring Service ID badges and staff ID badges at Cambridgeshire County.</p> <p>Since this framework was procured several larger ITSO approved, tendered frameworks have become available that Local Authorities and TCAs can join. These achieved the economies of scale that the <i>County Framework</i> endeavoured to achieve and have already been competitively tendered.</p> <p>In 2021 the executive function for the ENCTS transferred to the Combined Authority along with other public transport functions when staff from the two councils were TUPEd across. The Executive function includes setting policy, ensuring that all systems meet legislative requirements, monitoring of customer service levels, reviewing and redesigning the service in response to stakeholder feedback and changes to legislation, assessing difficult applications, appeals, complaints, review of reimbursement arrangements in line with DfT guidance, reimbursement setting and reimbursing operators and contract management of support services. The Combined Authority is one of the few TCAs who have retained the reimbursement setting process in-house as the majority use consultants.</p>
-----	---

ENCTS services for Cambridgeshire and Peterborough were TUPEd to the Combined Authority in 2021 along with other parts of public transport including Community Transport. A project began on 2022 to combine the two separate ENCTS processes under the existing process and service level agreement with CCC.

This was considered appropriate because the volume of Peterborough passholders is around a third of the volume of that of Cambridgeshire ones and Peterborough application and CRM functions were being provided by a commercial company. The Cambridgeshire ENCTS processes were considered more compliant with both DfT rules and with General Data Protection Regulations and wider services such as telephone and library applications could be offered to Peterborough residents for the first time.

Being part of CCC's Call Centre that has links to Adult and Children's support services, advisors are also trained to provide welfare information and support. Due to automation and links established between Cambridgeshire's internal systems and the HOPS and Smartcard providers the time waited by successful applicants to receive their pass has reduced to within 5 days of applying depending on the postal system.

This project delivered in February 2023 and the current combined volumes are shown below:

- 160k passholder records are held on CRM.
- 39k applications (new, renewal and replacement) per year.
- 1,000 phone contacts of various types including phone applications per month.
- 5,000 other contacts such as emailed evidence.
- 100 pieces of incoming post a month via County Council post room, usually proof documents, or photographs (scanned and entered into the CRM record).
- 2,000 passes (average as every 4 years there is a higher renewal volume for 18-months coinciding with the start of the scheme) produced a month.
- 6% of applications are under disability and are evaluated by a trained advisor. Intervention is required in age related application only where incorrect evidence is provided.
- 60% of Cambridgeshire applications were made online either as self-serve or assisted in a library or by a volunteer scheme.
- 40% of applicants are unable to apply online or in a library and are assisted by a telephone advisors assist applicants who also answer queries about the scheme and provide quality control of photographs.
- This ratio is likely to change as it has been found in the first few months that proportionally more Peterborough residents apply under learning and other disabilities and are also less likely to be IT literate or have access to ICT equipment. This has led to more phone assisted and library assisted applications. This will be reviewed later in the year when more data is available, to evaluate the impact.

The Data and Barring Service for Community Transport volunteer drivers also transferred to the Combined Authority. Each pass is valid for a period of 3 years, and the annual volume is negligible.

CCC are currently leading a project with the Combined Authority's Public Transport team to upgrade to an even more flexible and up to date platform for the ENCTS service. They have recommended that the Combined Authority maintain the same suppliers of ITSO Services as the extra development of new integrations introduces unnecessary risk and delays into the project. This project is expected to deliver in 2024/25.

The *County Framework* contract expired on 31 March 2023 and to ensure service continuity, with Transport and Infrastructure Committee agreement the Combined Authority obtained a 12-month contract with the existing suppliers through one of these for the ENCTS and DBS schemes, The West Midland 'Swiftcard' framework which ends on 31 March 2024. Under the existing contract the arrangements can be extended for a further 12 months from 1 April 2024. It is preferred not to extend

	<p>the contract if possible due to ongoing price increases in the market for raw materials such as silicon chips and plastic.</p> <p>Northamptonshire has now split into two Unitary Authorities that have separately utilised the same framework for its services. Cambridgeshire County Council has moved to in-house printing of staff passes and Home to School Services for Cambridgeshire and Peterborough and the two Northamptonshire Unitaries have obtained their own contract through the same framework as the Combined Authority.</p>
3.2	<p>DfT legislation and guidance to TCAs in relation to how to deliver the ENCTS has been used in developing this proposal and it has been done in conjunction with the Interim Head of Transport, with advice from the Legal and Procurement Teams.</p>
3.3	<p>Alternative options would be to:</p> <p><u>Deliver the services in-house</u></p> <p>An evaluation was carried out during July and August 2023 and is outlined within the appendices to this report.</p> <p>A request for information about the practices of other TCAs identified only one that prints and posts cards on site, but the service is not truly in-house as equipment, software and the hardware and software support is provided by a third-party accredited contractor.</p> <p>ITSO have confirmed that no TCA is accredited to provide its own HOPS.</p> <p>Some TCAs such as the Northamptonshire Unitary Authorities, use a third-party contractor to provide online application and CRM services, some use their own CRM with a contracted application service, and a few provide both in-house.</p> <p>It was not possible to fully cost all elements related to purchasing equipment and machinery, software, and software development for a HOPS, CRM, secure Smartcard bureau set up, production and maintenance costs without doing a full soft market testing exercise. This was not carried out as it became clear from estimated costings for known items that to offer the same quality of service as at present would require significant monetary and time investment and extensive ICT development.</p> <p>To provide the services in-house the TCA would require such functions as an operational, staffed, and equipped call centre and a staffed post room both with premises. Smartermail or similar software to automatically generate and post letters and MDF and franking equipment, with link to CRM would be required. In addition, the Combined Authority does not have an in-house Information and Communication Technology service, therefore all software development and accreditation would be via the current external contractor who could not support and maintain any hardware obtained.</p> <p>Software development requirements are not limited to ITSO services to provide the same level of service and quality of customer journey. The current system has a linked GIS reducing the need for applicants to provide identity and proof of address documentation, and an online payments system to reduce cheque processing of payments for lost and broken cards (under the scheme the first card is provided free and subsequent cards unless stolen or faulty are charged at cost).</p> <p>Links would also be needed between the HOPS, Smartcard production, the CRM, and a system that could automatically generate and post standard letters.</p> <p>In-house costings have been compared with the total current costs to run ENCTS which includes ICT support provided by CCC that is part of a Service Level Agreement for services to the whole of Public Transport and does not come from the ENCTS budget. Only the support costs from this SLA relevant to ENCTS has been included.</p>

Tender

The Combined Authority's requirement for ENCTS and DBS volume-wise is low. This was the reason that Cambridgeshire led the procurement of its own wider framework during 2018/19 to include partners and other services to obtain better value. This cannot be repeated with previous partners who have now made other long arrangements.

Most TCAs and other services with ITSO requirements now utilise existing frameworks. This is partly because of best value, partly because the list of ITSO accredited suppliers is limited. Based on previous experience, procuring to the DfT/ITSO technical specifications is a long, complex, and costly process that requires input from several other services.

The market is limited. There were four accredited suppliers of HOPS when the paper was submitted in June. Two of these have now merged under the Combined Authority's current supplier.

The current suppliers have previously been awarded twice on open tender based on 60%-40% cost/quality criteria.

Going forward, as a matter of course and where appropriate, the Combined Authority will undertake an options appraisal regarding the delivery of services across directorates including the potential to deliver some services in-house.

4. Appendices

4.1 Appendix 1: Relationship map of current service.

EXEMPT Appendix 2: Cost benefit analysis of in-house vs. current provision (commercially sensitive).

5. Implications

Financial Implications

5.1 In-house costings have been compared with the total current costs to run ENCTS which includes ICT support provided by CCC that is part of a Service Level Agreement for services to the whole of Public Transport and does not come from the ENCTS budget. Only the support costs from this SLA relevant to ENCTS has been included.

The budget for HOPS and Smartcard provision transferred to the Combined Authority upon TUPE of the services. This is a statutory function, and these services are required by DfT legislation. The budget for the provision of these services is part of the concessionary fares' allocation in the MTFP, and assuming continuation of the current 2% increase into the 5-year budget for the 5-year period would be £554k.

Based on the current 12-month framework agreement a 5-year contract is estimated to cost in the region of £550k considering price increases in raw materials such as silicon chips and plastic.

Because of ongoing increases in price of raw materials it is preferred to enter a longer contract rather than use the extension available in the current contract.

It is worth noting that as part of the national scheme policy review it is likely that the reimbursement formula will be changed with more funding going to the operator and a reduction in that received by the Local Transport Authority. In addition, the scheme is likely to be changed to remove the 0930hrs

	limit (start time). This could create significant issues with a number of pass users (non-paying) using the peak services to access work and education and taking the place of paying customers.
Legal Implications	
6.1	The estimated value of the proposed contract(s) is in excess of the procurement threshold for services under the Public Contracts Regulations 2015 (PCR 2015). The PCR 2015 permits the use of framework agreements to procure services. The specific framework selected by officers will need to be checked for suitability and compliance and to ensure that it is permissible for the Combined Authority to use it. The Combined Authority will need to comply with the call-off procedures set out in the framework.
Public Health Implications	
7.1	N/A
Environmental & Climate Change Implications	
8.1	N/A
Other Significant Implications	
9.1	N/A
Background Papers	
10.1	N/A