

## **CABINET**

**14 APRIL 2015**

### **GATEWAY 3 CONTRACT AWARD: SEN TRANSPORT FRAMEWORK**

Portfolio Holder: Councillor Mike O'Brien, Children's Services (Lead Member)

Report from: Barbara Peacock, Director of Children and Adults Services

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#### **SUMMARY**

This report seeks permission to award a contract to the supplier(s) as highlighted within Section 3.2 of the Exempt Appendix.

The commencement of this requirement was approved at Cabinet on 11 February 2014.

This Gateway 3 Report has been approved for submission to the Cabinet after review and discussion at a (virtual) CADMT Directorate Management Team Meeting and Procurement Board on 25 March 2015.

#### **1. BACKGROUND INFORMATION**

##### **1.1 Background Information**

1.1.1 SEN transport is a statutory requirement of Medway Council. Transport is currently arranged via a Framework of quality approved operators, who provide quotes on transport requirements as and when they are needed. The current Framework ends in August 2015, therefore the importance of implementing a new Framework in order to set up new transport arrangements in good time for the start of the new school year in September 2015 is paramount.

1.1.2 The new Framework will be managed by Medway Norse under the arrangements put in place in April 2014, where the day to day administration of SEN transport operations was transferred from the Council's Integrated Transport Team to Medway Norse.

1.1.3 The proposed new Framework will cover three areas:

**Spot Purchase / Ad-hoc Routes:**

1.1.4 As the existing Framework requires operators to submit their own quotes, contractors have not been held against set prices for some time. This has led to fluctuations in price across the school year as pupils join / leave the service. This makes budget setting for the year ahead very difficult. To help address this problem the new Framework has obtained set pricing from all operators up front (set vehicle charge and set price per mile charge). The Framework for spot purchased transport will then be established with four set operator lists:

- Taxi
- Wheelchair accessible Taxi
- Minibus
- Wheelchair accessible Minibus

1.1.5 Operators had to achieve a set level of quality to obtain a place on each Framework list. Successful operators are then ranked by price on each list with the most cost effective operator first, second most cost effective second, and so on. This will allow officers to establish the most cost effective price for ad-hoc SEN transport routes ahead of time without the need to obtain quotes, taking control of the pricing for transport away from the operator and providing it back to the Council.

**School Sites:**

1.1.6 Successful measures have already been put into place to reduce the SEN Transport overspend, such as awarding entire school site contracts to one individual operator for a set annual cost (Medway Norse taking on the first three school sites, Rivermead, Warren Wood, and Brompton Academy, in April 2014).

1.1.7 A separate Framework list has also been established for operators who are capable of providing transport to an entire school site. The single school site approach will then be rolled out prior to summer 2015, across those sites that will benefit from the approach. Officers will either utilise the pricing already submitted by operators for the Framework to calculate the annual cost of operating the site, or mini-competitions will be run for each school site to ensure the most cost effective operator is awarded the each school site contract.

**Write Trak:**

1.1.8 In addition, a separate list of quality assessed operators has been established to cover the Write Trak home tutoring transport service. A single contract will be awarded to the most cost effective operator on this list. The remaining operators on the list will stand as back-up operators, should the successful operator not provide the service to best value or to the required standard.

## **1.2 Budget & Policy Framework**

1.2.1 Due to the fluctuations with pupils who are eligible for SEN transport and the lack of established pricing mechanism on the existing Framework, there is currently no granularity in spend with this service. Under the new framework, having achieved the necessary level of service quality, contractors have then been evaluated based on their set prices for all the modes of transport required (Ad-hoc, School Sites, and Write Trak). This will give the Council greater control over the budget and in turn reduce the overspend and potentially achieving a saving.

## **1.3 Funding/Engagement from External Sources**

1.3.1 There is no funding from external sources

## **2. PROCUREMENT PROCESS**

### **2.1 Procurement Process Undertaken**

2.1.1 The procurement process used was an OJEU Restricted. It should be added that in total Medway received 128 expressions of interest; this was largely due to a Category Management desktop exercise where suppliers were identified through the system to become a recipient of the documentation. Internally identifying contractors ensured the framework had the best chance of being competitive.

### **2.2 Evaluation Criteria**

2.2.1 The evaluation criteria agreed was 60% quality and 40% price. The breakdown across the lots is as follows:

- Write Trak - Due to the high needs of passengers on this service, this contract was awarded using the highest overall score between the cost and quality assessment.
- Spot Purchasing - As this is a key area for high spend, this evaluation was based on the contractors achieving minimum quality standards (in this case 50% of the total mark, but also at least 2 out of 4 on all questions). Once this criteria had been satisfied operators were scored and ranked solely on price.
- School Sites - Awarded in a similar fashion as to Lot 2. As the number of pupils can fluctuate between now and the commencement of the Framework a desktop exercise will be undertaken nearer the time to identify the current spend and what the new provision will cost the Council.

### 3. BUSINESS CASE

#### 3.1 Delivery of Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver outputs/outcomes?
<b>1. Increased transparency in spend</b>	A spend analysis can be undertaken, comparing future spend and detailed price breakdown or routes operating, with the current spend on routes procured using the existing Framework.	SEN team / Framework operator Medway Norse	On-going	The new Framework has been established using a clearly defined pricing structure. This immediately provides increased price granularity, with officers now able to break down the price of any route in detail by cost per mile / vehicle / passenger escort, etc.
<b>2. Reduction in spend</b>	Comparison of annual spend and cost per head figures between pre award spend and post award spend	SEN team / Framework operator Medway Norse	On-going	As operators were aware they would be ranked by price on the new Framework, with the operator ranked first getting “first refusal” on all future work. Operators have therefore had to provide their best value price in applying for a place on the new Framework, where there was less onus on providing a best value quote before.
<b>3. Reduction in spend</b>	Comparison of annual spend and cost per head figures between pre award spend and post award spend	SEN team / Framework operator Medway Norse	On-going	The change from multiple routes with multiple operators to one school approach, to a single operator school site approach, achieved a 15-20% cost saving when utilised on three schools sites in April 2014. The contracts for the operation to the sites were also agreed on a set annual cost, with a 25% plus/minus fluctuation

				<p>in passenger number built in before a price review is activated. Therefore, as well as an initial cost saving, there has been no cost increase at these sites when new passengers have been added.</p> <p>Using the School Site Framework list, this process will now be replicated at all further school sites in Medway where this approach is viable.</p>
<b>4. Increased surety in budget setting</b>	Comparison of annual spend and cost per head figures between pre award spend and post award spend	SEN team / Framework operator Medway Norse	On-going	<p>The School Site approach referred to in point 3 above requires the operator to agree to a set annual fee for carrying out all SEN transport to a single school. Within a 25% plus or minus on the number of children requiring transport to the school, this figure remains unchanged. The three school sites referred to in point 3 have not required a price review in the first year of operation.</p> <p>Being able to set an agreed contract cost for the year provides much great surety in budget setting for the service, and a greater guarantee that the cost of the service is not going to fluctuate across the year.</p>
<b>5. Increased options for procuring SEN transport</b>	Comparison of previous SEN transport procurement procedures and delivery time with new Framework procedures and delivery time.	SEN team / Framework operator Medway Norse	On-going	<p>The options for covering SEN transport requirements using the current Framework are limited. Officers are solely reliant on requesting quotes from those operators on the Framework; if the operators choose not to respond, this can lead to difficulties in covering requirements.</p> <p>The new Framework provides a range of</p>

				options for covering transport requirements, from direct allocation to the top ranked operator, to mini competition amongst all Framework operators.
<b>6. Safe and quality transport provision for all pupils</b>	This will be measured through continued contract monitoring, levels of complaints raised, default notices served, etc.	SEN team / Framework operator Medway Norse	On-going	The procurement process included quality questions designed to test operators on every level of service provision, including quality of vehicle and resources, staffing, training, safeguarding, efficient and safe route operation, amongst other things. A minimum quality level was set which all operators had to achieve in order to be awarded a place on the new Framework.
<b>7. Improved service delivery</b>	This will be measured through continued contract monitoring, levels of complaints raised, default notices served, and feedback from school representatives.	SEN team / Framework operator Medway Norse	On-going	Despite some reluctance from a small number of parents and pupils transferring from taxi to minibus transport, the School Site approach has received excellent feedback from parents and school representatives at the initial three tendered sites (Rivermead, Brompton Academy, Warren Wood – as operated by Medway Norse). Having a single dedicated operator has made for a more flexible and joined up service, and has improved communications between the schools and their one operator. It is hoped that this positive change will be replicated at additional school sites when tendered off of the new Framework.
<b>8. Write Trak – Improved efficiency and cost transparency</b>	This will be measured through desktop exercises to show current Write Trak mileage and cost against future mileage and cost.	SEN team / Framework operator Medway Norse	On-going and Annually	The costings for the Write Trak service submitted include a vehicle, escort and cost per mile breakdown. This will provide much greater transparency in spend, and allow greater cost analysis of the service. Having been competitively tendered, they may also be a cost saving on the current spend.

## 4. RISK MANAGEMENT

### 4.1 Risk Categorisation

<b>1. Risk Category: Financial</b>	<b>Likelihood: Low</b>	<b>Impact: Critical</b>
<b>Outline Description:</b> The current SEN Transport service has come in over budget and therefore needs to be aligned with the available budget		
<b>Plans to Mitigate:</b> The tender has been structured to provide granularity in prices to assist with budget setting, and the School Site approach has been designed to reduce overspend and spend fluctuation.		
<b>2. Risk Category: Contractual Delivery</b>	<b>Likelihood: Very Low</b>	<b>Impact: Critical</b>
<b>Outline Description:</b> It is anticipated that each School Site and the Write Trak service will be provided by one operator. Should a contractor fail to meet the requirements this would impact on service delivery and passengers.		
<b>Plans to Mitigate:</b> Operators have been quality assessed to ascertain their ability to operate the service to the required standard. Should any operator fail in service provision the Framework provides a back-up facility in the next best value operator who will be able to take the service on.		
<b>3. Risk Category: Sustainability</b>	<b>Likelihood: Low</b>	<b>Impact: Severe</b>
<b>Outline Description:</b> The framework has been tendered competitively to make savings for the Council over the 4 year duration. Should a contractor fail to sustain these prices then it could impact the budget		
<b>Plans to Mitigate:</b> Sustainability questions have been included in the tender documentation to give certainty that the proposed service provision is viable. Financial checks have also been undertaken to illustrate the contractors have a low risk of failure		
<b>4. Risk Category: Reputation / Political</b>	<b>Likelihood: Low</b>	<b>Impact: Severe</b>
<b>Outline Description:</b> Due to the demanding requirements of some of the passengers who will be using the service it is paramount that the drivers and escorts are fully capable of dealing with their individual needs.		
<b>Plans to Mitigate:</b> The tender documentation included technical assessment and quality assessments to ensure the contractors have obtained the relevant certification, have provided the necessary training, and have the required policies in place to manage challenging passengers appropriately.		

## **5. PROCUREMENT BOARD**

- 5.1 The Procurement Board considered this report on 25 March 2015 and supported the recommendation set out in paragraph 8 below.

## **6. SERVICE COMMENTS**

### **6.1 Financial Comments**

- 6.1.1 The procurement requirement and its associated delivery, as per the recommendations at Section 8, will be funded from existing revenue budgets.
- 6.1.2 Further detail is contained within Section 2.1 Financial Analysis of the Exempt Appendix.
- 6.1.3 Should the award of this framework be granted the Council will have access to more accurate and detailed financial information as to the cost of operating SEN transport. This will assist with budget setting and provide more surety in allocating a budget for the year. The proposal to move to the majority of SEN transport to a school site contract approach will also provide greater stability for the SEN transport budget, with each school site contract let on the basis of a set annual cost.
- 6.1.4 Operators have also submitted their pricing in order to achieve a place on the Framework; these prices are set. Though it is still not possible to predict the number of pupils who will be granted SEN transport provision during the year, and what sort of transport provision they may require, having operators pricing breakdown will assist with budget setting and will be useful in predicting future spend.

### **6.2 Legal Comments**

- 6.2.1 The Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.
- 6.2.2 The process adopted complies with the EU procurement regulations and the Council's Contract Procedure Rules.
- 6.2.3 As this is a high risk procurement the decision to award this contract is one for Cabinet.

### **6.3 Procurement Comments**

- 6.3.1 Medway ran a similar tender exercise 18 months ago to a trial the procurement of three School Site contracts. The responses received, from an evaluative perspective, were lacking in areas and some were unmarkable. Understanding the importance of this tender in achieving cost savings and increase in the quality of service provision for SEN transport, Medway Council held a specific supplier engagement event to cover tender tips and how to use the online tendering system for



potential suppliers. This resulted in far more compliant tender submissions and an increase in the quality of tender submissions.

6.3.2 For this tender Medway has run a fully compliant OJEU Restricted tender which has resulted in the proposed award to 12 operators who all surpassed the requirements of Medway, several of whom already provide services for Medway but have worked competitively on the tender as illustrated in the attached exempt appendices.

#### **6.4 ICT Comments**

6.4.1 There are no ICT implications.

### **7. OTHER INFORMATION**

7.1 Through adopting a framework Medway will be able to obtain prices in two ways:

- Either a direct call off from the Framework using the ranking of operators on each Framework list (ie. the first place best value operator is approached first) based on achieving a target saving or;
- A mini competition where contractors will be invited back to submit a price for a specific piece of work based on Medway not reaching the saving level anticipated or knowing more can be achieved.

7.2 It should also be noted that the Framework will be managed by Medway Norse. This is following the transfer of the management of SEN transport operations from the Council's Integrated Transport Team to Medway Norse in April 2014. This decision was made in order to ensure the management of all SEN route contracts remained with one organisation (Medway Norse having been awarded the contracts to operate transport to Brompton Academy, Warren Wood and Rivermead schools in December 2013) and to allow Norse the ability to better extend the School Site approach to additional schools if they are able.

### **8. RECOMMENDATION**

8.1 It is recommended to award the operators set out within 3.2 of the exempt appendix a place on the Framework for the respective areas they tendered for, based on the evaluation process illustrated in the attached exempt appendices.

### **9. SUGGESTED REASONS FOR DECISION**

9.1 This award will:

- Provide an essential replacement for the current SEN Transport Framework which is due to end in August 2015, allowing officers to continue to procure a statutory service.

- Provide a mechanism for procuring spot purchase / ad-hoc SEN transport from quality assessed operators, with a transparent cost structure.
- Provide a mechanism for extending the School Site approach to contracting SEN transport which will allow for less fluctuation in SEN transport budget across the year, provide each school site with a dedicated quality transport operator, and potentially achieve a cost saving on the current spend on transport to these school sites.

### LEAD OFFICER CONTACT

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### BACKGROUND PAPERS

The following documents have been relied upon in the preparation of this report:

<b>Description of Document</b>	<b>Location</b>	<b>Date</b>
Cabinet Report – GW3 (SEN Transport – Award of Three School Sites, Medway Norse)	<a href="http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=11974">http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=11974</a>	17.12.13
Cabinet Report – GW1 (SEN Transport – Transfer of SEN Transport Management to Medway Norse and Procurement of New Framework)	<a href="http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=12232">http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?Id=12232</a>	11.02.14