

Appendix A – Option 1: In-Source service implications

1. The council has stated its intention to “keep more wealth in our community by ensuring the council and our partners buy local goods and services and bringing more services under council ownership and democratic control.” Therefore a prime consideration has been to explore the implications of delivering the service in-house.
2. Delivering the service internally would have many benefits.
 - 2.1. It would allow for greater control of the service, ensuring that money is spent on delivery and not on profits, contributing to many of the stated aims of the Council Delivery Plan as well as working to ensure good quality of service.
 - 2.2. The council would be able to ensure that climate objectives are met on time
 - 2.3. The council would be able to meet strategic employment objectives and offer robust employment/pension packages to staff increasing retention and reducing the risk of lack of drivers and PAs.
3. Nevertheless, for Southwark, there are also significant drawbacks to delivering this service in house.
 - 3.1. The transition from the current situation to an in-house service would require multiple elements of work to be undertaken by a project team. This would require significant financial outlay at a time when the council has savings planned.
 - 3.2. The council’s existing fleet of owned vehicles is not a match for the requirements of the service and none of the already-owned vehicles could be used. Young people will require buses, minibuses, people carriers, and saloon cars whereas the current fleet consists of road-sweepers and vans. A complete new fleet would therefore be required and council obligations and commitments to climate objectives would necessitate climate-friendly vehicles. The council would need to pay a premium on the vehicles, the electricity, creating the charging point infrastructure, upskilling relevant staff, security and parking.
 - 3.3. Southwark currently owns no depot and this is critical. The existing council fleet is already under pressure to park its 330 vehicles overnight and has had to use Home Parking Agreements to do so, with the rest being parked on the street or at staff homes. Previous efforts to secure a depot have not been successful. A renewed effort would need to be made to either develop a site with significant investment, or rent a suitable site.
 - 3.4. Both above points were also identified as barriers in the October 2023 Gateway 0 - Strategic Options Assessment Commercial Fleet Procurement paper. This paper reviewed the delivery of light commercial, heavy goods and specialist vehicles to the council and stated that: Currently Southwark Council does not have the infrastructure (specialist workshops, depot space), vehicle capacity (replacements), the required safety compliance arrangements (inspectors, specialist repairers) required expertise (technicians, mechanics, fitters) or the available

supply chain to meet the required service standards. The paper recommended that all commercial vehicles be procured and contract managed.

3.5. The time required to in-source the service would also be extensive.

3.5.1. There would also be a timeline of approximately nine months around the identification and procurement process of the vehicles. Once identified, it currently takes 18 months (possibly longer) from order to delivery to obtain one electric vehicle. The council would need many vehicles. This gives a timeline of two and a half to three years to obtain the necessary climate-friendly fleet. Potentially this could be reduced if a staggered approach to ensuring climate objectives were to allow non-electric vehicles initially.

3.5.2. The governance around agreeing and then procuring (or committing to a rental agreement) the site for the depot is also likely to take several months if not years.

3.5.3. As a comparator of in-sourcing a large service, the recent work to bring the Housing Repair service in house took 18 months, the insourcing of the Leisure Service took 15 months.

3.6. Once successfully in-sourced, the council would bear the entirety of the risk to delivery and would also be responsible for TUPE liabilities, salaries, pension costs, Public Carriage Office (PCO) and Public Service Vehicle (PSV) licensing, Disclosure and Barring Service (DBS) checks of all the staff including the responsibility of securing and retaining drivers in a market that would require higher salaries to retain them. These are long term and significant costs.

3.6.1. TUPE requirements would apply and the council would be responsible for the pool of drivers and those passenger assistants not already on council contracts. The workforce delivering the current contract is in the region of 150-170 employees including drivers, PAs, admin and fleet staff (and vacancies).

3.6.2. Each PCO licence is a minimum of £557 potentially more. PSV licences cost £209 each and an extra £61 for added special conditions.

3.6.3. The average bus driver salary in London as of December 2023 is given by Glassdoor as £25-32,000.

3.6.4. Glassdoor also gives the average salary for passenger assistants as £38,605 per year in London.

3.7. A conservative estimate of the capital costs that would be required is given in the table below. They amount to in the region of £9.8 million without the cost of developing the project or running costs.

		Unit cost	Capacity	Units required*	Serves	Total cost	Data source
Cost of creating depot	Purchase of site	£5,000,000				£5,000,000	Current estimate taken from property sale websites. Work done by Traded Services team to inform Oct 2023 Paper presented to Cabinet on Gateway 0 - Strategic Options Assessment Commercial Fleet Procurement identified £3.4m two years ago but this is felt to be too conservative now.
	Outfit for depot purpose					£1,000,000	taken from work done to inform Gateway 0 - Strategic Options Assessment Commercial Fleet Procurement paper
	Annual running costs					£500,000	
Cost of new fleet to service 550 children	New Electronic Vehicle (EV)	£32,550	4	20	80	£651,000	lowest cost taken from Money Saving Expert website
	New minibus EV	£39,000	8	30	240	£1,170,000	average cost taken from sales websites
	New Wheelchair accessible Vehicle	£35,000	4	30	120	£1,050,000	(EV not currently produced due to conflict with hoist battery) average price taken from sales websites
	10+ seater	£108,000	15	8	120	£864,000	informal quote obtained from provider
SUB TOTAL					560	£3,735,000	
Cost of infrastructure		1000		88		£88,000	Extrapolated from sales cost for individual home installation. A fleet installation could expect volume discount
OVERALL TOTAL						£9,823,000	not including running costs

* units required chosen to illustrate costs

4. This option would require significant investment, time and work as well as further extensions of the current contract.
5. The driving factors of the escalating costs relate to more children becoming eligible for the service and the nationally increasing costs of maintaining and running a fleet of vehicles. Moving the service from a commissioned service to an in-house one will have limited if any effect on these factors.
6. An alternative option could be to set up a Local Authority Trading Company (LATCO). Only the Royal Borough of Greenwich was discovered who had opted to fully devolve their Home to School transport to their LATCO, GS Plus.
 - 6.1. The key positive to delivering the service completely externally as a LATCO is that the service can become a traded service and therefore derive some income to offset the cost of provision.
 - 6.2. The negatives of delivering the service as a LATCO are the length of time that this would take to put into place as well as the same disadvantages that apply to a fully internal service and listed in points 3.1 to 5 above. There are additional risks of complications that could jeopardise the endeavour. For example Greenwich found that the requirement to TUPE staff across to the new service led ultimately to the service not being a viable tendered service as their costs rose too high and they were unable to win bids. This risk would also apply to Southwark.
7. The likely cost to this approach is, as for option one, very high given no depot or existing fleet. It would also not be achievable within the timeframe required for the renewal of the bus contract in 2025.

Key Sources of Information

Role	Organisation
Head of Traded Services	Southwark Council
Climate Change Programme Manager	Southwark Council
CFM Corporate procurement manager, Housing and Modernisation	Southwark Council
Fleet Contract manager	YPO
SEN Travel Assistance Manager	Richmond and Wandsworth Council
Head of Transport	Achieving for Children Kingston & Richmond
Transport Commissioning Officer	Borough of Barking and Dagenham
Strategy and Commissioning Manager Pupil Services	Islington Council
Team Leader Travel Assistance SEND Assessment and Review Service	Royal Borough of Greenwich
Strategic Lead - Children's Transport	Milton Keynes City Council

Transport Support Manager Education, Participation and Skills	Plymouth City Council
Commissioner	Lewisham Council
Commissioner/SEND service lead	Lambeth Council
Integrated Strategic Commissioner	Bromley Council