



Mainstream Home to School Transport – Update

Committee Audit and Standards

Date of meeting 17 February 2023

Date of report 2 February 2023

Report by Chief Executive

1. Object of report

To update the Committee in relation to Mainstream Home to School Transport review as detailed in previous reports to the Operations Committee.

2. Background

Under agency agreements with 11 councils in the west of Scotland, SPT manages, monitors and maintains provision of Mainstream Home to School Transport (HST). This is achieved through the procurement of contracted services from commercial bus and coach operators, taxi and minibus providers. This combination of operators is required as the complexity of school travel takes account of distance travelled, location of pupils to specific schools, and number of children to be collected on specific routes. In addition, each council considers non-eligible entitlement on varying criteria.

To that end, SPT typically has approximately 1,200 contracts in place at any one time, ensuring circa 36,000 primary and secondary children get to school and home again, completing around 72,000 journeys per day. In 2021/2022 the total budget for HST was circa £27 million. In 2022/2023 the total budget for HST increased to £35 million, reflecting the increased tendered costs. In 2023/2024 initial estimates suggest the HST budget may well be higher still, reflecting the significantly increased costs arising from tendering exercises.

The performance of operators in providing services in fulfilment of these school contracts is actively monitored by our team of compliance inspectors, whose role is to ensure that the vehicles and service provided meet the safety requirements, contract specification and quality criteria stipulated by each council (again, which differs across councils).

As previously reported to the Operations Committee in August 2022 (https://www.spt.co.uk/media/i05mhlgs/ops260822_agenda6.pdf) in 2022/2023 a significant HTS procurement exercise was undertaken by SPT on behalf of our partner Local Authorities. This highlighted that SPT secured transport for more than 95% of pupils across the 11 council areas ahead of the 2022/2023 school term commencing. It also documented a number of difficulties, experienced mainly in North and South Lanarkshire, due primarily to operators withdrawing their contract offers and the steps taken to remedy these issues. Operators cited lack of driver availability, fuel price volatility, impact of reduced payments received during Covid as decided by individual local authorities and wider inflationary pressures amongst reasons for declining contracts, many doing so only in the days before the school term commenced.

An updated report (https://www.spt.co.uk/media/t5qls5oa/ops270123_agenda6.pdf) was considered by the Operations Committee on 27 January 2023 and outlined that NLC were of the view that SPT had not fulfilled its agency agreement – this position is not accepted by SPT and have responded accordingly.

Given the disruption in 2022/2023, both SPT and NLC councils separately undertook internal reviews to learn any lessons within their own control to minimise future reoccurrence. In addition, a joint exercise was undertaken.

This report now outlines some of the findings of the internal review. Importantly, much of the findings within the SPT review and control are inextricably linked with having a robust and communicative client function and therefore the recommendations reflect the actions that SPT can deliver and influence with partners. Improvements were identified in the following areas:

- Modernisation of the supporting Agency Agreements
- Work planning
- Contract management practice
- Communication between the respective parties

Members are advised, however, that while improved controls in each of the above are recommended, the underlying condition of the market - particularly in the Lanarkshire area - was and continues to be a significant concern and the main contributing factor. The market remains unsettled. Each of the above areas are outlined in more detail below.

3. Current Position

Modernisation of the Agency Agreement

SPT has undertaken school transport work for 11 councils since circa 1986 deregulation. The complexity of organising transport for circa 36,000 children each day, across different school term dates per authority, and on different criteria cannot be under estimated. To support this, an agreed Agency Agreement exists between SPT and each of the 11 councils. While the Agency Agreement to date supported the work and relationship between the parties, it is necessary to now update this agreement to reflect the different and difficult market conditions and bring greater clarity to the respective responsibilities when the market fails.

The Agency Agreement was last updated and reissued by SPT to be effective from 1 April 2020, i.e. prior to the pandemic. At the time of this review, it was established that only 5 of the 11 councils had signed and returned the document. While in a normal market condition this does not normally present a difficulty, good practice would support having clarity by all parties when the market fails to deliver.

Recommendation: The Agency Agreement should be reviewed and amended to reflect current market conditions and issued promptly to individual partner councils for agreement and subsequent signature as confirmation. The Head of Bus Strategy & Delivery should lead on this recommendation, supported by the Senior Solicitor, by 31 March 2023.

Work planning

Pre Covid, an average of 300 to 400 contracts required to be tendered, awarded and planned each year. In 2022/2023 as a result of the catch-up phase beyond Covid it was necessary to tender, award and plan for circa 900 contracts.

This exercise required input from the Schools Team, Procurement and Legal Services as well as input from individual council officers inputting which child has and has not been accepted into school transport arrangements; confirming the Best Value contract award; and, on occasion, matters relating to contract management and compliance or amended payments.

To support the process, an Education Transport Liaison Meeting (SPT officers and corresponding local authority officers) is held periodically to discuss relevant issues including current contracts, the contract renewals process and related issues e.g. when operators wish to raise issues of commonality, such as a request for payment to address inflation. SPT held an Education Transport Liaison meeting in May 2022 to outline the progress of the planned process for contract tendering and award. This was particularly important given this was the first full procurement exercise following the Covid pandemic temporary arrangements.

The planned procurement approach and relevant timescales were shared with those in attendance – not all councils attended the meeting and it was noted that in other councils, significant personnel change had occurred, some of whom had limited experience of school transport matters. Sharing of this information and recognising the consequential impacts in terms of resourcing is key to ensure that a complex procurement exercise has maximum opportunity of being successful.

Recommendation: The Education Transport Liaison Meetings are an important forum of sharing key information and learnings. A review of the operation of these meetings should be undertaken to ensure that representations are appropriate and effective. The Head of Bus Strategy & Delivery and the Schools Agency Services & Compliance Manager will lead on this recommendation and consult with individual councils on how to ensure relevant information is effectively shared by 31 March 2023.

In addition, while an agreed approach to the procurement exercise was agreed at the outset with agreed tender dates for advert, tender returns etc, there was little scope built into the plan to take account of slower than expected decision making or any significant operator withdrawal from the original tender stage. The tender process was based on anticipated operator participation as had occurred in previous years and while the Schools Agency Services & Compliance Manager could demonstrate that operator change happens each year, the scale of the impact of a significant operator did have an impact on the rest of the programme. Complexity is built into the system as operators often bid for more work than they have licenced discs for, thus making the decision of preferred bidder for individual contracts more complex than it requires to be, as operators then have scope to “select” which contracts they accept. This slows the assessment and notification of preferred bidder process down.

In addition, the decision making process for determining the preferred bidder through to final decision making being notified by council colleagues requires to be improved if the end to end procurement process is to be completed robustly.

Recommendation: A revised contract procurement approach is to be adopted to consider a more up to date risk assessment of the market, and minimise the scope for poor operator behaviours when contracts are awarded.

In addition, there should be timely notification to operators of preferred bidder status, together with more timely decision notification from councils to support the award process. The Schools Agency Services & Compliance Manager will lead on this recommendation in consultation with council contacts, which should include bringing clarity to the importance of roles and decision making which also considers external factors e.g. Committee approval dates.

Contract Management Process

SPT manages circa 1200 school contracts at anyone time, over a variety of operators and taxi owners. Effective contract management requires a coordinated and structured approach to supplier management and engagement led by officers with appropriate skillsets.

SPT in conjunction with the Supplier Development Programme delivered a presentation relative to procurement in February 2022. A further exercise specifically aimed at bus operators engaged in the school transport tendering exercise was undertaken in April 2022. Members are also advised that a further procurement related hosted webinar with Operators also took place on 11 January 2023 which was well attended.

While this engagement is a critical part of communicating with the supply chain of the approach being adopted and how best to tender, on its own in a difficult market environment it is insufficient to understand the pressures of the supply chain.

Contract management practices must also consider whether services are being delivered as specified and agreed, and a mature relationship identifies where services can be improved for mutual benefit.

Recommendation: It is essential that there is ongoing dialogue with the supply chain to understand the pressures affecting the market place, allowing the opportunity to identify risks and seek mitigations. Consistent with SPT's approach to subsidised local bus services, it is necessary to adopt a consistent approach with the wider school transport supply chain inclusive of bus, coach, minibus and taxi operators. This risk assessment must also take account of any wider environmental factors, including local issues, which may impact on delivery of the service. The Schools Agency Services & Compliance Manager will lead on this supply chain engagement, reporting on risks and proposed mitigations on an ongoing basis.

Communication between the respective parties

The delivery of a robust and comprehensive school transport service is complex and includes input from a number of parties – all have an important role to play at specific points in the process. The Agency Agreement previously discussed also includes specific matters relating to how the parties communicate. However, the review identified that the practice of implementing communication protocols reflect the working arrangements in normal market conditions and did not take account of the need to enhance the daily communications to a more strategic level in the more challenging environment that unfolded quickly. Members are advised, however, that all decisions to award contracts or not are matters for individual councils and that remained the case throughout.

Members are advised that 4-weekly project meetings are underway on the current procurement process as oversight and to support the move to resilience - and where necessary, escalation - regarding delivery of school transport. This will also include reporting to the Operations Committee and providing feedback to all councils.

Recommendation: Communication between SPT and council colleagues was identified to be inconsistent and varied throughout the process. This included information being issued or decisions requested, with no consistent approach to escalation in the event that responses were not received timeously. It further was noted that a number of key council contacts had departed / changed roles during the process. It is incumbent on SPT to implement escalation processes much more effectively, but in a controlled and managed basis in conjunction with councils. This escalation process should be built into the risk assessment process adopted as integral to the project management of large scale procurement and delivery exercises.

The Schools Agency Services & Compliance Manager will actively seek to embed appropriate communication channels across all councils, and develop escalation process internally and externally where appropriate.

Risks to the 2023/2024 Procurement Process

The scope of works for the 2023/2024 Mainstream HST delivery encompasses circa 450 contract renewals (to provide HST for around 11,600 pupils) on behalf 11 Local Authorities including EAC, EDC, ERC, GCC, IVC, NAC, NLC, RC, SAC, SLC, and WDC. The key stages in the contract renewals process are summarised as:

- Tender Specification
- Tender Advertisement
- Tender Evaluation
- Notification of Most Economically Advantageous Tender
- Contract Approval(s)
- Contract Award(s)
- Contract Mobilisation
- Contract Monitoring

In terms of progress to date, the SPT Schools Team have completed circa 400 tender specifications for issue to the market targeted w/c 16 January 2023 via SPT's Dynamic Purchasing System (DPS). The remaining-50 contract specifications are now being finalised for advertisement in due course.

Following Tender Evaluation, SPT expects to be in a position to notify Local Authorities of the Most Economically Advantageous Tender(s) targeted w/c 10 April 2023, operators will also be notified of preferred bidder status at this point.

It is important thereafter that SPT receive timeous approvals from Local Authorities to proceed to contract award, noting that a number of Councils require specific committee approval to implement the contract award. Any delay in contract approvals may increase the risk of operators withdrawing their contract offers, as witnessed in 2022/2023.

Given pressures on HTS transport budgets and further initiatives including the Under 22 Concessionary Bus Travel Scheme, SPT is aware that a number of local authorities may be considering their policy in terms of designated Walking Distance. The statutory minimum designated walking distance is 3 miles for Secondary Schools and 2 miles for Primary Schools, with HTS transport typically provided outwith these distances. Any such changes are likely to require extensive consultation by local authorities. Prospective savings may also be limited, given most eligible pupils reside out with the statutory minimum designated walking distance. Therefore, SPT officers continue to engage with respective local authorities in this regard and any implications for contract renewal durations and will assist local authorities in assessing the benefits and risks of any policy change.

Notwithstanding the above, the key ongoing risks to HTS delivery include the following factors:

- Inflationary pressures, including in relation to fuel price volatility and wages
- National shortage of bus & coach drivers continues
- Lack of certainty on ongoing government support for bus & coach
- Concerns over the ongoing viability of bus, coach and taxi operators in the HTS market

SPT officers provide regular updates to the Education Transport Liaison Group attended by the 11 partner Local Authorities on matters such as above and actions to mitigate such risks, where possible.

At the time of writing, the market continues to be very volatile with continued challenges securing contracts for any bus contract relating to recruitment. In addition, economic conditions are proving difficult with notification from at least one operator of withdrawing from the market.

SPT will continue to keep local authorities apprised of these risks as the procurement exercise for 2023/2024 is conducted.

4. Committee action

The Committee is recommended to:

- (i) note the findings identified in this report as the key themes within SPT's control to improve the process of procuring a large number of contracts; and
- (ii) note the market conditions remain difficult and challenging.

5. Consequences

Policy consequences	<i>Delivery of school transport is in line with the RTS.</i>
Legal consequences	<i>SPT has acted and will continue to act in accordance with the terms of respective Agency Agreement, and will respond detailed in the report.</i>
Financial consequences	<i>The overall school budget for 2023/2024 across all Councils is yet to be finalised, but is likely to be higher than that than the 2022/2023 budget of £35.055m. The 2023/2024 projected outturn for each Council will be confirmed on the finalisation of all contract awards.</i>
Personnel consequences	<i>None directly.</i>
Equalities consequences	<i>Ongoing monitoring of equalities impacts of school transport.</i>
Risk consequences	<i>The fragility of the Home to School Transport market remains an ongoing risk to delivering services effectively and efficiently.</i>
Climate Change, Adaptation & Carbon consequences	<i>School transport has a positive benefit through reducing the need for journeys by less sustainable modes.</i>

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