

SEN Transport

Purpose of Report

1. As part of the Budget & Performance Task Group's work programme, the Chairman and Vice-Chairman of each Select Committee (who make up the Task Group's membership) hold regular fact-finding sessions with officers from the appropriate department. The DCE fact-finding meeting held on 25 March focussed on provision of transport for children and young people with Special Educational Needs (SEN), and, following this, a report was requested for the full Select Committee on this area of overspend, with details of joint working between DCE and the Passenger Transport Unit (PTU), and plans for the future. A copy of the notes of the fact-finding meeting is attached at Appendix 1.

Background

2. The main concerns identified at the fact-finding meeting were:
 - a. That there has been a history of overspending on the SEN Transport budget;
 - b. That the savings achieved by appropriate interpretation of eligibility criteria, reduction in the number of exceptional transport cases agreed, procurement savings and the reduction in the number of children using the service, have not been reflected in a proportionate reduction in the overspend;
 - c. That there is a disparity between this and the mainstream transport budget, which has in recent years experienced significant under-spending;
 - d. That there needs to be greater prioritisation of measures to control SEN transport costs within the PTU.
3. The current arrangements for arranging and managing SEN Transport are as follows:
 - a. Responsibility for procuring and managing transport arrangements, and for managing the Passenger Assistants, sits with the PTU;

- b. Responsibility for determining entitlement to transport, ownership of the budget, and responsibility for budget management, lies with DCE;
 - c. PTU provide DCE budget managers with monthly financial reports, and there are regular Service Level Agreement (SLA) meetings between PTU and DCE staff at which operational, financial and strategic issues can be discussed. There are outstanding data management and forecasting issues which remain to be resolved.
 - d. The DCE officer responsible for assessing transport entitlement is located in PTU, so that she is aware of transport costs when making decisions, and can act as a point of liaison for day to day matters.
4. Responsibility for both SEN and mainstream education transport was transferred to the PTU over 15 years ago as part of the setting up of an integrated transport unit.
5. When the PTU was first established, both SEN and mainstream transport budgets were held and managed by the Education Dept, with PTU's role being to procure and manage the transport arrangements. This led to constant friction between the two departments, in particular because of the very close integration of mainstream education transport with subsidised bus services and the consequent difficulties of agreeing a mutually acceptable approach to sharing the costs of combined transport arrangements. Members took the decision to move responsibility for managing the mainstream budget to PTU, alongside the public transport budget. Responsibility for determining education transport policy and for assessing entitlement to transport also moved to PTU at the same time, following the principle that accountability and responsibility should be matched. This arrangement has worked very well for the mainstream transport budget.
6. Consideration was also given to moving responsibility for the SEN transport budget at the same time. However, this was rejected because (unlike in mainstream transport, where entitlement follows clearly defined rules) the costs of providing transport are heavily dependent on which school the child attends, and decisions on the child's transport requirements are intimately bound up with the statutory assessment and placement process, which has to remain in DCE. In local authorities where budgets have not been split in this way it is possible for overspends on one transport to school budget to be offset by underspends on the other budget.

Financial background

7. The table below shows budget and out-turn expenditure comparisons for both the mainstream and SEN Transport budgets in recent years.

SEN TRANSPORT			MAINSTREAM TRANSPORT			
	Original budget (£m)	Outturn (£m)	Variance	Original budget (£m)	Outturn (£m)	Variance Budget Actual Overspent
2005/06	4.045	4.278	-0.233	8.886	7.930	+0.956
2006/07	4.269	4.087	+0.182	8.825	8.143	+0.682
2007/08	4.163	4.291	-0.128	8.785	8.306	+0.479
2008/09	4.046	4.857	-0.811	9.030	8.859	+0.171
2009/10	4.337	4.809	-0.472	9.445	8.482	+0.963
2010/11	4,645	projected 4.775	-0.130	8.638	projected 8.638	0.0

8. Rising transport operating costs for many years (in line with national trends) along with passenger assistant pay reform costs and the results of individual risk assessment have resulted in upward pressure. More recently price volatility with first an increase in fuel costs and then a reduction in costs due to the recession has made forecasting difficult.
9. The reason for the significant under-spending in the mainstream transport budget in recent years is that the budget has been set in line with the best estimates available at the time of the expected increases in transport costs during the forthcoming year. In the event, these expectations have proved to be overly pessimistic, as the national rate of cost increases has slowed year by year, and in the last year the budget has benefitted (as has the SEN budget) from procurement savings as a result of the recession. On a budget of around £9million, every 1% variance from the estimate results in a divergence of £90,000 from the expected budget requirement. Any surplus from any service is used to balance overspend in other services within the Council.
10. To date the setting of the SEN budget took into account:
 - Numbers of pupils travelling (reduction by 56);
 - Reported significant savings through the procurement strategy for taxi and mini-bus contracts;
 - Savings made by the ongoing work on eligibility, entitlement and reduction of “exceptional cases” (new decision process introduced 2 years ago);
 - No increase in special school places, reduction in out of county placements.
11. Regular budget projections are produced by the PTU for the SEN budgets during the course of the year, but in future this will be expanded by PTU to provide a more detailed explanation of variations in spend to ensure that DCE can be confident in its expenditure forecasting and budget setting.

Actions taken to reduce SEN transport costs

12. Much work has been undertaken in recent years, by both DCE and PTU to reduce the cost of SEN transport. The following are some examples of this:
 - a. The SEN Transport Officer from Central SEN is responsible for agreeing eligibility for transport; she sits in PTU and works closely with PTU to ensure that the eligibility criteria are applied consistently, that transport costs are taken into account when SEN placements are considered, and that the most cost-effective method of transport is used (including, where appropriate, paying parents to transport their children or to act as Passenger Assistants). This arrangement has attracted interest from other authorities as an example of good practice.
 - b. The SEN Transport Officer identifies those pupils who could have their transport arrangements reviewed to ensure the most cost effective arrangements are put in place. This has resulted in savings of around £85,000 over a two year period.
 - c. Following a study by external consultants which reviewed the procurement strategy for taxi and minibus contracts, PTU has recently completed a major review (in 4 phases) of 'regular' SEN, mainstream and social care contracts which has resulted in savings of £747,000 per annum over costs that would otherwise have arisen.
 - d. Travel training is considered for students who would, with some initial support, be able to make the transition from specialised (taxi) transport to using ordinary public or mainstream school transport. This has been very successful with majority of pupils able to access mainstream transport for post 16 provision. Together this has resulted in savings of £85,000 over the last two years.
 - e. Regular SLA meetings take place between PTU and DCE managers to discuss issues relating to the service, including spending projections and actions to reduce costs. PTU and DCE will initiate a more robust process to enable forecasting of budget pressures at an early stage so budget bids for future years can be submitted in good time.
13. One of DCE's main concerns, referred to at the fact-finding meeting, is that it is not clear what effect the savings already achieved by the above actions have had on the outturn, as they have not been reflected in a proportionate reduction in the overspend, and the overall cost of the service has not reduced in line with falling numbers of pupils receiving transport.

14. There are a number of reasons why this is the case:
- a. The contract cost savings that have been quoted were calculated by comparing the full-year before and after costs of contracts tendered on a like for like basis at the time of re-tender. Due to the large number of contracts involved and the frequent changes that occur to special needs transport routes, it is difficult to demonstrate a direct correlation between the savings achieved at a point in time and the current cost of the service.
 - b. Passenger Assistant salary costs have increased by £350,000 per annum over the last three years. A large part of this is due to Pay Reform. DCE received £62,000 in 2007/8 and £144,000 in 2008/9 from corporate funding to offset the first two years of this, but corporate funding was not given in 2009/10 and DCE therefore had to allow for this when setting the budget. There has also been an increase in the number of Passenger Assistants used over the same period.
 - c. Some of the savings achieved have been offset by the annual inflation award paid to suppliers, which forms part of the contract terms and conditions. This is calculated according to a predetermined formula, linked to national indices and paid to suppliers on a pro rata basis (for the 2010/11 financial year no increase has been paid to suppliers operating SEN contracts due to the significant budget pressures)
 - d. Savings have also been offset by the increasing complexity of passenger needs, which often require specialist vehicles, drivers and greater use of Passenger Assistants, and by subsequent changes to transport arrangements that were found to be necessary following the initial reviews.

Main Considerations for the Council

15. Further work is in progress which is expected to result in further cost reductions, and which will improve the way the two Departments work together to set and monitor the budget:
- a. The cost of providing Passenger Assistants has increased significantly in recent years. Many other authorities now outsource PA provision, rather than employing the staff directly. A preliminary review has already been undertaken, and further work is being commissioned as a matter of urgency to progress this further. A report outlining the recommendations from this work is expected in October 2010.

- b. PTU are in the process of reviewing and re-tendering the three major 'combination' contracts for transport to the largest SEN schools (St Nicholas, Larkrise and Exeter House), which it is hoped will make further savings with effect from April 2011. The cost of these three schools' transport accounts for around 30% of the total transport costs for this budget (excluding Passenger Assistants). The review will include consideration of alternative methods of provision, for example extending the sort of arrangement that already applies at Larkrise school, where the school operate their own transport.
- c. Work is in progress with the Procurement Unit to introduce a framework contract for 'one-off' taxi bookings.
- d. Corporately the Council has purchased a Request For Quotation (RFQ) system. This will ensure that when the PTU obtains quotations for smaller SEN contracts, it will be able to open up its distribution to a wider market, increasing competition.
- e. PTU are investigating ways of providing more detailed explanations of ongoing routine changes in transport contract costs, which will help in future to explain any apparent discrepancies between the headline savings from contract reviews and the impact they have on budget projections. This will serve as the basis for improved understanding and agreement between the two Departments about budget issues.
- f. Regular SLA meetings will continue to provide the opportunity to gain a better shared understanding of the cost pressures on the budget, to challenge the way the service is delivered to provide DCE with comprehensive management information and identify realistic options for cost reductions.

Environmental Impact

16. Close consideration of entitlement decisions and reviews of transport routes will result in reduced vehicle mileage which will have a positive environmental impact.

Equalities Impact

17. The work to ensure that expenditure on SEN Transport is cost effective will ensure that transport to school arrangements for vulnerable children remain sustainable, so ensuring their access to services.

Risk Assessment

Risks

- The Review of Passenger Assistants is not taken forward as a priority.

- Savings from the Passenger Assistant review may have to be phased in over a period of time
- Management information is not supplied to DCE in sufficient detail or a timely manner to enable them to understand the factors that drive the costs of the service.
- Reviews and retendering of transport to special schools do not produce savings.
- Continued fuel cost inflation results in increased budget pressure.
- The increasing complexity of needs and health and safety requirements continue to exert an upward pressure on costs.

Mitigations

- The PTU gives the Passenger Assistant review priority.
- DCE and PTU agree the process for the supply of management information to DCE, involving both Central SEN and DCE accountancy staff.
- The review of transport to special schools looks arriving at the best solution for each school's own situation and whether specialist vehicles can be used on other jobs to spread overhead costs.
- Efficiencies are sought by PTU in SEN transport operation that will offset cost inflation in the future.

Financial Implications

18. The effects on the DCE of potential overspending on the SEN transport budget are considerable with it creating a pressure as a major volatile demand led budget. This could result in other expenditure being curtailed. A better understanding of what drives costs is essential and must involve both Departments working together to provide and interpret suitable management information.

Legal Implications

19. It is important that the SEN Transport Policy is kept up to date, especially in the light of the new responsibilities inherited from the Learning and Skills Council. A policy review has been commenced.

Conclusions

20. The SEN Transport budget will remain under pressure because of increased costs and the increased complexity of pupil needs.
21. Every effort must be made by the PTU to achieve good value for money on this budget because of its potential adverse impact on other DCE budgets for vulnerable children.
22. The provision of timely and comprehensive management information by the PTU to DCE, and closer working together to understand what drives costs, will allow more accurate forecasting and budget setting.

Proposal

23. The Committee is asked to note the report's contents and to comment as appropriate.

CAROLYN GODFREY

Corporate Director, Department for Children and Education

MARK BODEN

Corporate Director, Department for Neighbourhood and Planning

Report Authors: Trevor Daniels, Head of SEN 01225 713762
Ian White, Head of PTU 01225 713322

Date of Report: 8 June 2010

Background documents

None

Appendices

Appendix 1 – Notes of the DCE Fact-finding meeting, 25 March 2010