

An assessment of the Options

<p>Number and Title of the option</p>	<p>1. An Arm's Length Company from the Council</p>
<p>Background / reason for prioritising the option</p>	<p>The “long list of ideas” document outlined recent developments in Cheshire East, where the Council there has established a wholly-owned company to be responsible for transport services.</p>
<p>Assessment of the viability of the option</p>	<p>It is important to note that what was done in Cheshire East is much more extensive than, and very different to, the scope of this Scrutiny Investigation.</p> <p>The activities outsourced there include school crossing patrol officers, as well as the coordination of all transport in the area (public, schools and social care transport). It does not include post-16 transport at all as the authority has already ceased to provide this, and the responsibility for this has been transferred to the schools and colleges.</p> <p>It should also be noted that there is no intention for the arm's length company to run its own vehicles directly. As in Gwynedd, the Council (and subsequently the company), arranged transport that is mainly provided by private tenderers. The <u>coordination</u> work is what has been transferred to a company.</p> <p>The business case of Cheshire East is based on the assumption that outsourcing the service will allow for:</p> <ul style="list-style-type: none"> • A better service for users as staff have more free time to respond to their needs rather than the requirements of the authority's system • More imagination / entrepreneurship in order to expand services • Income to be gained by offering the service to nearby local authorities, workplaces or colleges (as colleges are responsible for transport there) • The protection of the authority’s reputation, as the company would be considered responsible for accidents or problems in the service. <p>It is also fair to say that this is part of a broader political shift towards establishing such arrangements: <i>“the desire of the council is for service delivery to migrate to external delivery vehicles wherever possible”</i>.</p> <p>Therefore, there is a question of how relevant the idea is to this Investigation; it certainly does not seem practical to establish a company to coordinate post-16 transport whilst continuing to administrate all other transport directly. This would be entirely contrary to the Council’s recent movement towards merging all transport activities in a single Unit and would lead to duplication and</p>

	<p>loss of coherence.</p> <p>With this in view, the figures noted below presume that the Council would externalise <u>all</u> the Council’s transport activities to an arm’s length company, and that a proportion of any saving could then be attributed to the post-16 field.</p>																
<p>Assessment of the potential savings</p>	<p>The business case of Cheshire East forecasts a net saving of £884k after five years, as follows:</p> <table border="1" data-bbox="475 622 1404 1064"> <thead> <tr> <th></th> <th>Saving £’000</th> </tr> </thead> <tbody> <tr> <td>Selling the service to other local authorities</td> <td>400</td> </tr> <tr> <td>Offering a service to local workplaces and colleges</td> <td>195</td> </tr> <tr> <td>Consultation service for other councils</td> <td>9</td> </tr> <tr> <td>Lower costs for transport tenders as a result of more freedom and a commercial attitude</td> <td>188</td> </tr> <tr> <td>Purchasing fewer support services from the authority</td> <td>45</td> </tr> <tr> <td>Lower employee costs – unclear how – lower pension contribution for new employees?</td> <td>47</td> </tr> <tr> <td>Total</td> <td>884</td> </tr> </tbody> </table> <p>On the basis that the expenditure of Cheshire East on transport contracts is approximately £10.8m, compared to £6.7m in Gwynedd, it can therefore be estimated roughly that there would be an equivalent saving of approximately £550k in Gwynedd.</p> <p>On the basis that post-16 transport accounts for approximately 11% of Gwynedd's transport cost, a notional saving of £60k can be estimated for post-16 transport.</p>		Saving £’000	Selling the service to other local authorities	400	Offering a service to local workplaces and colleges	195	Consultation service for other councils	9	Lower costs for transport tenders as a result of more freedom and a commercial attitude	188	Purchasing fewer support services from the authority	45	Lower employee costs – unclear how – lower pension contribution for new employees?	47	Total	884
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<p>Assumptions / risks</p>	<p>The scale of the abovementioned saving – indeed, the ability to make any saving whatsoever—depends on a number of key assumptions:</p> <ul style="list-style-type: none"> • The desire of other nearby councils to purchase the service – almost half of the saving figure relies on this. • The ability to offer a service to other bodies. It would not be possible to offer it to post-16 colleges in Gwynedd as the Council provides the transport anyway, and there is a question regarding the potential of selling to the private sector in an area such as Gwynedd. • Transport costs would reduce as a result of a more commercial attitude when tendering. Whilst there is an element of ‘common sense’ involved, it is difficult to place a figure against it; the need to go all the way to have a company with a commercial attitude can also be questioned. It is also difficult to know whether there is the same scope to identify savings in the contracts of both authorities. 																

	<p>It should also be noted that the estimates of Cheshire East show a more pessimistic situation (“worst-case”), which shows a saving of £233k after five years. This would translate to approximately £145k in Gwynedd or approximately £10k in the post-16 field.</p> <p>As noted above, this would mean that the authority’s entire Transport field would be transferred to a company. Therefore, this is much broader than Post-16 and a number of considerations would arise in terms of the Council's influence over the company's activity and the political will to go down this route.</p>
Conclusions	<p>This option is much broader than Post-16 Transport as there would be a need to include all the Council's transport activity.</p> <p>Hypothetically, savings would be possible (£145k - £550k; but this would be across all the Council’s transport fields). However, this depends on a number of assumptions that would not necessarily be as relevant in Gwynedd (in particular the ability to sell the service to nearby councils and other bodies).</p>

Number and Title of the option	2. Peripatetic Teachers / Lecturers
Background / reason for prioritising the option	The “long list of ideas” document outlined an idea whereby teachers/lecturers would travel to the students rather than students travelling to them.
Assessment of the viability of the option	<p>It appears that the two different types of post-16 provision must be considered separately i.e. further education / tertiary colleges, and the 6th form provision within schools (Arfon + Berwyn).</p> <p>In relation to the colleges, there is a question of how much influence the Council would have in getting them to change their arrangements in order to reduce our costs. Lecturers already undertake some travelling between college sites; one would expect that cost considerations are already an important element in this (although not transport costs specifically perhaps).</p> <p>In terms of the provision at schools, the Council would have greater influence on the situation and the option certainly seems possible.</p>
Assessment of the potential savings	<p>In relation to the colleges, it is very difficult to assess whether there would be any possible savings; we have been unable to access the detailed information about course provision / numbers / sites etc. that would be required to form an estimate. It is possible that individual situations arise from time to time where the Council and colleges could discuss changing the provision in order to reduce transport costs. However, overall it can be supposed that duplicating the same courses across a number of sites, with a lower number of students attending each course would lead to significantly higher costs for the colleges and it is therefore doubtful how willing they would be to cooperate.</p> <p>In relation to the schools, it is again difficult to assess the savings (if any) without very detailed information about the location of courses / pupil numbers / transport arrangements etc. We have so far been unable to collect all this information, and it would require significant detailed analysis which would be time-consuming.</p> <p>In principle at least it is difficult to suppose that it would produce any savings. It can be assumed that the current system has been developed (partially at least) to make better use of teachers’ time and to be more cost-effective, where it is likely that duplicating the provision across more sites would lead to some courses becoming uneconomical to provide.</p>

	<p><u>Example:</u> Take a situation where the post-16 pupils from three schools come together for a specific subject (i.e. pupils from two schools travel to the other school). Suppose that the subject teaching hours are 4 hours per week (2 hours twice).</p> <p>Having the teacher teach the subject 3 times, at 3 different sites, would mean having to pay at least 12 hours of additional teaching time costs (8 hours of teaching and an estimated 4 hours of travelling (½ hour back and forth 4 times)).</p> <p>While the cost would vary according to the teacher's pay scale, it could easily be at least £25,000 annually if you take the teacher's travelling costs into account (this does not include any higher premises costs either).</p> <p>Would it be worth paying £25k annually in order to avoid transport costs? This would depend on the number of pupils in question and the cost of the transport, but <u>on average</u> the net transport cost of each post-16 pupil for the Council is around £1,000 - £1,200 a year. Therefore, at least 20 pupils (between the other 2 schools) would need to avoid the need to travel solely to recoup the additional teaching costs; this is unlikely when considering the numbers that take up these courses.</p> <p>Once again it is possible that there are individual situations where teachers sharing their time between sites would lead to a saving – but from the information to hand it is impossible to tell. However, it is difficult to see how it could be viable if adopted as an overall policy.</p>
Assumptions / risks	As noted above, the lack of detailed information about the numbers and the nature of the current provision makes it difficult to draw any firm conclusions. It is also difficult to know whether the provision would be exactly the same if the teachers and lecturers were peripatetic – it is possible that the numbers for some subjects / courses would then mean that they would not be viable at all.
Conclusions	<p>Although the lack of detailed information prevents us from making a detailed analysis, it appears that this option would lead to the duplication of teachers' time and the loss of economies of scale in terms of schools and teaching resources; it is difficult to anticipate how any substantial savings could be derived. It is also doubtful how much influence the Council would have in trying to change the colleges' provision.</p> <p>It is possible that there are individual cases where this could be undertaken occasionally, and there might be a scope to further</p>

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	<p>establish to what degree is minimising the total cost (education + transport) taken into account when deciding on the specification of course provision.</p>
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<p>Number and Title of the option</p>	<p>3. Ticket type</p>
<p>Background / reason for prioritising the option</p>	<p>This arose from a discussion in the workshop; the idea that a more sophisticated ticket / pass system could be established, that could be used on any bus at any time. This would give students more flexibility and would mean that “dropping out” of courses would not lead to a waste of money (as they would not have to pay for one term at a time).</p>
<p>Assessment of the viability of the option</p>	<p>There is no reason why this could not be a viable option, although there would be a capital cost involved with any new technology (ticket scanning machines etc.) that would be needed to implement the option. If it would be possible to adapt the technology ‘aged 60+ pass’ that already exists then the capital cost is very much lower (no obvious reason why this could not be made).</p>
<p>Assessment of the potential savings</p>	<p>Currently the Council pays the bus companies on the assumption that everyone who bought a ticket, use them twice a day, on 5 days a week.</p> <p>Changing to a more sophisticated system would potentially mean paying less to the bus companies as they are paid on the basis of real use rather than assume that the tickets are being used every day. At present it is not possible to know if each person makes full use of their tickets (or indeed what bus company they use).</p> <p>It is estimated, on the basis of the number of tickets purchased in 2013/14, if say 5% of the journeys are not "real", the Council would save around £38k if we pay the companies on the basis of actual use. Assuming 10% would lead to a saving of around £76k.</p> <p>As noted above it is impossible to know exactly how much "in-use" is there at the moment and therefore exactly how much saving there would be.</p> <p>It is possible that the additional flexibility offered, would mean the students are more willing to pay a higher charge for the service, and that the additional income can therefore in addition to the above savings.</p> <p>Against that however we would lose some income, as students would not then have to then pay on the basis of a season at a time and we would therefore lose any income which is "falling out".</p> <p>In summary, it appears therefore that there is a potential saving here but would need a lot of detailed work to assess the extent of that correctly.</p>
<p>Assumptions / risks</p>	<p>As noted this option could facilitate charging a higher cost for the service but a number of other elements (non-financial) would have to be assessed before doing so.</p>

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	<p>Any potential to amend the payments to bus companies for actual usage would depend on the detail of how the current system operates – this information is not currently to hand. As already stated is not possible, at this stage, to know if the tickets are used in full, or on which bus the tickets are used.</p> <p>When submitting ticket scanning machines it should be noted that the risk of fraud is possible as with the aged 60+ tickets.</p>
Conclusions	<p>As the Council pays the bus companies on the assumption that everyone who bought a ticket use them twice a day, 5 days a week at the moment, presumably there would be potential saving to the Council. As the Council does not have information on the use of the tickets it is difficult to get a definite figure for the potential saving. Presuming that 5% of the tickets are not being used at all it would be a saving of around £38k.</p> <p>This option would offer advantages from the point of view of the students through the flexibility of the ticket. It would make a purchase of a ticket more attractive to students, thus potentially making higher charging easier to justify. Perhaps it should therefore be considered as part of a package of amendments to the order involving raising the charge, rather than as an option in its own right.</p>

Number and Title of the option	4. Financial loan to buy a vehicle or motorbike
Background / reason for prioritising the option	An idea was presented of providing financial loans to students to buy a vehicle/motorbike to facilitate their access to education and training.
Assessment of the viability of the option	The option would be practical although there would be associated administrative costs.
Assessment of the potential savings	<p>As it would be a loan, there would be no cost apart from the scheme's administrative costs. (Unless the interest rate was set lower than the market level in order to increase take-up).</p> <p>The saving would be dependent on the numbers taking the loan and the resulting savings of providing transport for them (the saving would not necessarily be realised – e.g. if only one or two ceased to travel by bus, the bus would still have to be provided).</p> <p><u>Hypothetically</u> as the net cost of transport for each student is around £1,000 – £1,200 for the Council, savings would be realised; e.g. if only 10% of the students took the option the saving could be £80k or more, but this would be totally dependent on the ability to reconfigure the transport provision to correspond to the reduction in numbers – which is far from certain.</p>
Assumptions / risks	Parents willing to pay? Licence, insurance, helmets, cars not an option for 16 year olds.
Conclusions	Hypothetically there could be possible savings, but this would be dependent on the conditions of the loan (a lower interest rate as 'bait' would mean an additional cost against the saving) and the numbers taking the loan. Without a substantial number of students taking the loan, it would be unlikely to realise savings as the same transport would still have to be provided.

Number and Title of the option	5. Council buses
Background / reason for prioritising the option	The “long list of ideas” document outlined Dorset Council’s purchase of 19 buses (6 with CCTV and safety belts installed); 7 school buses with 70 seats and 12 buses with lowered floor access as part of the council’s fleet. They had opted for this route because the lack of competition between the bus companies had led to higher costs. These buses are tendered out for use on services where public transport is unable to meet the needs.
Assessment of the viability of the option	The decision was not taken specifically for post-16 transport; it was also for social services transport and public transport. In addition, the council buses only operate on rural routes where public transport is unable to meet the need. Dorset Council purchased the buses in 2007, and therefore it is not possible to see the council’s business case for doing so, or the benefits which derived from the decision.
Assessment of the potential savings	Dependent on: the number of buses required; maintenance and purchase costs; current costs of the bus companies. If our tendering process is currently effective it is difficult to anticipate that there would be substantial savings as the running costs of the buses would be similar, whether the service was run by external companies or by the Council itself.
Assumptions / risks	The Council would need to have the capacity to maintain a fleet of buses, parking space etc.
Conclusions	It is difficult to see how running our own bus company would lead to savings, and if it did, it suggests that our tendering process for post-16 transport is currently ineffective.

<p>Number and Title of the option</p>	<p>6. Transfer the Administration of College Travel Passes</p>
<p>Background / reason for prioritising the option</p>	<p>The option had been included on the “long list of ideas” as it was found that the Llandrillo Menai Group is operating as an agent for Anglesey County Council.</p>
<p>Assessment of the viability of the option</p>	<p>Coleg Menai used to administrate the passes on behalf of Gwynedd Council and Anglesey County Council before the two Councils started charging for travelling to further education establishments. Anglesey County Council continued with the same arrangement as Coleg Menai had agreed to be an agent for them.</p> <p>It was understood from the Education Department at Anglesey County Council that they ask Coleg Menai for £60 per annum, with the College then charging an administration fee of 7.5% of the sale on the Council. The work includes collecting the money and paying the Education Department directly. Coleg Menai sends an invoice to Anglesey County Council for 7.5% of the sale less £60.</p> <p>Passes for Anglesey Council school children are administrated by the Council and it was reported that the procedure for schools was troublesome as the pass is a plain one for school children.</p> <p>The advantages of the procedure of Anglesey County Council for the student are</p> <ul style="list-style-type: none"> - they receive a pass on the day - they discuss with one establishment rather than two or three - the pass states the buses that the student may travel on <p>The advantage for the authority is that</p> <ul style="list-style-type: none"> - the arrangement is less troublesome as many resources are required to undertake the work. <p>The advantage for the College is that</p> <ul style="list-style-type: none"> - they have a definite record of who travels on the buses to support the health and safety side on the buses.
<p>Assessment of the potential savings</p>	<p>If the Authority was successful in having the Llandrillo Menai Group work as an agent as it currently does for Anglesey County Council, a small financial saving could be realised and there would also be non-financial benefits.</p> <p>If we used the college travel passes sales figures for 2013/14 – £166,220 and had we asked Coleg Menai to administrate on the same basis on which they act as an agent for Anglesey, the saving would be</p>

	<p>as follows:-</p> <table border="1" data-bbox="472 271 1401 432"> <tr> <td>Galw Gwynedd fee for the Education Department</td> <td>£16,319</td> </tr> <tr> <td>Bill for the Authority from the Llandrillo Menai Group</td> <td>£12,407</td> </tr> <tr> <td>Saving</td> <td>£ 3,912</td> </tr> </table> <p>Perhaps the actual saving for Gwynedd would be less, depending on whether an element of the Galw Gwynedd fee includes part of their overhead costs.</p> <p>Transferring the administration to the Llandrillo Menai Group would</p> <ul style="list-style-type: none"> • Release Galw Gwynedd officers’ time as 2,515 passes were sold to college students in the 2013/14 academic year. Only 70 passes were sold to secondary school pupils and 9 passes to University students during the 2013/14 academic year out of 2,594 passes sold. • Release Galw Gwynedd officers’ time during September –November specifically and the first weeks at the start of term. • Release an officer’s time in the Education Department who responds to comments/complaints (most during September – November and at the start of terms). <p>It might be possible to make a small saving after releasing the time of the above officers.</p>	Galw Gwynedd fee for the Education Department	£16,319	Bill for the Authority from the Llandrillo Menai Group	£12,407	Saving	£ 3,912
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<p>Assumptions / risks</p>	<p>Failing to reach an agreement with the Llandrillo Menai Group.</p> <p>There could be a risk of losing some income, as the students would not be required to pay per term, therefore we would lose the income of any students who dropped out.</p>						
<p>Conclusions</p>	<p>If the Authority was successful in having the Llandrillo Menai Group to work as an agent as it currently does for Anglesey County Council, a small financial saving could be realised and there would also be non-financial benefits.</p> <p>There would be advantages to the learners/students and their families and a release of officers’ time in Galw Gwynedd and for the Education Department Officer who deals with comments and complaints.</p>						

Number and Title of the option	7. Transfer the Transport to College Service to the Llandrillo Menai Group
Background / reason for prioritising the option	<p>The “long list of ideas” introduced the idea of transferring the service for College travel to the Llandrillo Menai Group, including the work of preparing contracts.</p> <p>Many local authorities have had some success in externalising ‘provider and planning’ contracts by introducing a school-based contract where the tenderers were asked to plan the services based on information about the demand. There are two good examples of this in Essex (2009) and more recently in East Lothian in 2012/13 where the process of externalising the ‘planning and management’ has led to savings, as this encouraged better use of resources.</p>
Assessment of the viability of the option	<p>The Llandrillo Menai Group has the experience of working as an agent for Anglesey County Council. Coleg Menai used to administrate the passes on behalf of Gwynedd Council and Anglesey County Council before the two Councils started charging for travel to further education establishments.</p> <p>The Llandrillo Menai Group would be required to prepare contracts with transport companies and process and administrate travel passes.</p> <p>The Education Department currently commissions the Integrated Transport Unit to provide transport to the colleges and schools. If it were decided to transfer the transport to college service to the Llandrillo Menai Group, the Education Department would be commissioning the Llandrillo Menai Group to provide transport to the colleges. There would be a need to collaborate regularly with the Llandrillo Menai Group as is currently happening with the Integrated Transport Unit.</p>
Assessment of the potential savings	<p>Gwynedd’s budget for transport to the colleges (2014/15) is £170,000. By transferring the service to the Llandrillo Menai Group this suggests that there would be a saving of the same amount, but we must consider whether we would be required to make a contribution in order to have an agreement with them.</p> <p>The table below shows the effect of different levels of contribution on the potential saving.</p>

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	Contribution	Amount	Saving
	0%	0	£170,000
	5%	£8,500	£161,500
	10%	£17,000	£153,000
	20%	£34,000	£136,000
	25%	£42,500	£127,500
	50%	£85,000	£85,000
	75%	£127,500	£42,500
	<p>It would release the time of the Integrated Transport Unit Officer, the Galw Gwynedd officer, and the time of the Education Department Officer who responds to the comments/complaints (most of them during September – November and at the beginning of terms).</p>		
Assumptions / risks	<p>Failing to reach an agreement with the Llandrillo Menai Group.</p> <p>A risk that the contribution required would be high, therefore there would be no advantage from transferring the service.</p>		
Conclusions	<p>Savings will be possible, but a firm agreement will need to be negotiated with the Llandrillo Menai Group. The size of the saving would depend on the amount of contribution that would need to be made to the Llandrillo Menai Group.</p> <p>Furthermore, this option offers the same advantages as the advantages for option 6 – Transferring the Administration of College Travel Passes, in respect of the students and releasing officers' time.</p>		