



Report title: Home to School Transport – In House Fleet (Pilot)

Meeting	Portfolio Holder Briefing
Date	12/04/24
Cabinet Member (if applicable)	Cllr Turner
Key Decision Eligible for Call In	Yes Yes

Purpose of Report

The purpose of this report is to seek approval from the Cabinet Member for Finance for capital expenditure of circa £750k to procure 10 vehicles and establish a pilot Council operated fleet of vehicles providing home to school transport for children with SEND needs and add this capital expenditure to the Council’s ‘Capital Plan’.

The business case is on a spend to save basis, with the £750k to be funded via prudential borrowing.

The home to school transport service has also sought support from the Executive Leadership Team and Executive Board to bring other currently underutilised minibuses from the Councils existing fleet under the control of the home to school transport service.

Support has also been sought from the Executive Leadership Team and Executive Board to operate the fleet of home-to-school mini-buses from underutilised assets i.e. Lockwood Enterprise Centre (Albert Street).

Recommendations

The Cabinet Member for Finance is recommended to support the proposal that investment of circa £750k to procure 10 new vehicles for the in-house fleet pilot is included in budget proposals presented to Cabinet and Council in the Council Financial & Rollover Report 2023/24.

To commence procurement activity for the 10 vehicles in line with the Public Contract Regulations 2015 / Council Contract Procedure Rules and approve officer delegation to the Service Director for Environmental Strategy and Climate Change in conjunction with Service Director for Highways and Streetscene; to award contracts for purchase of up to 10 vehicles within the £750k allocation.

Reasons for Recommendations

The financial modelling undertaken shows that moving to a model of an in-house fleet makes economic sense and reduces the reliance on third party transport providers.

To ensure that all planned vehicle expenditure can be authorised by the Services Directors.

Resource Implication:

If approved, further work will be undertaken with HR and Peoples Panel to identify drivers for the fleet of vehicles.

Date signed off by Strategic Director & name

Rachel Spencer-Henshall25/03/24

Is it also signed off by the Service Director for Finance?

Phil Deighton02/04/24

Is it also signed off by the Service Director for Legal Governance and Commissioning?Julie Muscroft
02/04/24**Electoral wards affected:** All**Ward councillors consulted:** Not applicable in the context of this report.**Public or private:** Public**Has GDPR been considered?** Yes, there are no GDPR issues in the context of this report.**1. Executive Summary**

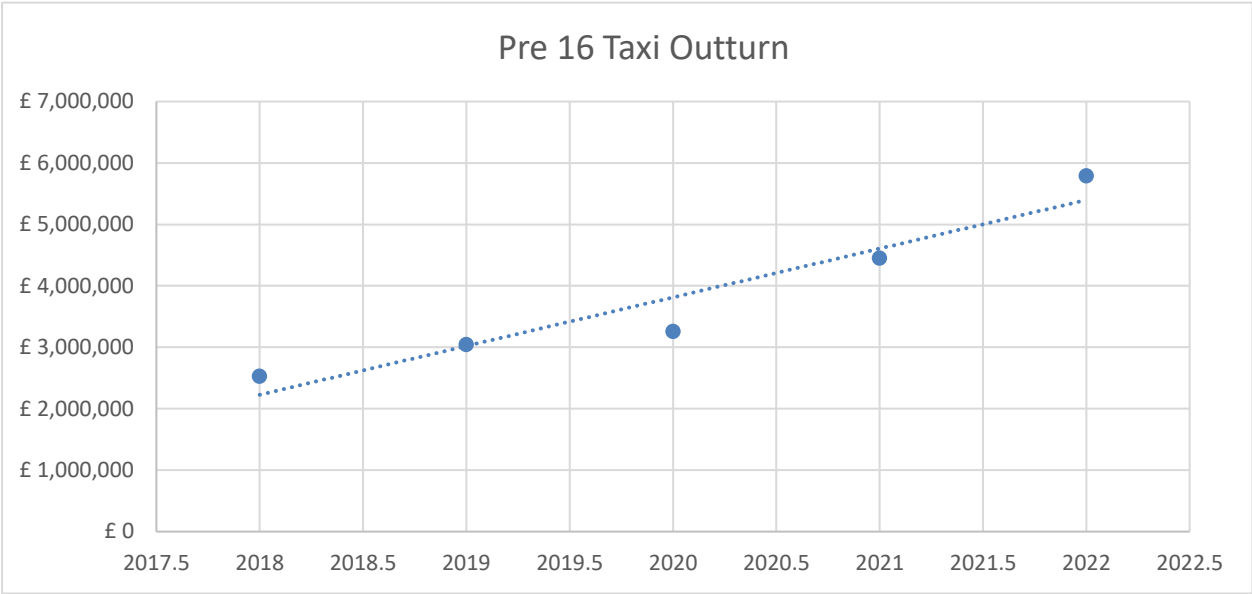
- 1.1 The costs of providing home to school transport via contracting with private hire and public service vehicle operators has been increasing year on year and is now approaching unsustainable levels of cost, especially in the context of local government funding.
- 1.2 Alternatives to the current model of operating the service are being considered for the Council to continue to meet its statutory duties, but at a more sustainable cost and provide value for money to the public.
- 1.3 One of the changes to our operating model is to provide some routes using an inhouse fleet vs full contracted out provision. Financial modelling shows that providing the most expensive routes inhouse represents a significant saving over the life of a vehicle, circa. 10 years. However, to prove this concept a pilot has been developed of 10 to 20 vehicles.
- 1.4 This report seeks Cabinet Member approval to purchase up to ten vehicles and set up the pilot. The remaining vehicles for the pilot will come from the Council's existing fleet of vehicles, using underutilised provision.
- 1.5 The lead time for delivery of new minibuses is circa. 18 months. The aim of this project is to be operating by September 2025, the start of the academic year. Therefore, a decision to purchase the vehicles is needed expediently.

2. Information required to take a decision

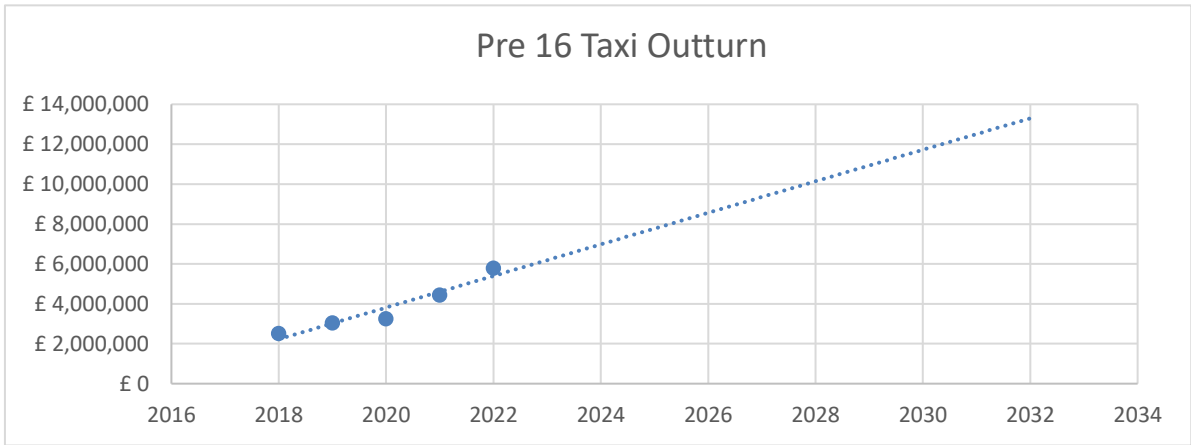
- 2.1 Home to School transport is a statutory service where local authorities are required to transport eligible children, mainly with Special Educational Needs or Disabilities (SEND),

from home to school. Currently approx. 1000 'Pre 16' children are transported at a cost to the Council of circa. £6,000,000. This expenditure is to contract with taxi operators and public service vehicle operators to transport children. There is no in-house operation.

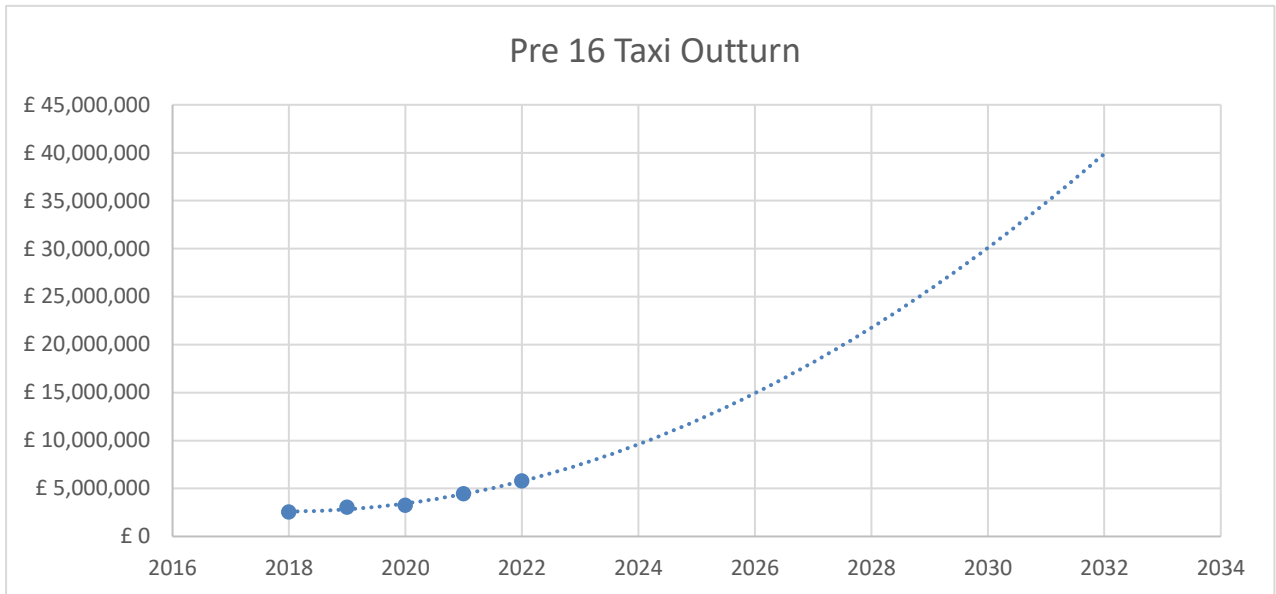
- 2.2 The cost of transport is increasing for several reasons and these costs are largely out of the Councils control. When a route is tendered (or re-tendered) the prices given by operators are 20-30% more than similar (or the same) route(s). As we have a duty to transport the child/children to school – the Council is often given no other choice other than to accept the increased cost of a route.
- 2.3 Alternative measures have, or are being considered, to reduce the pressure on the budget and costs, such as:
 - Change to the contract terms.
 - Identifying alternative or additional operators to create a larger more competitive market.
 - Offer parents 'Personal Travel Budgets'
- 2.4 While the existing transformation workstreams seek to address budgetary pressures, they will only take the service so far, and consideration needs to be given to reducing the reliance on third party transport providers and moving more towards operating a 'in house' fleet of vehicles.
- 2.5 The economic and business case for operating an in-house fleet has been increasing as the costs of routes rise. The most expensive route currently operated comes at an academic year cost of **£53,200** at 2023/24 prices. The mean cost for the top 20 most expensive routes is **£42,500**. The 20th most expensive route cost is **£36,995**.
- 2.6 If the route price stayed the same for the next 10 years, the 10-year cost of operating the most expensive route would be **£532,000**. However, a conservative assumed price increase of 10% per year over the next 10 years (the life span of a fleet minibuss) the cost would be **£933,000**. A worse case price increase of 30%, which is the costs increases we are seeing currently produces a 10-year cost for the most expensive route at **£2,267,000**.
- 2.7 To compare this operator led costs to in-house costs, a yearly cost to operate 1 vehicle including capital repayment, interest, driver employment, associated maintenance, insurance, fuel etc will cost circa **£40,000**, a 10% contingency and error adjustment is also factored into this cost. Internal costs will increase over time, however, these costs are more predictable and more in control of the Council and will be more closely linked to inflation. If a conservative internal cost increase of 5% per year is used, then the 10-year cost to the Council would be **£503,000**.
- 2.8 Therefore, producing a 10-year cumulative saving of over **£400,000** for one vehicle over 10 years when using the most expensive route as a benchmark.
- 2.9 The graph below plots the last 5-year spend on physical transport, for pre-16 children only, using the current taxi / PSV operating model, showing a significant increase in costs, other than the first year of the pandemic. The costs in the past 3 years have been between 20% and 30%.



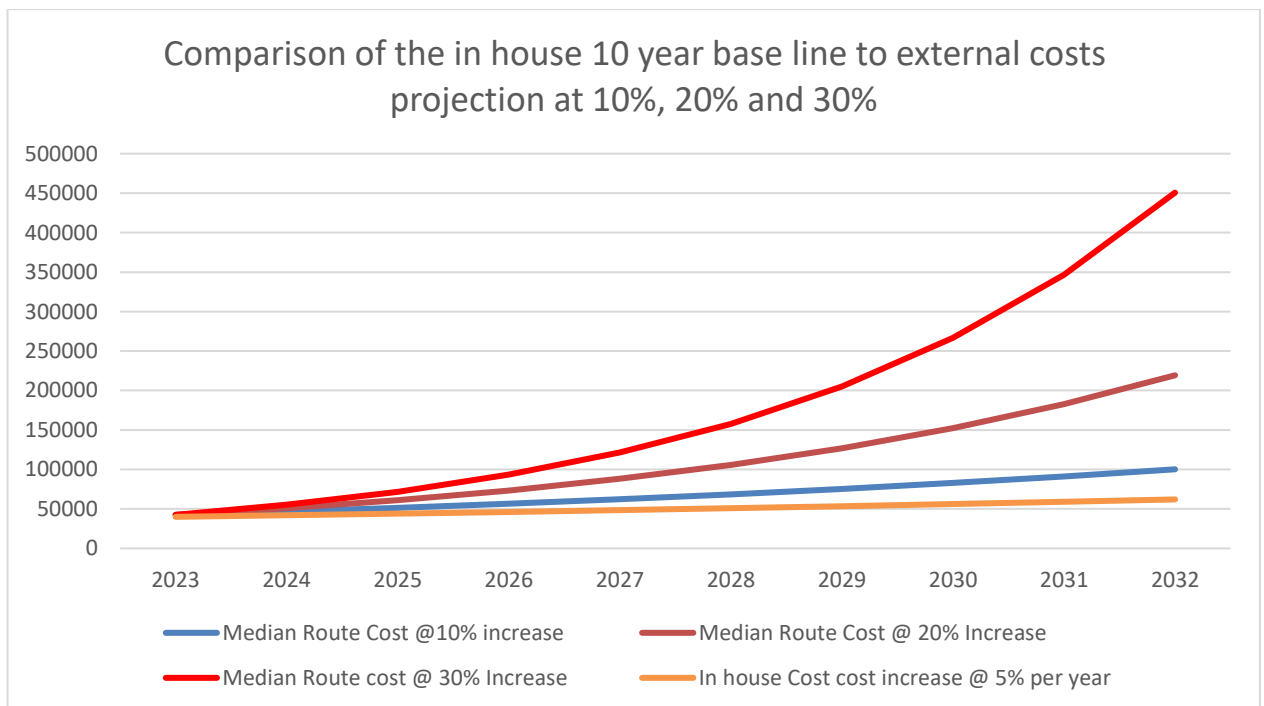
The following graph below shows the same data with a linear increase in costs over the next 10 years based on the current trajectory.



The next graph below shows the same data with Exponential Growth which more accurately models the increases in cost we have seen over the most recent time and represents the worst-case scenario



The next graph plots the mean route cost modelled over 10 years with a 10% and a 20% year on year increase. Compared against the in-house route cost, with a 5% modelled increase.



2.10 The year 10 cost difference between modelled projected cost for external fleet based on 10% increase is circa £100,000 whereas the in-house costs are modelled at £62,000. Demonstrating a single route saving (based on median data) of £38,000. For 20 in house routes this would represent a 'in year' 10 saving of £760,000.

Current Position

2.11 Underutilised Fleet

2.12 The Council currently owns 21 minibuses sitting under 8 services. An analysis of tracking data for these vehicles has been carried out at two points in the past 12 months to identify if any of those vehicles were 'underutilised' and could potentially be re-purposed as part of the pilot in-house fleet project.

2.13 That analysis has identified 6 minibuses considered to be underutilised and 2 that are partially utilised; giving a potential 8 vehicles to consider repurposing for project fleet.

2.14 Therefore, subject to further talks with service managers the following is proposed:

- bring the 8 buses under the management of Project Fleet,
- allow the use of the Project Fleet buses by the Services on a bookable basis, so as not to affect the services ability to operate at their peak minibus need

This would mean that 2 vehicles would need to be not used for school transport to be available for other service use. These 2 'spare' vehicles can be also used for School Transport if any other vehicle were to breakdown.

2.15 Second Hand Vehicles

Consideration has been given to the purchase of second-hand vehicles however, following consultation with Fleet Services, due to the following reasons it has currently been ruled out of the scope of this project: -

- The relatively high costs of second-hand minibuses in the market, giving lower value for money
- The low number of vehicles in the market and therefore, limited choice.
- The cost of retro fitting
- The higher risk of unreliability
- Unclear and difficult route to market (procurement)

2.16 Operating sites

2.17 Consideration has been given to where the vehicles for the pilot will be stored, as existing space at current depots is limited and would not be able to accommodate a further 20 vehicles. As such, consideration has been given to existing Council assets that would potentially be suitable as a base of operation, for example the Enterprise Centre, Albert Street, Lockwood, Huddersfield

2.18 Should the Cabinet member agree to the capital purchase and pilot, the services could operate out of Huddersfield initially or both Huddersfield and Dewsbury. Further investigations are underway with Corporate Assets to evaluate options but at present identifying suitable sites is not considered to be a barrier to the project moving forward.

2.19 Driver Utilisation

2.20 From working with Fleet and speaking to other Local Authorities recruitment of drivers is, due to a national shortage, likely to be difficult.

2.21 As such, officers are exploring opportunities to work with existing staff whose role is, or includes an element of driving, for example:

- Joint Job Profiles with other service, i.e. greenspace – Calderdale already use these split roles in their in-house fleet,
- Utilisation of existing drivers/staff who may or may not be at risk,

2.22 Although recruitment of drivers and their utilisation during the day, when not driving, is an area of risk it is not considered to be a barrier to the project moving forward.

2.23 As recruitment of drivers will not be needed until closer to delivery of the vehicles, i.e. Summer 2025 – there is sufficient time to work with members of peoples panel, HR and other services on a model that maximises opportunity to use exiting staff.

2.24 Pilot Review Period

2.25 While there is no proposed end date for the pilot, a review period of three years will be built in.

2.26 If, as a result of the review, the anticipated level of savings shows signs of not being realised, or the third-party transport market becomes more competitive meaning the business case for an in-house fleet no longer makes economic sense, then consideration will be given to drawing the pilot to a close.

2.27 Should it be the case that the pilot does come to a close the vehicles purchased may be able to be repurposed within the Council, and working with Fleet Services would be factored into the Council's vehicle replacement programme ('VRP').

2.28 Where vehicles can be re-purposed as part of the VRP, there would be savings realised on the VRP Capital budget lines. Where vehicles cannot be re-purposed, the second-hand market for minibuses is considered strong and those types of vehicles classed as high value assets. As such, any risk of loss to the Council would be minimal.

2.29 In relation to any staffing implications as a result of the pilot having to be drawn to a close, the service would work with HR partners, other services and the Unions to minimise the risk of any potential reduction in staff.

3. Implications for the Council

3.1 Council Plan

The proposals outlined in this report are part of a number of transformation options the service is implementing. The purpose of those transformations options is to address the significant budgetary pressures within the service.

The proposals seek to continue to provide help to the most vulnerable while reducing the cost to the service.

The proposals also enable the service to modernise and become more efficient and effective by having more control over the fleet of vehicles used to transport children to and from school.

3.2 Financial Implications

The creation of the £750k capital budget to procure 10 new vehicles will be included as a budget proposal in the recommendations presented Cabinet and Council in the Council

Financial & Rollover Report 2023/24. If procurement activity commences prior to Council approving the Financial & Rollover Report 2023/24 then flexibility is provided via Financial Procedure Rules 3.11, 3.12 and 3.16 to authorise budget transfers between projects and programmes to achieve the required outcomes. The capital costs associated with the pilot, and the costs of running the in-house fleet, are to be financed from service budget savings i.e. reduction in spend to third part transport providers.

3.3 Legal Implications

The main legal implication relate to the terms and conditions under which third party transport providers are contracted with the Council. Providing any removal of a contract is completed in line with the terms of the contract the legal risk is minimal.

3.4 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)

There will be no impact on the Armed Forces Covenant.

Integrated Impact Assessment (IIA)

An integrated impact assessment has been completed

Human Resources

Implications on Human Resources is included in the main body of the report

Procurement.

Procurement of new vehicles will comply with the Council's Contract Procedure Rules 2023 and the Public Contracts Regulations 2015. The Council has a duty to obtain Best Value under the Local Government Act 1999.

4 Consultation

- 4.1 Consultation on implementing a 'in house' fleet is not required, by moving to this model the service would not be reducing on changing any aspect of the service if offers to service users. Moving to this model is not changing the policies under which the services operate, it is merely changing a small part of how the service procures the vehicles used to provide transport.
- 4.2 Should the pilot go ahead it will mean circa 20 routes not being offered to third party transport providers, it may also result in the Council exercises clauses within the terms and conditions under which the services procure transport and removing affected routes from operators; any consultation / notice requirements as a result of this will be followed.

5 Engagement

- 5.1 There is no requirement to engage for the purposes of this pilot

6 Options

There is a significant business case to move some of the most expensive routes off contracted out transport and move to an in-house fleet. The costs of contracted out transport are increasing at a rate which is uncontrollable in the main and unsustainable.

Establishing a new in-house service will come at a capital cost and have operational risks associated with it.

A trial of up to 20 vehicles is feasible based on utilising existing Council assets as a base and limits the most significant capital cost, i.e. a new depot.

This also allows the project to trial the feasibility of bring into a central pool existing underutilised minibuses for use by School Transport and the Services who currently operate them.

It is proposed to capital purchase 10 new vehicles to provide the core pool of vehicles. It is proposed to bring into the pool an additional 6-8 existing underutilised minibuses. It may be possible to also utilise existing underutilised cars, but this has not yet been fully explored – to increase the initial fleet to 20.

The Cabinet Member for Finance is asked to support the proposal to add the 'in house fleet' pilot to the Capital plan and approve capital expenditure of up to circa £750k.

To commence procurement activity for 10 vehicles in line with the Public Contract Regulations 2015 / Council Contract Procedure Rules and approve officer delegation to the Service Director for Environmental Strategy and Climate Change in conjunction with Service Director for Highways and Street Scene; to award contracts for 10 vehicles within the £750k allocation.

6.1 Options Considered

The options considered are detailed in the main body of the report, those being –

- Making use of underutilised existing fleet vehicles,
- Purchase of second-hand vehicles,
- Purchase of new vehicles.

6.2 Reasons for recommended Option

The financial modelling undertaken shows that moving to a model of an in-house fleet makes economic sense and reduces the reliance on third party transport providers.

To ensure that all planned vehicle expenditure can be authorised by the Service Directors

To ensure the service can have the pilot in place by the start of the 2025 academic year.

Please note - These figures represent the current cost of new vehicles and therefore maybe subject to change; Tendered prices may also create some variance.

7 Next steps and timelines

- 7.1 If Capital purchase is approved, the next steps will be to work with Fleet Services and procurement as soon as reasonably practicable to start the process of ordering new vehicles.

- 7.2 In relation to existing Council's vehicles more detailed conversations would be undertaken with the services whose vehicles have been identified as underutilised. These discussions may require input at a strategic level.
- 7.3 A further report to Cabinet in twelve-months to update Cabinet on progress of the pilot, prior to going live in September 2025.

8 Contact officer

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9 Background Papers and History of Decisions

December 2023 - Capital Assurance Board, initial business plan presented. Decision of board was to reduce the scope and present a further report on a pilot scheme.

February 2024 – Capital Assurance Board, revised business case presented for a pilot scheme. Decision was to support the pilot and approve progression to Cabinet.

10 Appendices

None

11 Service Director responsible

Katherine Armitage
Service Director
Environmental Strategy and Climate Change