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JOINT GROWTH & PROSPERITY AND SUPPORT SERVICES TASK AND FINISH GROUP

DATE: THURSDAY 29 OCTOBER 2009
TIME: 2.30 PM
PLACE: COUNCIL HOUSE, PLYMOUTH CITY COUNCIL

Committee Members–
Councillor Coker, Chair
Councillor James, Vice Chair
Councillors Ball, Lowry, Roberts and Wheeler

Substitutes–:
Any Member other than a Member of the Cabinet may act as a substitute member provided that they do not have a personal and prejudicial interest in the matter under review.

Members are invited to attend the above meeting to consider the items of business overleaf.

Members and Officers are requested to sign the attendance list at the meeting.

BARRY KEEL
CHIEF EXECUTIVE

JOINT GROWTH & PROSPERITY AND SUPPORT SERVICES TASK AND FINISH GROUP

1. APOLOGIES

To receive apologies for non-attendance submitted by task and finish group Members.

2. DECLARATIONS OF INTEREST

Members will be asked to make any declarations of interest in respect of items on this agenda.

3. MINUTES

(Pages 1 - 4)

To confirm the minutes of the meeting held on 1 October 2009.

4. CHAIR'S URGENT BUSINESS

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

5. MONITORING OF PLYMOUTH CITYBUS LIMITED SHAREHOLDING PROJECT

(Pages 5 - 8)

The Director for Corporate Support will submit a report regarding the monitoring of Plymouth Citybus Limited Shareholding Project.

6. EXEMPT BUSINESS

To consider passing a resolution under Section 100A (4) of the Local Government Act 1972 to exclude the press and public from the meeting for the following item(s) of business on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in paragraph(s) of Part 1 of Schedule 12A of the Act, as amended by the Freedom of Information Act 2000.

PART II (PRIVATE MEETING)

AGENDA

MEMBERS OF THE PUBLIC TO NOTE

that, under the law, the Overview and Scrutiny Task and Finish Group is entitled to consider certain items in private. Members of the public will be asked to leave the meeting when such items are discussed.

NIL.

Joint Growth & Prosperity and Support Services Task and Finish Group

Thursday 1 October 2009

PRESENT:

Councillor Coker, in the Chair.
Councillor James, Vice Chair.
Councillors Ball, Lowry, Roberts and Wheeler.

Also in attendance: Councillor Mrs Pengelly, the Director for Corporate Support and the Project Manager.

The meeting started at 2.30 pm and finished at 3.35 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

1. DECLARATIONS OF INTEREST

There were no declarations of interest in accordance with the code of conduct.

2. CHAIR'S URGENT BUSINESS

There were no items of Chair's urgent business.

3. MONITORING OF PLYMOUTH CITYBUS LIMITED SHAREHOLDING PROJECT

The Panel was informed that –

- (i) the Cabinet met on 2 June 2009 and set up the Project Board Panel which consisted of the Leader of the Council, Councillor Bowyer, Councillor Fry, the Director for Corporate Support, the Project Manager and the acting Assistant Director for Transport. Prior to the first meeting of the Project Board on 3 July 2009, Councillor Bowyer withdrew his Panel membership due to an interest;
- (ii) the Project Board met on 3 July 2009 and formed a pre qualification questionnaire; several external advisors were approached, namely KPMG, Bevan Brittan, Hoe Consultants and Deloitte;
- (iii) the Project Board met for the second time on 31 July 2009 in order to shortlist bidders; 11 applications of interest were received and 10 bidders were invited to bid;
- (iv) on 6 September 2009 the Chief Executive and the Project Manager visited the Plymouth Citybus depot and gave a presentation to approximately 150 members of staff and union representatives; both the Chief Executive and the Project Manager were also available to answer questions;
- (v) the Project Board Panel met on 17 September 2009 and received a copy of bids received for Plymouth Citybus shares in which several bids were in excess of £10m;
- (vi) the Plymouth Citybus limited shareholding project was currently due to enter stage 2;
- (vii) bids would be resubmitted by 21 October 2009;

In response to questions raised it was reported that –

- (viii) legal safeguards were already in place to protect Council probity as approved advisors were selected in order to give advice to the Project Board Panel;
- (ix) the Council were not compromised when 'First Group' withdrew all interest in making a bid for Plymouth Citybus, as information contained in the documentation provided was not highly sensitive; it was highlighted that 'First Group' confirmed in writing that they had not read the bid document;
- (x) in order to learn from other Councils, the Project Board had consulted with several authorities that had previously completed the process of tendering and selling off local council bus companies;
- (xi) the current process of inviting bids was the most effective way of testing the market for the true value of Plymouth Citybus;
- (xii) a possible explanation for 'First Group' having returned the bid documents originally requested, without having made a submission, might have been attributed to the recent ruling from the Office of Fair Trading which would probably not allow 'First Group' to have a near monopoly over Plymouth bus services;
- (xiii) if Plymouth Citybus was to be sold, it would be sold as a working bus company, for the process being formed was that of a potential sale rather than letting a contract;
- (xiv) the sale of Chesterbus was not used as a significant benchmark as officers felt that the circumstances were very different;
- (xv) the bid submission process was 5 weeks long and officers considered this sufficient time for bid submissions to be tendered;
- (xvi) the costs for delivering the project were divided between such resources as legal fees, technical advisors, financial advisors and internal costs and support;
- (xvii) the Leader, the Director for Corporate Support and the Project Manager had every confidence in the Project Board and were convinced the process had been followed properly;
- (xviii) the Project Board would have one week to assess the resubmitted bids;
- (xix) the majority of information provided to interested parties in the bid documentation contained information that was publically available from different sources; it was emphasized that the profitability of Citybus routes was not provided;
- (xx) it was not necessary to advertise the potential sale of Plymouth Citybus Ltd in the European Journal as that process is for the tendering of services;
- (xxi) the contractual obligations of the current employers for Citybus, unions and pension schemes would remain the same if any shares in Citybus were to be sold;
- (xxii) there was a possibility that savings could be made delivering the project however it was emphasized that costs would be incurred in order to achieve a positive result;

The following concerns were raised by Members of the Panel –

- (xxiii) that the Cabinet report provided to the Panel could be judged as biased as it implied that the reasonable course of action would be to dispose of shares in Plymouth

Citybus Ltd;

- (xxiv) that the scope of the brief was too limited as the Panel were scrutinizing the process of the report, other than how the process came to be implemented;
- (xxv) that the Chesterbus example should have been focused upon more closely in the report and in future decisions as it was considered that some Council's potentially faced similar issues to those presumably faced by Chester Council;

It was resolved that –

- (1) the Task and Finish Group note the report and progress made to date;
- (2) a further report be provided to the Task and Finish Group on 29 October 2009, subject to change with the agreement of the Chair and Vice Chair.

4. **EXEMPT BUSINESS**

There were no items of exempt business.

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CITY OF PLYMOUTH

Subject: Plymouth CityBus Limited Shareholding
Committee: Joint Growth & Prosperity and Support
Services Overview and Scrutiny Panel
Date: 29 October 2009
Cabinet Member: Councillor Mrs Pengelly
CMT Member: Director for Corporate Support
Author: John Cremins
Contact: Tel: 01752 304029
e-mail: john.cremins@plymouth.gov.uk
Ref:
Part: I

1. Introduction

On 2nd June 2009 the Cabinet resolved that –

- Authority is given to seek, and negotiate proposed terms with, potential purchasers of shares in Plymouth CityBus subject to full Council approval of any final recommendation for sale
- This matter is referred to the Overview and Scrutiny Commission.

The project was placed on the Resources & Performance overview and scrutiny panel for the 10th June. This scrutinized the allocation of funds from the TCP Reserve to the project.

Overview and Scrutiny Commission considered the item on the 11th June and recommended that “the progress of the project be monitored by the Growth and Prosperity Overview and Scrutiny Panel who could consider inviting the Chair and Vice Chair of the Support Services Overview and Scrutiny Panel”

The 2nd June Cabinet decision was then called-in under our procedures and that call-in was considered at the Overview & Scrutiny Commission on the 24th June. The recommendation from the Commission was that the Cabinet decision should not be referred back.

2. Task & Finish Group

On 2nd September 2009 the Overview and Scrutiny Management Board approved the PID regarding monitoring of ‘Plymouth CityBus Limited Shareholding project’ a copy of which is attached to this report. The Aim is to

ensure that the process set out in the original decision is adhered to (2/6/09 Cabinet).

3. Process

3.1 Process to date

The project is divided into three distinct phases which can be summarised as follows:

	Planned From	To	Actual/ <i>Projected</i>	
-	02/06/2009		02/06/2009	Cabinet authority to proceed
1	30/06/2009	01/09/2009	11/09/2009	Advertise for interest in acquiring shares and invite bids. Initial assessment of bids.
2	11/09/2009	27/10/2009	27/10/2009	Stage 1 review. Negotiate and invite final bids. Receive final bids
3	27/10/2009	30/11/2009		Stage 2 review. Negotiate and make recommendations
-	30/11/2009			Presentation of report and recommendations to full Council

At the time of writing (20th October) it is not possible to confirm achieving the end stage point of 27th October. As previously reported bids were submitted by the 11th September 2009 from five bidders. Subsequently bidders were invited to submit second stage bids, and those bids are due to be received on the 22nd October.

3.2 Second stage bids

Second stage bidders were provided with access to a data room and two vendor due diligence reports, prepared by independent legal and financial advisers. The bidders had previously signed agreements that ensure that the information provided remains confidential. The financial due diligence report gave a business and market overview with detailed information on assets, cash flows, projections, taxation and pensions. The legal due diligence reports provided information on the contracts entered into together with the assets and liabilities of the company. Together these reports were comprehensive. The electronic data room provided further details about the company.

During this stage a number of meetings were arranged between the bidding companies and the management team of Plymouth CityBus. Additionally bidding companies had the opportunity to visit the main Milehouse site and had discussions with the project team.

The deadline for the return of second stage bids was to be the 21st October

2009, but at the bidders request this was extended to the 22nd October.

3.3 Competition in Plymouth

Currently operating in the bus market in Plymouth there are two main providers with some other limited competition. The principal providers are Plymouth CityBus and First Group, who between them have approximately 98% of the market. Target Travel, Stagecoach and Western Greyhound are operating a small number of services in the city. Target Travel has recently increased the number of subsidised service routes that it is contracted on but it is not anticipated that this will have a significant impact on the aggregate 98% market share of Plymouth CityBus and First Group.

As previously noted the Office of Fair Trading is referring the operation of the national bus market (excluding London and Northern Ireland) to the Competition Commission which will then conduct a detailed public investigation. It is expected that the enquiry will take 18 months to conclude i.e. summer 2011.

First Devon & Cornwall commenced new services on routes historically operated by Plymouth CityBus on Sunday 11th October. Plymouth CityBus started a new service to Plymstock and increased frequencies on their Ernesettle and Saltash services.

3.4 Public Interest

Since the last report to Scrutiny on the 1st October there has been an adjournment debate in the House of Commons (Westminster Hall) on Plymouth CityBus and sustainable transport.

3.5 Budget Monitoring

The Cabinet in June 2009 approved a budget of £946,000, split into the three stages:

Stage		Budget	Expected Spend to end of stage	Variation
		£000's	£000's	£000's
1	Advertise for interest in acquiring shares and invite bids. Initial assessment of bids.	499	406	- 93
2	Stage 1 review. Negotiate and invite final bids. Receive final bids	144	147	+3
3	Stage 2 review. Negotiate and make recommendations	303	-	-
-	Total	946		

The costs for this stage (2) are estimated since, at the time of writing, the end stage date has not been reached.

4.0 Recommendation

- 4.1 That officers provide an update at the Project Task & Finish Group meeting on the 29th October 2009.
- 4.2 That the Task and Finish Group notes this report and the progress made to date.