



## EDUCATION FOR LIFE SCRUTINY COMMITTEE – 8TH JULY 2014

**SUBJECT: RENEWAL OF MAINSTREAM SCHOOL AND COLLEGE TRANSPORT CONTRACTS**

**REPORT BY: ACTING DEPUTY CHIEF EXECUTIVE**

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek the views of Members on the proposed changes to the renewal of mainstream school and college transport contracts, prior to its presentation to Cabinet. A new framework is being progressed to prepare for the renewal of the existing contracts.
- 1.2 It is proposed that some changes are made to the specification adopted previously to ensure services are maintained within the budget available and no additional pressure is put on the revenue funding that is available for home to school / college transport arrangements.

### 2. SUMMARY

- 2.1 Following a review of the specification for mainstream education contracts, it is proposed that the existing transport arrangements are replaced with new contracts to commence from the 1<sup>st</sup> January 2015 with a revised specification. This relaxes some areas of the previous contract requirements, particularly with regards to emission standards and the age of vehicles to ensure that the new contracts are let within available budget. There are a number of changes in the demand for transport since the previous contracts were let (mainly associated with changes to Welsh Medium Secondary Education under the 21<sup>st</sup> Century Schools programme, or changes in post 16 provision) and the proposals are to ensure that contracts are packaged and let as efficiently as possible in the most cost effective way.

### 3. LINKS TO STRATEGY

- 3.1 The report links to the Learning, Safer and Greener themes of 'Caerphilly Delivers', the Local Service Board Single Integrated Plan.

### 4. THE REPORT

- 4.1 There is a statutory duty placed upon the Local Education Authority to provide pupils/learners with free transport to their relevant school if they reside beyond "walking distance" to that school. The law defines "walking distance" as two miles for pupils under eight and three miles for all other pupils. Caerphilly County Borough Council, however, sets these distances as one and a half miles for pupils in Primary, Junior and Infants schools, and two miles for other pupils – the distance being measured by the nearest available walking route from the nearest (to the school) gate or entrance to the property, to the nearest gate or entrance to the school.

- 4.2 Post-16 arrangements apply in a similar context to colleges as they do for schools. The above arrangements apply to all pupils/learners where they are 18 or under as at 31 August in any year. If a student is 18 as at 31 August, they will receive transport for the academic year in which they attain the age of 19 only.
- 4.3 The total budget for school and college transport for 2013/14 is £6.27 million, which is a substantial cost to the Authority. This includes 440 contracts, which provides daily transport for in excess of 8,100 pupils and students. The cost of the mainstream contracts for 2013/14 is £3.07 million, covering around 7000 pupils on 75 contracts the remaining contracts are for taxi and minibus journeys to schools and colleges, including transport for pupils with additional learning needs and Education Other than at School (EOTAS).
- 4.4 The current mainstream contracts were let in 2009 to the specification summarised in the following paragraphs. The term mainstream applies to contracts for buses and coaches with seating capacities greater than 17 seats and provided by fully licensed Public Service Vehicle (PSV) operators. Where applicable, it is proposed to review some elements of this specification for the reasons outlined. The Welsh Government has done a lot of work in recent years to try and improve school transport for children and young people. It has published two important documents to support this – the Learner Travel (Wales) Measure 2008 and the Safety on Learner Transport (Wales) Measure 2011 and these are used as a baseline to ensure the Specification is in accordance with these Measures and referenced where appropriate.

#### **Single Deck Vehicles**

- 4.5 The current contract specification states: *'All vehicles should be single deck'*. No change proposed for 2015 contracts. From 2009, double decked buses have not been allowed to operate on contracts. This had the most positive impact on the standards of vehicles employed and has led to a significant reduction in behavioural incidents on the school bus journey. Welsh Government guidance does not favour the use of double-decked vehicles unless there are exceptional reasons.

#### **Seat-belts**

- 4.6 The current contract specification states: *'All vehicles on the pre-16 contracts should contain seatbelts'*. No change proposed for 2015 contracts. The Welsh Government has mandated the compulsory wearing of seat belts under the Safety on Learner Travel (Wales) Measure 2011, which states that all passenger seats on buses used for dedicated learner transport must be fitted with seat belts as of 1 October 2014.

#### **Euro III Emission Standard**

- 4.7 The current contract specification states: *'Vehicles should reach the European Emission Standard Euro III. There are two ways of achieving this standard. Vehicles registered or manufactured after 1 October 2001 will be Euro III. Alternatively vehicles registered before this date may be fitted with an abatement, which would enable it to reach the Euro III standard'*. It is proposed that this requirement is deleted.

This was an ambitious target in 2009 and remains so. For smaller coach operators, vehicles manufactured post 2001 represent a level of investment that is difficult to justify for the type of business they run. Coaches manufactured in the 1990s are the backbone of their fleets - even Stagecoach rely on mid 1990s coaches that have been cascaded from other work to maintain their school transport commitments. Whilst operators can fit abatement equipment on older vehicles to achieve the Euro III standard, it has proved difficult for the Council to enforce and check on standards of compliance and can add additional maintenance costs for the operator.

There are 8 operators with depots in the county borough who operate mainstream school contracts for the Council, supplying buses or coaches with 25 seats or more. Between them,

they run just over 80 vehicles of this type. The age profile of these is such that only one coach achieves natural compliance with Euro III emission standards through the year of manufacture (2001 or later).

For these reasons, it is proposed that Euro III compliance is no longer a mandatory requirement. Welsh Government guidance does not make reference to emission standards for education transport.

### **Age of Vehicles**

- 4.8 The current contract specification states: '*Vehicles should not be older than 20 years old throughout the duration of the contract*'. It is proposed that this requirement is revised to reflect a more realistic age limit, based on the current age profile of the fleets of local operators.

Most neighbouring local authorities (Blaenau Gwent, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) have no maximum age limit on vehicles on mainstream school contract vehicles. The exception is Newport, which has a 12-year age limit, although this will not apply for new home to school / college contracts to replace the existing arrangements from September 2014, where a maximum age limit will no longer apply. The 20-year limit imposed with the 2009 tender renewal, together with the elimination of double-decked vehicles was a challenge for smaller coach operators in particular. For each operator based in Caerphilly, this represented a substantial investment, but maintaining the rolling requirement for the 20-year limit has proved problematic and there are now a number of coaches in use that are outside the 20-year limit. However, the contracts were let on the basis that:

*'The Authority will consider a revision of the cost of the Service to take effect not less than one year from the commencement date of the contract and not less than annually thereafter'*.

Since the contracts commenced in April 2009, there has been pressure from operators to invoke this clause annually. This has been resisted to maintain budgets within available funding and only one increase has been granted to date (of 5% from January 2012). The financial cost of the increase was £150,000 in a full year. The bus and coach operators' trade association – the CPT, publishes an annual cost index that quantifies annual changes to operating costs for the industry. In the 12 months to June 2010 / 2011 / 2012, the average national cost increases were 3.4%; 3.8% and 3.4% respectively, which if applied each year to the mainstream contracts would equate to an additional annual cost of £321,000 by the third year. An attempt to enforce the rolling age limit against this background would have led to some operators terminating contracts and the authority facing additional costs.

It is also worth noting that Caerphilly has the lowest cost per head for mainstream transport in south east Wales (at £493 per pupil). The average for the region is £588. (Note figures are based on a review of collaborative opportunities undertaken by Edge for the South East Wales Transport Alliance (Sewta) during 2012/13).

It is proposed that the maximum age limit is revised to 25 years, which will maintain a higher standard compared with all neighbouring local authorities, but reflect the fleet profiles of local operators. In the current financial climate, it is felt this will provide a balance that will maintain an appropriate age related standard, but encourage the most competitive tenders.

Welsh Government guidance does not advise on age limits for vehicles engaged on dedicated school transport contracts. There is a basic quality control on commercially operated transport. For Public Service Vehicle (PSV) operation, the licence holder must demonstrate to the Traffic Commissioner that they are of good repute, that their vehicles are maintained in a roadworthy condition and are operated in accordance with the law. As there are statutory requirements on quality and in particular vehicle maintenance, the Department for Transport, in Best Practice Guidance for tendering road passenger contracts, published in October 2013, suggests that local authorities need to consider the rationale for asking for higher quality standards and what benefits would be achieved.

Safety is paramount on school transport and there are a number of systems in place to ensure operators fulfil their statutory obligations. Operator, vehicle and driver documentation is monitored and a database is maintained to ensure operator, vehicle and driver licences are valid, appropriate insurance is held and vehicles always have valid MOT certificates. In addition, driver and escort DBS (formally CRB) checks are proactively managed. This is supplemented by regular monitoring of contracts, with spot checks on drivers, escorts and vehicles. The Council also works pro-actively with the Driver and Vehicle Standards Agency (DVSA), undertaking more detailed checks on drivers and thorough mechanical checks on vehicles (including mandatory equipment such as seat belts and fire extinguishers) by randomly targeting schools or areas.

### **Duration of the contract**

- 4.9 The current contract specification states: *'The duration of the contract offered will depend on the age of the vehicle at the tendering stage. The duration of contracts offered will be as follows:*

*Vehicle age: 11-20 years: 5 year contract*

*Vehicle age: 6-10 years: 7 year contract*

*Vehicle age: 0-5 years: 10 year contract'*

Whilst long term contracts were awarded to the minority of contractors who offered newer vehicles, the current proposed and future potential changes in school provision (under the 21st Century School Programme) and the uncertainty associated with this make it difficult to invite contracts for terms greater than 3 or 4 years. The changes to Welsh secondary education provision from September 2013 onwards will impact on the 7 and 10 year contract terms let in 2009, as most of these involve journeys to YGG Cwm Rhymni. In order to review and repackage the contracts to ensure that resources are matched as efficiently as possible to known current and future demand, notice of termination to the operators concerned will be given. Under the terms of the 2009 contract, 6 months notice is required, with no financial penalty for the Council. This will affect only 8 of the 72 contracts awarded in 2009, as the majority of contracts expire in December 2014.

It is proposed that the new Contracts are let for a 3-year maximum period and the clause relating to an annual review removed. Instead, a clause will be introduced that allows the Council and Contractor to enter into a variation to the Contract price if justified, based on a strong evidence base provided by the Contractor. In addition to changes to school provision under the 21<sup>st</sup> Century School programme, the medium Term Financial Plan for the Authority is likely to include a review of non statutory service provision across a number of areas, including home to school / college transport. This may impact on the demand for transport in future and in this respect, makes it unreasonable to enter into longer term contracts with providers. Individual contracts will be subject to 3 months notice of termination, to ensure any fundamental changes in service requirements can be accommodated where appropriate, with no additional cost to the Council.

A timetable for inviting the new framework has been prepared by Procurement Services and will be progressed with the aim of awarding by October 2014. This would allow competitions to be run during October for new contracts to commence from the Spring term in January 2015. The individual tenders will be packaged as efficiently as possible and take into account future changes associated with the MTFP and the 21<sup>st</sup> Century Schools programme to ensure that the costs are kept as low as possible.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 There are no direct equalities implications to this report as it refers to mainstream home to school/college contracts not any special requirement contracts e.g. due to disability issues. The impact on contracts in terms of Welsh medium secondary education is referred to in 4.9 above.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Mainstream school transport provision is a significant cost for the Council and it is notable that operating costs for transport providers have increased by around 3.5% annually since the contracts were renewed in 2009. The proposals outlined in this report are designed to mitigate excessive cost increases by setting a specification that preserves the important aspects of the previous specification, but defines an age standard that fits the current profile of bus and coach fleets, particularly for local providers.
- 6.2 The termination of all contracts let for a period greater than 5 years in the 2009 tender will provide the opportunity to match demand more closely to resources and invite the most efficient schedule of contracts, ensuring the number of vehicles employed (and hence the cost) is kept to a minimum.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications associated with this proposal.

## **8. CONSULTATIONS**

- 8.1 All consultee comments received have been incorporated into this report.

## **9. RECOMMENDATIONS**

- 9.1 Scrutiny Committee are asked to comment on the following recommendation, which will be presented to Cabinet.

The specification for mainstream school transport contracts is set as follows:

- All vehicles are single-decked.
- All vehicles are fitted with seat belts.
- All vehicles used must be a maximum of 25 years old at the start of the contract.
- Contracts are limited to a maximum length of 3 years.
- The introduction of a new contract variation clause, rather than annual reviews.
- New contracts will commence in January 2015.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 To set a standard specification for mainstream contracts that maintains the most important safety aspects achieved in the previous contract renewal phase, but mitigates against financial pressures and changes in education provision and hence transport requirements in the short to medium term.

## **11. STATUTORY POWER**

- 11.1 Learner Travel (Wales) Measure 2008; Safety on Learner Transport (Wales) Measure 2011; Education Act 1996.

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Background Papers:

Learner Travel (Wales) Measure 2008; Safety on Learner Transport (Wales) Measure 2011.

Tendering Road Passenger Transport Contracts Best Practice Guidance, published by the Department for transport, October 2013.