

SCHOOL AND PUBLIC TRANSPORT – OPTIONS FOR FUTURE SERVICE DELIVERY

1.0 INTRODUCTION

- 1.1 The Council provides both statutory home to school transport services and supported local bus services. Often the school transport element is provided in the form of a registered local bus service, which has the benefit of bringing in additional revenue through NSG (a form of pence-per-mile fuel rebate) and selling tickets to fare paying passengers as many of these school routes also align with commuting corridors.
- 1.2 The transport service have highlighted that the bus contracts are becoming increasingly expensive and current cost pressures due to recent tender exercises for Islay, Helensburgh and Lomond, Mid Argyll and Mull amount to an increase of £876k per annum. This cost pressure will require to be built into the budget outlook with an overspend reported in the current financial year.
- 1.3 Argyll and Bute Council currently subsidise 43 closed door school contracts and 45 combined school and local bus services and provide transport through varying modes of travel including buses, taxis, trains, ferries and flights. The internal school transport transports 3,000 school children each to and from school. This service is operated through a mixed delivery model.
- 1.4 This paper offers up potential solutions for future service delivery and advises that officers are proceeding to bring in an external consultant to carry out an options appraisal for future service delivery that can then be brought back to Members for consideration.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Environment, Development and Infrastructure Committee:-
- a) Note the cost increases; and
 - b) Consider the scope of the brief for an expert external consultant.

3.0 DETAIL

BACKGROUND

- 3.1 Argyll and Bute Council are legally obliged to provide statutory school transport, it is notable that public transport services are not a statutory function. The internal team have combined school transport services with public transport to provide more local registered services, this has been exhausted and there is no further scope to increase the changes.
- 3.2 A local bus network is operated on the back of school transport journeys. There is a limited commercial bus network (Citylink services between Glasgow and Oban or Campbeltown and mostly seasonal commercial journeys on Mull and Bute), most of the bus network is subsidised or financially supported by Argyll and Bute Council.
- 3.3 This subsidy is provided in the form of contracts for each school route (for example, a morning and afternoon journey linking Tayvallich/Achnamara/Crinan to Lochgilphead Joint Campus) utilising a bus and driver, and then adding socially important additional journeys running between school journey times. Depending on the area and demand, there can also be local bus journeys added even later than the afternoon school journey and into the late evening in some cases.
- 3.4 The cost for each of the combined school and local bus serviced contracts is split, with 80% being allocated against the external school transport budget, and 20% against the local bus service budget. Whilst this is an arbitrary split for budget coding purposes, it does broadly illustrate the point that the majority of the contract cost goes towards the procurement of the bus and provision of the driver, and all the back-office and management support, depot costs etc. that are included when providing a vehicle and a driver. To add further journeys or destinations involves only an additional amount to cover drivers wages and the additional fuel consumed. This does make it challenging to filter out costs by reducing the local service element as this will not necessarily reduce the contract cost significantly. The other factor to bear in mind, is the need to offer a driving shift that delivers a reasonable number of hours per day worked. Any operator would likely struggle to attract and retain sufficient drivers to operate purely school transport contracts for an hour or so in the morning and afternoon, for 190 days a year.
- 3.5 There are multiple combined school and local bus contracts grouped around a “hub” town, travelling in from various settlements (for example Lochgilphead, with buses serving Lochgilphead and its Joint Campus from Inveraray, Ormsary, Tayvallich, Kilmartin, Tarbert etc.). Within each hub town (Campbeltown, Lochgilphead, Bowmore, Oban, Rothesay, Dunoon, Tobermory) there is usually a “town circular” service that provides a shuttle service around the hub town, along with connecting with incoming and outgoing services to various settlements. These hub and settlement services are combined into regional packages (Kintyre, Campbeltown, Islay, Lorn, Bute, Cowal, Mull) and tendered as such.
- 3.6 Contract packages are tendered for 5 years, with an option to extend further up to a maximum of 7 years, and had an annual fuel based inflationary mechanism built in.

- 3.7 Recent tender exercises have resulted in significantly increased costs for contracts, an increase of £876k which is not budgeted for at present. This is due to the impact of driver wage increases, parts costs, insurance costs, and an increase in fuel costs, the maintenance requirements of modern DDA compliant vehicles, localised recruitment issues, the cost of contracts has increased by around 40%. Nationally, increases are higher than this, and in some cases double the original contract value is not unrealistic.
- 3.8 With the cost of these services increasing significantly, officers are considering future service delivery and a number of options have been suggested that could be considered. A fuller options appraisal will be undertaken and this will require to be carried out by an independent external consultant.

SUMMARY OF OPTIONS

- 3.9 The options for future service delivery by officers are:
- Option 1: Do Nothing - costs will continue to increase adding significant cost pressures to the authority.
 - Option 2: Reduce Contract Costs – in collaboration with operators and following community consultation, look to reduce services to meet the funding available;
 - Option 3: In-House Operation – the Council would deliver the services themselves, it would require additional up-front resource to deliver.
 - Option 4: Hybrid Model – adopt a hybrid model of operation. Part in-house delivery, part contract delivery with the potential to scale the operation or support the Council to set up its own Municipal Bus Company and operate all public transport services.

Option 1: Do Nothing

- 3.10 The Council could accept the additional costs, the majority of the contract payment is a contribution towards the provision of providing home to school transport, which is a statutory obligation. The Scottish Government could be approached for additional funding in light of the fact that these bus contracts fulfil a statutory obligation, along with being a crucial link in the Scottish Government's "Net Zero" policy. It is noteworthy that despite the significant investment in Rail and Ferry by the Scottish Government, investment in bus services lags far behind this, despite bus making up 75% of all public transport journeys in Scotland. There has also been a shortage in revenue funding, which provides ongoing bus services, whilst previous Capital funding is available from Transport Scotland this has been directed at urban-centric initiatives such as bus and cycle lanes, neither of which assist with the basic infrastructure investment required (i.e. to replace bus shelters and ensure stops comply with the most basic accessibility requirements) to support bus services as a viable alternative to the private car.

Option 2: Reduce Contract Costs

- 3.11 Argyll and Bute Council could, in collaboration with its operators and following consultation with the community, look at reducing services to meet the funding available. However, such cuts would be politically sensitive, and would go against

both Argyll and Bute Council's and the Scottish Government's sustainability and economic growth targets. The scale of cuts may be quite severe in order to achieve any desired savings, and some may be impossible due to the need to include suitable hours to retain drivers.

Option 3: In-house Operation

3.12 Operating school and local bus services in-house could be explored, although this would require additional resource to analyse and implement. A in-house school transport operation operates under a completely different license and model from PSV's (large buses and coaches) and would have a different driver demographic.

There are some points worth noting in relation to an in-house operation:

- Highland Council has recently launched a successful in-house bus service. This was against a backdrop of multiple failures by the local operator to provide contracted school services, and local bus services. This was due to operator's issues attracting and retaining staff, and a high level of vehicle breakdowns - an impact of its policy of cascading older vehicles from its national fleet into the Highland Council's area of operations. Argyll and Bute Council is not facing the same level of service reliability issues, and the cost increases for bus contracts Argyll and Bute Council are facing is not exceptional when compared nationally.
- Highland Council currently operates a bus depot and fleet broadly similar in size to the current bus fleet in Oban. To manage and administer this they have seconded or hired four members of staff, who do not perform driving duties.
- There would be substantial upfront capital/ revenue investment costs, to either purchase or lease the required vehicles, depot, equipment, back office software, ticket machines, uniforms etc.
- The Council would be responsible for all recruitment and staffing, maintenance and inspections, scheduling, marketing and dealing with any complaints.
- Some of the avenues available to commercial operators when bidding for contracts to cross-subsidise, or achieve economies of scale with their other operations, would not be open to the Council. Such as private hire work, the Council could invest in this separately.
- Recent announcements from SPT regarding their recommendation to take some bus services in-house, has resulted in threats of legal action. A strong response from local operators, along with competition, can be expected in the event of the Council taking a route in-house.

3.13 Highland Council have been approached to ascertain whether collaboration relating to public transport services, staffing, back office systems, shared procurement is something that as a neighbouring authority they would have

appetite for and officer will further engage with Highland Council to gather more information on their services and operations.

Option 4: Hybrid Model

- 3.14 The fourth option is a hybrid model of operation which would part in-house delivery, part contract delivery with the potential to scale the operation or support the Council to set up its own Municipal Bus Company and operate all public transport services.

NEXT STEPS

- 3.15 The Council does not have the in-house expertise to critically assess the options as presented above, indeed there could be other options to consider. The Executive Leadership Team have agreed that we procure the services of an independent external consultant to carry out a more detailed options appraisal that can be presented to Members for consideration. The scope is outlined in Appendix 1.

4.0 CONCLUSION

- 5.1 In concluding this report, it is notable that public and school transport contracts are increasing in cost and officers are now considering whether the current operating model will be sustainable in the future. This report suggests a number of options that could be considered for the future and advises that officers are proceeding to bring in an external consultant to carry out an options appraisal for future service delivery that can be brought back to Members for consideration.

5.0 IMPLICATIONS

- 5.1 Policy - The statutory provision of school transport is required by law and managed through internal policy.
- 5.2 Financial - The school and public transport budgets are subject to continuous cost pressures at the time of contract re-tender. This is causing significant budget pressures to the authority. The annual increase so far is £876k based upon costs from 2017 when contracts were last released. Options appraisal to be funded from current resources.
- 5.3 Legal - No legal issues other than the requirement to provide transportation as per statutory obligation. Public transportation services are not a legal requirement.
- 5.4 HR - None.
- 5.5 Fairer Scotland Duty:
5.5.1 Equalities - protected characteristics - May be prevalent due to the legislation around service provision.

- 5.5.2 Socio-economic Duty – None.
- 5.5.3 Islands – may be prevalent if service offerings change.
- 5.6 Climate Change – The contract costs could increase in future due as current buses are replaced with more climate friendly vehicles.
- 5.7 Risk - Significant financial risk is associated with the current position relating to the increase of contract values.
- 5.8 Customer Service – None at this time.
- 5.9 The Rights of the Child (UNCRC) – every child requires access to learning, health and wellbeing activities.

Kirsty Flanagan, Executive Director with overall responsibility for Road and Infrastructure Services

Policy Lead for Roads, Transport and Amenity Services, Councillor John Armour

27 August 2024

For further information contact:

Jim Smith – Head of Road and Infrastructure Services, jim.smith@argyll-bute.gov.uk
John Blake - Fleet, Waste & Transport Manager, john.blake@argyll-bute.gov.uk

APPENDICES

Appendix 1 – Consultants Brief

Appendix 1 – Consultants Brief

1. A background to the organisation and the project

Argyll and Bute covers the second-largest administrative area of any Scottish council. The council area adjoins those of Highland, Perth and Kinross, Stirling and West Dunbartonshire. Its border runs through Loch Lomond. The present council area was created in 1996, when it was carved out of the Strathclyde region, which was a two-tier local government region of 19 districts, created in 1975. Argyll and Bute merged the existing Argyll and Bute district and one ward of the Dumbarton district. The Dumbarton ward, called 'Helensburgh and Lomond', included the burgh of Helensburgh and consisted of an area to the west of Loch Lomond, north of the Firth of Clyde and mostly east of Loch Long. The council area can also be described by reference to divisions of the counties which were abolished in 1975. The council area includes most of the county of Argyll (Argyll minus the Morvern area, north of Mull, which became part of the Highland region in 1975), part of the county of Bute (the Isle of Bute) and part of the county of Dunbartonshire (the Helensburgh and Lomond ward).

Argyll and Bute Council want to explore the redesign of public and school transport and the introduction of shared transport, engaging with communities so that services better match their needs and reduce carbon emissions.

2. The objectives of the project

- Review of public transport services throughout Argyll based on usage/ passenger data etc. and contracts to reduce or streamline the council offering;
- Review the options of the Council operating public transport services partly or in full;
- Community consultation to receive feedback on current services and what they class as essential that are not currently provided;
- To further develop the works of a previous consultancy document procured by Argyll & Bute in 2020. A full review/refresh of home to school transport, public transport including subsidised services to focus on how alternative services could provide a cost reduction providing scenarios that would yield savings of: - 10/20/30/40%;
- To investigate the possibility of a shared transport arrangements with Highland Council School/ public transport offering and the sharing of back office facilities, staff etc.

3. Expected products and deliverables

A full consultancy brief in relation to the above points for review. This must include recommendations, an action plan and costs around expenditure for implementation and savings identified within consultancy works.

4. Procurement and operational timeline

Action/ Detail	Timescale	Dates for completion
Scoping document	1 week	Complete
Engage with procurement to tender for consultancy services through Scotland Excel	1 week	19 September 2024
Mini competition tender released	2 weeks	3 October 2024
Evaluation and CARR signing	2 weeks	17 October 2024
Appoint consultant	1 day	18 October 2024
Review the school/ public transport service and final report	8 weeks	13 December 2024