

**UPDATE ON THE REVIEW OF SCHOOL AND PUBLIC TRANSPORT**

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**1.0 EXECUTIVE SUMMARY**

1.1 At its meeting on 12 September 2024, members of the Environment, Development and Infrastructure Committee agreed to engage an external consultant to explore options for the future delivery of school and public bus services provided by the council. This was in the context of the legal requirement for the council to provide home to school transport for the following pupils -

- a. Children under 8 years of age that live more than 2 miles from their nearest school;
- b. Children over 8 years of age that live more than 3 miles from their nearest school; and
- c. Children with Additional Support Needs based on assessed individual needs.

1.2 The options to be explored by the consultants were as follows -

- a. Do nothing, and absorb cost pressures in future years,
- b. Reduce contract costs in collaboration with service providers by, for example, reducing service provision or identifying efficiencies in existing services,
- c. In-house operation, whereby the Council would invest in a new fleet, workforce and depots to deliver services ourselves, and
- d. A hybrid model.

- 1.3 In 2025, the council commissioned Systra to conduct the review. As well as conducting the options appraisal, the review also
- identified a path forward to reduce cost to the council.
  - balanced this with our corporate plan objectives of reducing carbon emissions and supporting the needs of our communities.
  - identified how public and school transport services could be redesigned whilst considering potential shared transport schemes which can deliver on these objectives.
- 1.4 The review acknowledged the challenges that the council faced in being the second largest administrative region in Scotland and that our large geographical area, sparse population and topography presented particular difficulties in effectively providing public transport services in a cost-effective manner.
- 1.5 The current budget for the service is £8.486m, £5.394m of which is allocated to payments to transport operators. The council transports approximately 3,500 pupils to 78 schools daily, managing complex logistics across a large rural and island area.
- 1.6 The budget for 2025 / 26 was increased by £0.876m following recent tender exercises. The budget for 2026/27 has been increased by an additional £0.400m.
- 1.7 Systra's review set out the current environment in terms of legislation, operations and community expectations, as well as challenges and future pathways for the transport services that we deliver.
- 1.8 Through detailed analysis of operations, engagement with stakeholders, costs and benchmarking, and consideration of four scenarios for future delivery models, it identifies practical actions and recommendations to support a resilient, affordable, and future-proof transport network tailored to the unique characteristics and needs of the area's communities.
- 1.9 It is recommended that members of the Environment, Development and Infrastructure Committee -
- a. Note that the council's existing service delivery arrangements are currently the most viable option,
  - b. Agree that officers continue to review service provision with contractors and the council's own team to ensure that school and public transport services continue to deliver best value for the council,
  - c. Note the options for reducing costs identified at paragraph 4.11b,
  - d. Agree that officers review the policy options at paragraph 4.11b to ensure that our services reflect best practice, and
  - e. Agree that officers continue to implement the action plan identified in paragraph 5.5 of this report.

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### 2.0 INTRODUCTION

2.1 In 2025, the council commissioned Systra to conduct a review of school and public transport across Argyll and Bute. The objectives of this review were to

- identify a path forward to reduce cost to the council.
- balance that with our corporate plan objectives of reducing carbon emissions and supporting the needs of our communities.
- identify how public and school transport services could be redesigned whilst considering potential shared transport schemes which can deliver on these objectives.

2.2 In particular, the consultants were to prepare an options appraisal based on the following options

- a. Do nothing, and absorb increasing cost pressures in future years
- b. Reduce contract costs in collaboration with service providers by, for example, reducing service provision or identifying efficiencies in existing services
- c. In-house operation, whereby the Council would invest in a new fleet, workforce and depots to deliver services ourselves, and
- d. Hybrid model.

### 3.0 RECOMMENDATIONS

- 3.1 It is recommended that members of the Environment, Development and Infrastructure Committee -
- a. Note that the council's existing service delivery arrangements are currently the most viable option,
  - b. Agree that officers continue to review service provision with contractors and the council's own team to ensure that school and public transport services continue to deliver best value for the council,
  - c. Note the options for reducing costs identified at paragraph 4.3b,
  - d. Agree that officers review the policy options at paragraph 4.3b to ensure that our services reflect best practice, and
  - e. Agree that officers continue to implement the action plan identified in paragraph 5.5 of this report.

### 4.0 DETAIL

- 4.1 On 12 September 2024, the Environment, Development and Infrastructure Committee agreed to appoint an external consultant to review school and public transport across Argyll and Bute. The purpose of the review was to identify how the council could reduce costs and improve the quality of the services that it provided or subsidised.
- 4.2 As part of this review, a number of factors have been considered. These include
- Customer requirements
  - Current service provision across bus, ferry and rail routes
  - Cost of services, and
  - Market conditions, including staff recruitment and retention
- 4.3 With regards to the options appraisal, the findings of the review were as follows
- a. **Do nothing** – this is not a viable option and has to some extent been superseded by the increase in budget agreed at the council's budget meeting in February 2025. The budget has been increased significantly for Financial Years 2025/26 onwards, and providing home to school transport is a legal requirement for the council for both mainstream pupils and those with Additional Support Needs. Notwithstanding this, our internal transport team continually review the requirements placed on the council in delivering both school and public transport services. Several examples of optimising routes and services over the last five years have been identified, delivering cumulative savings of £0.2m. Whilst these have since been outweighed by the contract cost increases experienced over the last twelve months, they have demonstrated the service's ability to improve the value for money within our internal transport services.

Notwithstanding this, public transport passenger numbers are returning to pre-Covid levels which will improve the financial sustainability of our public bus transport service.

Finally, housing developments such as the one at Dunbeg outside Oban place increase demands on the service. Whilst these are welcome in the wider context of Housing, Economic Growth and Population, they are likely to increase the cost of delivering our school transport obligations.

b. **Cost reduction** - As part of their brief, Systra reviewed options for delivering savings on the public transport element of the council's expenditure. The options reviewed were

- Removing Sunday Bus Services, saving £0.046m a year
- Removing Evening Bus Services, saving £0.104m a year
- Removing Saturday Bus Services, saving £0.289m a year and
- Removing all weekend and evening services, saving £0.439m a year

All of these proposals would have major social / economic impacts, lead to loss of network viability and increase car dependency and carbon emissions. They would also be in conflict with other Argyll & Bute Council objectives and make it more difficult for tourists to travel around the area. They would present a significant reputational risk to the council and have a significant impact on connectivity on rural and island communities. In addition, stakeholder engagement highlighted an appetite for better bus services. Implementing these savings would not achieve these goals.

As previously mentioned, our in-house school / public transport team work in partnership with service providers to reduce costs wherever possible. Savings have previously been delivered by streamlining routes, investing in larger vehicles and using alternative modes of transport, e.g. trains between Dalmailly and Oban. This approach has delivered savings of £0.2m over the last five years.

Finally, there are a number of policy levers that should be investigated that could support cost reduction within the school transport service. These are

- Assistance with Travel Policy
- Statutory School Transport Provision Policy
- Privilege Rides Policy
- School Route Safety Policy
- Increasing Involvement of ASN Pupil Placement Decisions
- Reviewing Provision of ASN Pupil Escorts
- Encouraging Independent Travel for ASN Pupils

c. **In-house Bus Operation**

Systra's report has identified that Argyll and Bute Council could consider establishing a municipal bus company to operate local bus services. If successfully implemented, this could

- i. reduce procurement costs, and
- ii. give the council greater control over services: The council could tailor services more closely to local needs.

However, the public transport sector faces rising operating costs and reduced commercial revenue, worsened since the COVID-19 pandemic. A new municipal operation would need to recruit many skilled drivers and managers in a competitive labour market, potentially driving up wages and living costs.

There are also a number of start-up barriers that new entrants to this market face, such as procurement of fleet, establishing depots, and recruiting staff. Private operators benefit from the economies of scale that using staff and vehicles across buses, school contracts, private hire, and tourism bring. Removing local bus work from incumbents may undermine their business model and could lead to companies withdrawing from the area, as seen with Stagecoach in Dumfries and Galloway.

In summary, while a municipal bus model could bring service improvements and cost control benefits, the challenges—especially staffing, operating costs, loss of scale efficiencies, and added responsibilities—mean that moving to in-house operation would be complex and potentially significantly more expensive for Argyll and Bute Council.

An alternative to a start could be the acquisition of a current bus operator. This would alleviate some of the risks mentioned above. It would however inherit whatever challenges the previous business faced, whether that be driver shortages or cost challenges. The only material difference, at least initially, would be the expected profit margin for the municipal operation may be less ambitious than that of the commercial operator, and as such it could help to reduce the contract cost of operating certain services.

d. **Hybrid model**

Argyll and Bute Council already operates a hybrid school and public transport model option, combining:

- Part in-house delivery,
- Part contracted delivery,

with the potential to scale into a municipal bus company if required.

Overall, Systra advise that the most viable solution is likely to be to continue the current set up of bus operators and to work in partnership with them to deliver greater public transport through a mutualistic relationship. They recommend that where an operator expresses a desire to close sites for whatever reason, this would be a suitable time to explore municipal operation further.

## 5.0 CONCLUSION

- 5.1 Systra's report explored different ways to improve value for money in Argyll and Bute's bus services. Public feedback shows a strong desire for more attractive and better-connected transport options. However, the current network is already operating at the minimum viable size; any further reductions would undermine economies of scale and increase the cost of delivering remaining services, including statutory school transport.
- 5.2 There are opportunities to better integrate home-to-school transport with public services and to strengthen connections to other modes and key destinations, such as hospitals and Glasgow. Improving these links would help support tourism and attract new residents, benefiting the local economy. Achieving this, however, is challenging due to persistent driver shortages and the inflated staffing costs required to maintain service levels in the area.
- 5.3 Different operating models were assessed. While a municipal bus company could provide more control, it would require over £2m in start-up funding and face difficulties achieving the economies of scale enjoyed by established operators. Commercial operators already lower costs by spreading resources across bus work, schools, private hire, and tourism—advantages a new council-run service could not easily replicate.
- 5.4 Overall, the most viable option is to continue working with existing operators and strengthen partnerships to enhance public transport. Municipal operation could be reconsidered if a major operator chooses to withdraw, but for now collaboration with incumbent operators offers the most practical and financially sustainable path forward.
- 5.5 Finally, the Systra report proposes an 8 point action plan to optimise value for money, customer satisfaction and carbon reduction for our school and public transport services as follows
  - a. Develop and renew contracts with existing operators, emphasising mutual benefit, economies of scale, and transparent cost structures where the cost of running the services municipally is close to the cost of contract.
  - b. Hold regular operational meetings with bus, ferry, and rail operators to improve timetable coordination, route planning, integration, and contingency planning. This help in areas where coordination has proven to be an issue over time.
  - c. Enhance and develop local service contracts, incorporating performance incentives and shared objectives (e.g., punctuality, integration outcomes).
  - d. Be prepared for expanding and promoting integrated ticketing systems and joint marketing for multi-modal travel (bus/ferry/rail) should funding becomes available to implement.
  - e. Review and revise key bus timetables to coincide with train and ferry schedules (e.g., in Oban).
  - f. Identify key strategic routes needing potential direct council operation with clear triggers for municipal intervention (for resilience or social objectives). This should be the first opportunity to have municipal operations under Section 22.

- g. Develop a contingency plan for municipal operation, detailing legal, operational, and financial steps for rapid response if incumbent operators withdraw from key routes.
- h. Consider acquiring existing operations when feasible to inherit resources and reduce start-up costs.

## 6.0 IMPLICATIONS

6.1 Policy – there are no implications on existing policy.

6.2 Financial – current expenditure on school and public transport is £8.486m. The budget for this year has been increased by £0.876m, with an additional increase for Financial Year 2026/27 of £0.400m.

6.3 Legal - The Transport (Scotland) 2019 Act is the principal legislation relating to public transport provision by local government. The Act:

- Introduces enhanced bus service improvement powers
- Enables local authorities to run bus services directly (public municipal bus operation)
- Provides frameworks for local authority franchising and partnership arrangements with operators

The Education (Scotland) Act 1980 is the primary legislation covering home-to-school transport. Key sections include:

- Section 51 – *Duties of local authorities*  
Local authorities must make whatever arrangements they consider necessary for school transport, which can include:
  - Free transport (full or part of the journey)
  - Payments of allowances

The Education (Additional Support for Learning) (Scotland) Acts 2004 & 2009 Amendment require local authorities to identify and meet the needs of children with Additional Support Needs (ASN). For some pupils, this includes provision of suitable home-to-school transport. Transport provision must support inclusion and accessibility, based on assessed individual needs.

6.4 HR – none.

6.5 Customer Service – none.

6.6 Risk – by developing the action plan identified in paragraph 5.5, the council will mitigate the risk of the failure of any of the contractors involved in delivering school and public transport services.

6.7 Climate Change – none.

6.8 Fairer Scotland Duty – none.

- 6.9 Equalities - protected characteristics. The report recognises the council's duties in terms of the Education (Additional Support for Learning) (Scotland) Acts 2004 & 2009 Amendment to identify and meet the needs of children with Additional Support Needs (ASN).
- 6.10 Consumer Duty – none.
- 6.11 Island Communities – none.
- 6.12 Children's Rights and Wellbeing - While not transport-specific, councils must consider children's rights, including safety, access to education, and equity, when designing transport policies.

**Kirsty Flanagan**

**Executive Director with responsibility for Development and Infrastructure Services**

**Councillor John Armour**

**Policy Lead for Roads, Transport and Infrastructure Services**

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**For further information contact:**

Andrew Summers, Head of Roads and Infrastructure Services

[Andrew.summers@argyll-bute.gov.uk](mailto:Andrew.summers@argyll-bute.gov.uk)

## **APPENDICES**

Appendix 1 – Systra review of school and public transport