

**Overview and Scrutiny Management Board
Joint Task and Finish Group
Scrutiny Review – Report
October 2009**



Monitoring of Plymouth Citybus Limited Shareholding Project

Plymouth City Council

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Appendix 1

1 Foreword

The Overview and Scrutiny Management Board approved the work programme request on 2 September 2009, to establish a joint task and finish group to review the Monitoring of Plymouth Citybus Limited Shareholding Project with membership to be drawn from Growth and Prosperity and Support Services Overview and Scrutiny Panels.

The Task and Finish Group will submit its findings for approval to the Overview and Scrutiny Management Board and then to Full Council on 30 November 2009.

2 The Panel

The joint Task and Finish Group had a cross-party membership comprising the following Councillors –

- Councillor Coker (Chair)
- Councillor Ball
- Councillor James (Vice Chair)
- Councillor Lowry
- Councillor Roberts
- Councillor Wheeler.

For the purposes of the review, the joint Task and Finish Group was supported by –

- Giles Perritt, Head of Performance, Policy and Partnerships
- Helen Rickman, Democratic Support Officer.

3 Scrutiny Approach

The Task and Finish Group convened on two separate occasions to consider evidence and hear from witnesses –

- 1 October 2009
- 29 October 2009.

Members of the Task and Finish Group aimed to –

- ensure that the process set out in the original decision regarding the Plymouth Citybus Shareholding Project, detailed in 2 June 2009 Cabinet report, is adhered to.

The Work Programme Request (PID) is attached as appendix 1.

At its meetings on 1 October 2009 and 29 October 2009 the Task and Finish Group raised questions and considered answers relating to the Plymouth Citybus Shareholding Project.

4 Documents Considered

The documents considered by the Task and Finish Group included –

- Plymouth CityBus Limited Shareholding, (Cabinet 02/06/2009).

5 Witnesses

The Task and Finish Group heard representations from –

- Adam Broome, Director for Corporate Support

- John Cremins, Project Manager
- Councillor Mrs Pengelly, Leader of the Council and member of the Project Board Panel.

6 Findings

1 October 2009 Task and Finish Group findings -

- 6.1 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;
- 6.2 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;
- 6.3 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;
- 6.4 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;
- 6.5 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;
- 6.6 the Plymouth Citybus limited shareholding project was currently due to enter stage 2;
- 6.7 bids would be resubmitted by 21 October 2009;
- 6.8 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;
- 6.9 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;
- 6.10 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;

- 6.11 the current process of inviting bids was the most effective way of testing the market for the true value of Plymouth Citybus;
- 6.12 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;
- 6.13 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;
- 6.14 the sale of Chesterbus was not used as a significant benchmark as officers felt that the circumstances were very different;
- 6.15 the bid submission process was 5 weeks long and officers considered this sufficient time for bid submissions to be tendered;
- 6.16 the costs for delivering the project were divided between such resources as legal fees, technical advisors, financial advisors and internal costs and support;
- 6.17 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;
- 6.18 the Project Board would have one week to assess the resubmitted bids;
- 6.19 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;
- 6.20 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;
- 6.21 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.

Concerns –

- 6.22 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;
- 6.23 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;

6.24 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.

29 October 2009 Task and Finish Group findings –

- 6.25 Bidders were provided with access at this stage to more information such as financial prospects and details of the market;
- 6.26 it was reported that the Project Board was presented with an assessment report updating the Panel on further progress;
- 6.27 it was reported that the Project Board was in unanimous agreement that the project should move into the third stage of the process;
- 6.28 the project was on course to report to Full Council on 30 November 2009;
- 6.29 the Project Manager assured the Panel that the assessment report submitted to the Project Board had gone through the correct processes and was written with due diligence;
- 6.30 the Project Manager was satisfied that the process had followed legal guidelines;
- 6.31 the speed of the transaction carried out would ensure that risks to the CityBus Shareholding process were limited;
- 6.32 comments made in the Herald newspaper with regards to the Citybus Shareholding process did not reflect the views of the Project Board;
- 6.33 the Project Manager would ensure the report submitted to Full Council would contain information regarding the pension deficit and details about concessionary fares;
- 6.34 an evaluation of CityBus depot had taken place in which an environmental survey and an examination of the planning potential of the property had been carried out;
- 6.35 potential costs for phase three of the project would be contained in the report;
- 6.36 the Panel received assurances that appropriate legal and technical support had been used in the Citybus Shareholding project;
- 6.37 due to the commercial sensitivity of the information contained within the report submitted to the Project Board, the Task and Finish Group were unable to receive all information detailed within the report;
- 6.38 the panel noted that speculation in the press had taken place during the CityBus shareholding process was not helpful to the process itself.

Concerns –

- 6.39 That the Panel was unable to fully ensure that the process set out in the 2 June 09 Cabinet report had been carried out correctly as they were unable to have access to the assessment report submitted to the Project Board; however the Panel had received assurances from others that the process was followed correctly;
- 6.40 that press coverage that coincided with the 1 October 09 Task and Finish Group meeting did not aid the process or keep members of the public accurately informed;
- 6.41 that the effect of the potential sale of CityBus upon the concessionary fares scheme and the pension scheme would be detailed in the report.

7 Recommendations

- 7.1 In order to achieve the required outcomes, listed as 'benefits' in the work programme request, namely –

- to ensure demonstrable oversight of the process

the following recommendations are proposed –

- R1 to note the report and the progress made to date, with special attention to be focused upon assurances from the Project Board regarding financial, legal and commercial probity;
- R2 for the whole CityBus Shareholding process to be scrutinised following its completion in order for lessons to be learned.

Appendix 1

Request for Scrutiny Work Programme Item

| | | | | |
|---|---------------------------------------|---|------------------------------------|----------------------------|
| 1 | Title of Work Programme Item | Plymouth City Bus Shareholding | | |
| 2 | Responsible Director | Adam Broome Director for Corporate Support | | |
| 3 | Responsible Officer | John Cremins, Project Manager Tel No. 01752 305605 | | |
| 4 | Aim | To ensure that the process set out in the original decision is adhered to (2/6/09 Cabinet Report). | | |
| 5 | Objectives | To ensure adequate monitoring of the project. | | |
| | Benefits | Demonstrable oversight of the process. | | |
| | Beneficiaries | The Scrutiny Panels with oversight responsibility. | | |
| 6 | Criteria for Choosing Topics | High budgetary commitment. Public interest issue covered in local media. | | |
| 7 | Scope | Process as set out in report of 2/6/09. | | |
| | Exclusions | Commercially confidential information relating to prospective bidders or the operations of Plymouth CityBus. | | |
| 8 | Programme Dates | Phase 1 – Meeting date by 1st October Phase 2 – Meeting date by 2nd November | | |
| | Timescales and Interdependices | Milestones | Target Date for Achievement | Responsible Officer |
| | | Receipt of bids for shareholding | 11th September | John Cremins |
| | | Phase 1 Meeting | 1st October | John Cremins |
| | | Phase 2 Meeting proposed | 2 November | John Cremins |

| | | |
|-----------|---|---|
| 9 | Links to other projects or initiatives / plans | Corporate Improvement Priorities 11 (Improving access to the city) and 14 (providing better value for money) |
| 10 | Relevant Overview and Scrutiny Panel | Growth & Prosperity/Support Services |
| 11 | Lead Officer for Panel | Gill Peele/Simon Arthurs |
| 12 | Reporting arrangements | 7 October/4 November Management Board. |
| 13 | Resources | Project Manager and staff support for Task and Finish Group. |
| 14 | Budget implications | Contained within current budgets. |
| 15 | Risk analysis | To demonstrate due process. |
| 16 | Project Plan / Actions | As Above |