

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 9 December 2014	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 2 – Contract Award Approval – Special Educational Needs and/or Disabilities (SEND) School Bus Transport	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Victoria Mills, Children and Schools	

### **FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR CHILDREN AND SCHOOLS**

It is important that we have a safe, reliable and efficient special needs and disability (SEND) bus transport service that is able to help us to provide appropriate travel assistance to our most vulnerable children and young people. This is one of our statutory duties. Costs associated with providing the SEND bus service is commensurate with the need to secure a high quality, specialist service. We have strived to achieve good value for money through our specification and choice of delivery model for this service.

### **RECOMMENDATIONS**

1. That cabinet approve the award of the SEND school bus transport contract to Olympic South Limited (trading as Healthcare and Transport Services - HATS) for a period of five years and eight months with provision to extend for a further two years (1 + 1 years), making an estimated total contract value of £10.57m or £14.52m should the full extension periods be used.
2. That cabinet notes the contract will be awarded on 2 January 2015 but that the service will not commence until April 2015 to align with academic term times.
3. That cabinet agrees that the council's longer term ambition for service users currently travelling in school transport vehicles (buses and/or taxis), where possible, is for them to travel independently so as to support them to lead the fullest possible lives. Working in partnership with the provider, children, young people and their families, the aim is that we take this journey together over the course of the new contract.

### **BACKGROUND INFORMATION**

4. Local authorities have a statutory duty to provide appropriate travel assistance to enable eligible children to get to and from school.
5. The council has had a contractual arrangement in place to deliver this service since 2007, which is currently delivered by Olympic South Limited.
6. The cost of delivering this specialist service is high and the number of eligible children has also been increasing year on year. Whilst there are interventions

currently in place to help contain spend within budget and manage both supply and demand, the council still needs to have an effective SEND bus service in place.

7. At present, there is a pilot operational model in place for this service. It has introduced a partnering arrangement and began to transfer the responsibilities of day to day operations from the council to the current provider. The new contract will incorporate new, more modern and innovative ways of providing the service. The aim is to provide a comprehensive service that:
  - Is able to deliver the council's statutory transport duties and be fully compliant with all necessary transport operational requirements.
  - Delivers a first class passenger experience.
  - Has a fit for purpose staff team with excellent training and development arrangements.
  - Is efficient, flexible and achieves value for money
8. The current service model in Southwark is unique as it combines both council and provider staff teams, it is vital to the success of the service to combine both teams seamlessly. It has been necessary to review the achievements and impact of the pilot service model to properly develop a service specification that reflects the aims for the service. This resulted in the need to amend the timeline contained in the original procurement project plan.
9. The procurement strategy for this tender was agreed by Cabinet in January 2014 with a view to issue the invitations to tender in April 2014. For the reasons given above, invitations were not sent until July and the subsequent key activities were amended. All other procurement activities as described in the Gateway 1 were followed.

### Procurement project plan

Activity	Revised timetable:
Forward Plan (If Strategic Procurement) Gateway 2	29/07/2014
Approval of Gateway 1: Procurement Strategy Report	28/01/2014
Invitation to tender	04/09/2014
Closing date for return of tenders	27/10/2014
Completion of evaluation of tenders	06/11/2014
DCRB Review Gateway 2:	10/11/2014
CCRB Review Gateway 2:	13/11/2014
Notification of forthcoming decision – despatch of Cabinet agenda papers	28/11/2014
Approval of Gateway 2: Contract Award Report	09/12/2014
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	23/12/2014
Alcatel Standstill Period	23/12/2014
Contract award	02/01/2015

<b>Activity</b>	<b>Revised timetable:</b>
TUPE Consultation period ends	N/A
Service start	April 2015
Contract completion date	31/08/2020
Contract completion date –if extension(s) exercised	31/08/2022

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

10. The new service model will deliver a more modern and effective way of working that incorporates both council and provider staff in an integrated staff team that has a clear focus on providing a service that is safe, sensitive, suitable and reliable for every passenger.
11. The key elements of the model are that:
  - The provider will have full responsibility for day to day management of the service including ensuring sufficient staffing numbers.
  - There will be a key focus on partnering with commitment from both parties to resolve issues jointly.
  - A fixed price has been set based on the number of passengers to be transported (with tolerances built in to allow adjustments during the school year) rather than pricing for individual bus journeys/routes.
12. The new model has created efficiencies which will be realised on contract award, the key ones being:
  - Reduced cost (due to the fixed price and a schedule of automated payments).
  - Reduced officer time spent on co-ordinating staff for the service and configuring rounds.

### **Policy implications**

13. There are a number of key local and national drivers that impact on the delivery of home to school transport.
14. This contract will assist the council to fulfil its statutory duty to provide transport services to eligible children and young people as set out in the Education Act 1996 and in the Education and Inspection Act 2006, and will support the delivery of the council's School Travel Assistance Policy.
15. This service supports the council's Fairer Future commitments including ensuring the Best Start in Life for its residents and the values of treating every resident as if they were a valued member of our own family; and spending money as if it were from our own pocket.
16. The Children and Families Act, which came into effect from 1 September 2014, has created a radical shift in the way in which children and young people with SEND are supported by Local Authorities and Health. Flexibility has been built

into the service specification to enable the council to respond to ad hoc transport services to support children with SEND to travel to places other than their schools if needed. There is also sufficient flexibility within this contract to support the implementation of recommendation 3 of this report.

### **Tender process**

17. To oversee the tender process, a transport project board was established, chaired by the Director of Education with senior representatives from Legal, Procurement, Finance, Commissioning and Transport as well as a local Head Teacher.
18. On 25 February 2014 a notice was placed in the Official Journal of the European Union (OJEU) to advertise the tender which was also advertised on Southwark Council's website. Existing and other SEND bus transport providers known to the council were informed of the tender, including all of London's local authority transport teams/providers via a circular to the Association of London Transport Officers (ALTO). A competitive tender process was followed which consisted of two stages; short listing with information contained in Pre-qualification questionnaires (PQQ); and a tender stage, with proposals for the delivery of the service being submitted.
19. In summary, nine companies expressed an interest in providing the service and were each sent a PQQ pack. Seven of the nine companies returned completed PQQs which were evaluated in two stages: a preliminary compliance check followed by a detailed evaluation in the following areas: technical, financial, equality and diversity, health and safety. Two companies fully met the criteria of each of the four areas of detailed evaluation. The transport project board carefully considered the evaluation report along with all risks to the council identified through the evaluation. This included consideration as to whether or not to continue with only two bidders. In view of the limited market and number of companies that had expressed an interest in applying to deliver the tender, it was agreed that sufficient competition remained.

### **Tender evaluation**

20. Both companies invited to tender returned their submissions to the council by the closing date.
21. Each bid was assessed in two areas, in accordance with the evaluation methodology provided in the Gateway 1 - quality which accounted for 40 points and price which accounted for 60 points.
22. Quality was assessed through 12 questions for which tenderers provided method statement responses followed by a PowerPoint presentation to the panel covering set elements of their bid. Scoring of method statements was weighted to ensure tenderers responses to priority areas of service requirements demonstrated an appropriate level of ability. Minimum score thresholds were also set for three specific questions relating to their service delivery model and approach to partnering - tenderers responses had to obtain a score of at least 3 (satisfactory) for these questions.
23. The 12 method statements were evaluated by an evaluation panel comprising of officers with transport, fleet and SEND specialist knowledge. In accordance with the published evaluation methodology, each method statement was individually

scored by members of the panel then reviewed and adjusted following the presentation and the responses to any clarification questions requested by the panel as appropriate. Quality scores were then finalised by moderation to reach a consensus.

24. To evaluate price, tenderers were asked to provide financial information across three areas which could obtain a maximum score of 60 points as follows:
  - Annual price to deliver the core service 52 points (maximum).
  - Price for delivery of specialised rounds 3 points (maximum).
  - Cost to provide passenger assistants 5 points (maximum).
25. The price evaluation methodology process was carried out by finance officers. All price evaluation was subject to a review and challenge process by project team members and finally, verified by the transport project board.
26. In addition, a pass/fail criterion was set to evaluate the robustness of the proposed configuration of transport rounds submitted by tenderers within their proposed price and mix of vehicles to be used on the contract. Failure in this criterion would lead to an overall failure in the tender bid. The robustness of transport rounds were scrutinised by two officers with extensive knowledge and experience of SEND transport services. Each round supplied was examined in a number of aspects including length of journey, appropriateness of vehicles and understanding of individual passenger needs.
27. The final overall scores for each company were calculated by adding their price and quality scores together out of a maximum score of 100. The outcomes were:

	Robustness of rounds	Total (price & quality)
Olympic South Limited	Pass	83.3
Tenderer 2	Fail	67.1

28. In accordance with the evaluation methodology used, Olympic South Limited has met all required thresholds and is deemed to have submitted the most economically advantageous tender and is therefore recommended for contract award.

**Plans for the transition from the old to the new contract**

29. Whilst the recommendation is to appoint the incumbent provider, there will be significant changes to the management of the day to day service delivery within the new contract. These changes will need to be planned for, communicated to staff and service users, and then implemented from April 2015. Officers will hold meetings with appropriate representatives from Olympic South Limited to agree and finalise arrangements for all operational changes required to meet the service specification and jointly facilitate/participate in any staff communication sessions as needed.
30. The mobilisation plan created by Olympic South Limited as part of its tender bid will be implemented from contract award, including a comprehensive training and induction programme on the new service model for all staff delivering the service.

31. The council will make its own entire transport team staff aware of the new model to enable them to create new working practices and develop a partnering relationship with the provider.
32. TUPE will not apply.

**Plans for monitoring and management of the contract**

33. In line with the changes to the service model, the way this contract will be monitored and managed will also change. The school transport team will lead on compliance with legislative, regulatory and specification requirements with regards to vehicles, depot and journey management. In partnership with the adult and children’s performance and contract management team, it will also develop comprehensive contract monitoring standards as set out in the specification and contract for this service. This utilises the expertise within each team to create a comprehensive and robust monitoring framework.
34. A key aspect to the success of the service will be implementation of an effective partnering approach by both the council and provider. To ensure the commitments made in the tender are adhered to, there is a KPI on partnering in the contract. Should Olympic South Limited fail to keep to its commitment, the council has authority to issue default notices and/ or require remedial action.
35. There is a clear monthly and periodic schedule of meetings and the process to escalate performance and partnering issues detailed in the service specification.

**Identified risks for the new contract**

36. A risk register was developed to support the procurement process and was regularly reviewed by the project manager. Updates and alerts were escalated to the project board. The table below provides a summary of the current main risks.

No.	Risk	Risk Rating	Risk Control
1	Suitable facilities not secured by contractor to ensure service requirements met.	Low	This risk was anticipated given the lack of available land in the borough and surrounding areas. The council therefore did not specify that a depot was required in Southwark, but allowed bidders to propose alternatives provided the service standards could be met. The recommended tenderer does have facilities as well as back up plans and processes should these be required.
2	New service model not effectively adopted by provider	Low	Provider has evidenced in the tender bid and during its presentation to the evaluation panel, a good understanding of the new model and how it will be implemented.
3	Challenge to tender outcome impacts on service start date	Low	The council has undertaken a robust and transparent tender evaluation and will supply detailed feedback to the unsuccessful tenderer.
4	Company might withdraw from the contract due to service/ financial/ other difficulties	Low	The contract particulars do not allow the provider to terminate unless the council defaults on its obligations. Should the provider be unable to deliver the service for

No.	Risk	Risk Rating	Risk Control
			<p>any reason, there is a mitigation plan in place which includes the use of existing council contracts and those of neighbouring boroughs.</p> <p>The contract will be paid weekly via automatic payments to aid cash flow. Robust financial checks were carried out for each company that applied at PQQ stage in the process and will continue throughout the life of the contract.</p>
5	Service not delivered to the expected standards	Low	Provider has passed the tender quality assessment. There will be an effective contract monitoring and management process in place, including performance mechanisms to oversee quality standards during the life of the contract

### **Community impact statement**

37. This is a specialist service that will be delivered to up to 400 children and young people with SEND annually. Passengers represent a wide range of communities, including families and individuals with English as an additional language. This transport service supports this cohort of students to attend and achieve at school.
38. As this service is used by some of the most vulnerable members of the community, it is essential that the service is of a high standard and is able to meet the needs of all passengers. The service specification includes details of the specific requirements of community needs which are based on community consultation feedback and therefore, will be able to deliver services in accordance with direct requirements highlighted by service users. Olympic South Limited has a strong track record in working with and employing people from a range of ethnic, racial and faith based backgrounds and passed the evaluation processes on this area in both the PQQ and ITT stage.

### **Economic considerations**

39. Olympic South Limited has stated in its tender submission (which will form part of the contract) and during its presentation to the evaluation panel, its commitment to employing local staff on the service. Additionally, they have formed a partnership with a local voluntary organisation that works with adults with learning disabilities to offer training and real work opportunities to adults with SEND. This means that the service will help promote local jobs to local people – some of whom may never have previously had the opportunity to work before.

### **Social considerations**

40. Olympic South Limited has confirmed that it supports the council's commitment to pay the London Living Wage and is also committed to the London Living Wage Foundation's Service Provider Recognition Scheme which assists them with monitoring and implementation of these payments.

### **Environmental considerations**

41. Olympic South Limited has committed to delivering a service with a clear environmental focus in its bid (which will form part of the contract). The key aspects being the use of fuel efficient vehicles (lower emissions), having a depot in the heart of the Borough (low level of dead mileage), and operating efficient fleet (optimised use of vehicles).

### **Market considerations**

42. Olympic South Limited is a private organisation that employs more than 250 staff and operates across the UK.

### **Staffing implications**

43. There are no TUPE implications for this service as the current provider has been successful in retaining the business via a competitive tendering process.
44. There are a significant number of council employees involved in this service currently (52) but there are no plans to consider any transfer of these staff to the provider. The service model developed is a unique way to maintain a council workforce within an outsourced service.
45. All council staff will continue to receive all of the benefits and support linked to being a council employee. While their day to day performance will be overseen by the provider, the council maintains full HR responsibilities for these staff.
46. Sufficient resources are in place to manage the operational and contract / performance management requirements of the service.

### **Financial implications**

47. The SEND school bus transport service, along with the SEND school taxi provision is funded from the Home to School Transport budget of £3.18m in 2014/15.
48. The SEND transport budget has been under budgetary pressure due to increasing service demand. Efficiencies for the service have been proposed through the reconfiguration of SEND bus transport service delivery through a partnering approach and greater focus on travel assistance rather than transport provision with the establishment of ten independent travel trainer posts. An overall reduction in SEND transport expenditure is anticipated over the life of the contract once these measures have been implemented.

### **Legal implications**

49. Please see concurrent from the director of legal services.

### **Consultation**

50. A comprehensive review of children's transport services was carried out during 2012. The consultation included focus group sessions with SEND transport service users including parents and carers of children with disabilities as well as children/ young people travelling on the service to and from school. This consultation enabled us to obtain a much greater understanding of what the



community wanted from this service. The feedback received was used to develop the council's travel assistance policy and has been central to determining the specific expectations we have for delivery of the service. Companies tendering to deliver this service received details of the service we expect them to deliver, which is largely based on the results of this extensive engagement with key stakeholders.

51. Further consultation during the tendering process was not deemed necessary; however, there was external stakeholder representation both on the project board and on the evaluation panels.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

52. This report is seeking to approve the award of the new SEND school bus transport services contract that delivers services commencing April 2015.
53. Paragraphs 17 - 19 outline the tender process that was followed and the report confirms that apart from some delays in approaching the market, the process was in accordance with the procurement strategy approved in January 2014.
54. The report highlights that although the market is well developed, there was a limited level of PQQ responses and only two providers met the necessary short listing criteria and were progressed to tender stage. Paragraph 19 confirms that the project board considered whether to proceed with the process and concluded that adequate competition would be achieved.
55. The evaluation methodology is summarised in paragraphs 20 - 28. Both bid submissions were assessed in detail and verified through presentations. Paragraph 28 confirms that the recommended provider met all required thresholds and is deemed to be the most economically advantageous tender.
56. Paragraph 33 describes the monitoring arrangements that will be in place to manage the contract. Whilst the recommendation is to appoint the incumbent provider the report recognises the need to launch the new contract with staff to ensure the new contract requirements are delivered.
57. This new contract aims to develop further the operational model and partnering approach that has been piloted through the existing contract. With a different pricing mechanism in the new contract, both direct and indirect savings are anticipated.

### **Director of Legal Services**

58. This report seeks the approval to the award of contract for the SEND school bus transport to Olympic South Limited as detailed in paragraphs 1 and 2. As this award is in relation to a strategic procurement the decision to award is reserved to the cabinet.
59. The nature and value of this contract is such that it is subject to the full tendering requirements of the EU Procurement Regulations. As noted in this report, the tender was advertised in OJEU and the process has been undertaken fully in compliance with those EU requirements. The council's criterion for award of this contract was on the basis of the most economically advantageous tender with a

quality/price split of 40:60. Following evaluation of the tenders it is the evaluation panel's view that the tender submitted by Olympic South Limited is the most economically advantageous, and has met all required thresholds, and it is therefore recommended for award.

60. The cabinet's attention is drawn to the public sector equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is referred to the community impact statement at paragraphs 37 and 38 setting out the consideration that has been given to equalities issues which should be considered when agreeing this award.
61. Contract standing order 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 47-48 of the report confirm the financial implications of this award.

**Strategic Director of Finance and Corporate Services (FC/14/032)**

62. The strategic director of finance and corporate services notes the recommendations in this report for the award of the SEND school bus transport contract. The contract will cover financial years from 2014/15 (mobilisation phase) to 2020/21 with possible extensions.
63. The financial implications identify that the SEND school bus transport service, along with the SEND school taxi provision is funded from existing budgets. These have been under pressure due to increasing demand, and this contract forms part of the approach towards securing efficiencies and an overall reduction in SEND transport expenditure over the life of the contract.

**BACKGROUND DOCUMENTS**

Background documents	Held At	Contact
Gateway 1 – Procurement Strategy Approval. Special Educational Needs and/ or Disability (SEND) school bus transport	Pupil Access, Education Department, 160 Tooley Street, London SE1 2QH	Glenn Garcia 0207 525 2717
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4554&amp;Ver=4">http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&amp;MId=4554&amp;Ver=4</a>		

**APPENDICES**

No	Title
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Victoria Mills, Children and Schools	
<b>Lead Officer</b>	David Quirke-Thornton, Strategic Director of Children's and Adults' Services	
<b>Report Author</b>	Glenn Garcia, Head of Pupil Access	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	No	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		27 November 2014