



## **Provision of School Transport**



# Report of the Comptroller and Auditor General

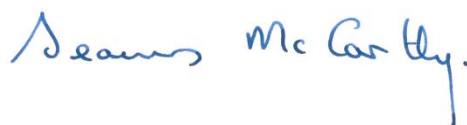
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## Provision of School Transport

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act 1993, carried out an examination of the provision of school transport.

This report was prepared on the basis of information, documentation and explanations obtained from the bodies and persons referred to in the report. The Department of Education and Skills was asked to review and comment on the draft report. Where appropriate, the comments received from the Department were incorporated in the final version of the report. As agreed at the outset of the examination, Bus Éireann was provided with relevant extracts from the examination findings.

I hereby submit my report for presentation to Dáil Éireann in accordance with Section 11 of the Act.



**Seamus McCarthy**  
**Comptroller and Auditor General**

11 August 2017



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## Summary

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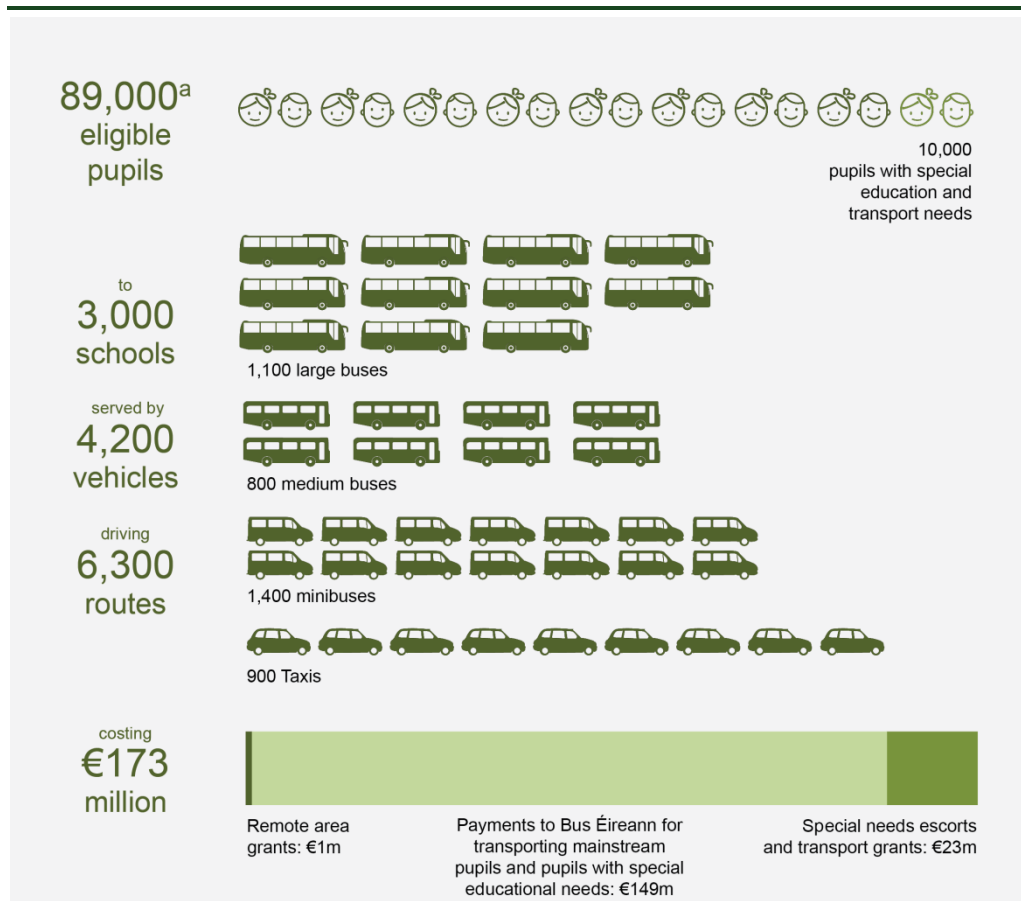
# Summary

The Department of Education and Skills (the Department) funds the provision of transport services to and from primary and post primary schools for children who live some distance from their nearest school. Primary school children are eligible to avail of school transport services if they live not less than 3.2 kilometres from and are attending their nearest school, having regard to ethos and language. The eligibility minimum distance for post primary pupils is 4.8 kilometres.

Pupils who do not qualify under the eligibility rules may use the school transport service if there is spare capacity on a bus route — these are known as concessionary ticket holders.

The cost to the Department of school transport services in 2015 was €173 million or close to €1 million per school day. The following figure provides an overview of school transport services in 2015.

## Overview of school transport services in 2015



Source: Bus Éireann and the Department of Education and Skills.

Note a 89,000 pupils who applied to use the scheme met the eligibility criteria. A further 22,000 pupils were issued with tickets on a concessionary basis.

The Department engages Bus Éireann to deliver school transport services on its behalf. In 2015, Bus Éireann was paid €149 million (€163 million in expenditure less €13.7 million in fees collected from fare-paying pupils) by the Department to operate the scheme. This examination was carried out to ascertain whether the Department can demonstrate that it is achieving value for money through its arrangements with Bus Éireann to deliver the service and whether adequate oversight is in place.

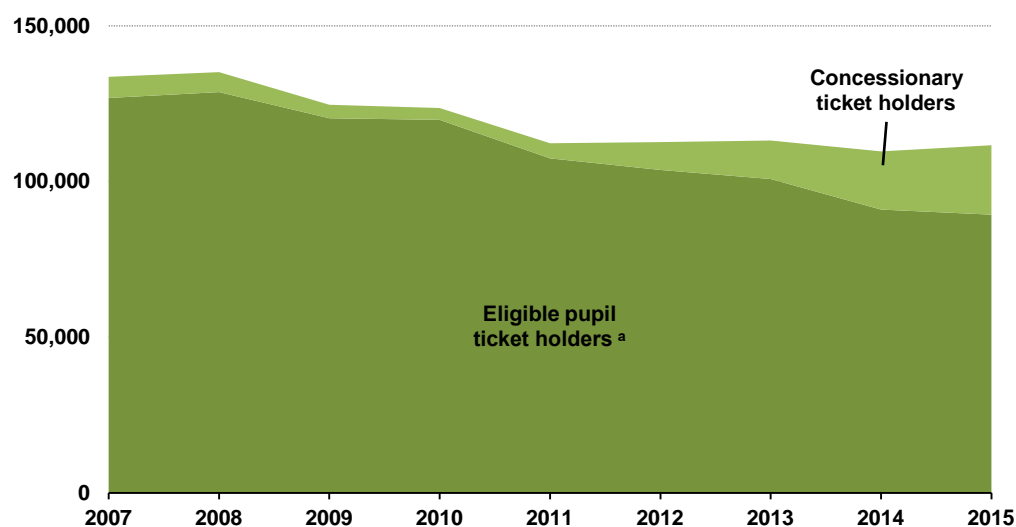
### Usage, Operations and Costs

The number of eligible pupils who availed of the scheme in 2015 was 89,000 (10% of enrolled pupils) — 85,000 were carried on the school transport bus fleet, 3,000 were carried by taxi and the remainder were carried on scheduled bus and rail services.

There has been a steady increase in the total number of enrolments in primary and post primary schools in the years from 2007 to 2015. However, the number of eligible pupils using the school transport service has fallen significantly in the same period. In 2007, the number of eligible pupils who availed of the scheme was 127,000 (16% of enrolled pupils).

The school transport bus fleet — comprised of a combination of large and medium buses, and minibuses — had a combined carrying capacity of 163,000 seats in 2015. A similar carrying capacity existed in 2007. As the number of eligible pupils using the service has fallen, the estimated level of spare carrying capacity in the system increased from 28% in 2007 to 48% in 2015. Some of the spare seats on the buses are used by pupils who hold concessionary tickets. Nevertheless, the estimated residual spare capacity in 2015 was significant — about 35%. Furthermore, many ticket holders do not use the service every day.

#### Eligible and concessionary tickets issued, 2007 to 2015



Source: Bus Éireann and the Department of Education and Skills.

Note: a Includes pupils with special educational needs (SEN).

The decline in the number of users of the scheme has not been matched by a similar decline in overall costs. The Department has stated that a significant cost factor was the increase in the number of pupils with special educational needs (SEN) catered for. Between 2007 and 2015, the number of SEN pupils requiring specific/individual transport arrangements increased by an estimated 2,300 (31%) and these arrangements are significantly more expensive on an average (per capita) basis.

The school transport service is heavily subsidised, with only 8.4% of the cost of the scheme being recouped from fare-paying pupils in 2015. The average annual cost of transporting eligible pupils was around €1,800 in 2015. In that year, 48,000 ticket holders were exempt from charges and an annual ticket purchased cost on average just over €200 per fare-paying pupil.

## Oversight by the Department

There is no service level agreement in place between the Department and Bus Éireann in relation to the provision of school transport.

### 1975 Arrangement

Current arrangements between the Department and Bus Éireann to deliver school transport have been in place unchanged for over forty years, and are contained in the 1975 *Summary of Accounting Arrangements*. These arrangements provide detail on how Bus Éireann calculates its costs in respect of the scheme and set out the reporting requirements to be met by Bus Éireann in an annual statement of account submitted to the Department.

The accounting arrangements are inadequate given the significant level of costs involved. The annual statement of account does not comprise a full set of financial statements. Reporting requirements are weak. There is an absence of key performance indicators or other metrics that would allow the Department to assess service performance and the achievement of value for money. The arrangements are strongly focused on cost recovery by Bus Éireann, but do not in fact prevent Bus Éireann being paid more than the cost to it of its school transport operations.

### Transport Management Charge

The 1975 arrangements provide for the Department to pay an annual lump sum to cover Bus Éireann's indirect and unspecified 'other direct' costs. The lump sum — referred to as the transport management charge — is provided for in the agreement at 13% of direct costs. By agreement between Bus Éireann and the Department, the charge was capped at €16.7 million in 2011, at €15 million between 2012 and 2014, and at €11.3 million for 2015.

Information provided by Bus Éireann to the Department on the costs to be met from the transport management charge indicates that the funding received was in excess of costs in each of the four years to 2014, resulting in a reported accumulated surplus of €11.2 million at the end of 2015. The Department does not carry out any verification checks on Bus Éireann's analysis of the expenses to be met from the transport management charge and audit assurance is absent as this analysis is not a component of the annual statement of account.

<sup>1</sup> The estimated accumulated excess of €11.2 million at end 2015 fell to an estimated €6.7 million at end 2016.

The Department understands that the excess funding would be set aside and applied by Bus Éireann to meet future costs on school transport operations.<sup>1</sup> The statutory financial statements of Bus Éireann for 2015 do not support this position.

### ***Operational Meetings***

Regular operational meetings take place between the Department and Bus Éireann. Operational decisions made at these meetings are not documented in sufficient detail by the Department, and the basis for key decisions taken is not evidenced.

### ***Decision of the European Commission***

Following a complaint by a representative body for private bus companies in Ireland against Bus Éireann and Dublin Bus, the EU Commission in July 2007 opened an in-depth State aid investigation. This included an investigation of the compensation paid to Bus Éireann for operating the school transport scheme.

In its decision on 15 October 2014, the Commission concluded that the funding of the school transport scheme confers a selective economic advantage on Bus Éireann and is not compatible with EU rules. Because the scheme is based on an unchanged 1975 arrangement, the Commission found that the school transport scheme constituted 'existing' State aid. Nevertheless, member States are obliged to bring such existing measures in line with EU State aid rules.

Ireland disagrees with the Commission's view and considers that the school transport scheme is compliant with State aid law and is compatible with the internal market. Without prejudice to that position, the Department and the Department of Transport, Tourism and Sport have been engaging with the Commission since 2014 with regard to appropriate future implementation measures.

### ***Bus Éireann Procurement***

Bus Éireann subcontracts many of the school transport routes to private operators. Payments to contractors are the largest item of expenditure in the scheme, amounting to 71% of the cost of the scheme in 2015. Examination of the process for procurement of a sample of routes indicates that Bus Éireann is in compliance with public procurement guidelines in that regard.

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## **Provision of School Transport**

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# 1 Introduction

- 1.1** The Department of Education and Skills (the Department) funds transport services to and from primary and post primary schools for children who live some distance from their nearest school.
- 1.2** On behalf of the Department, Coras Iompar Éireann (CIÉ) commenced as the national provider of school transport in 1967. Since the Transport (Re-organisation of CIÉ) Act 1986, school transport has been operated by Bus Éireann — a CIÉ subsidiary — based on a long standing arrangement with the Department. The school transport functions undertaken by Bus Éireann include
- planning route itineraries and scheduling
  - identification of vehicle type and capacity requirements
  - assessment of pupil eligibility to travel
  - collection of pupil financial contributions
  - contracting of private operators
  - monitoring of contractor performance
  - running its own school bus fleet
  - vetting of all drivers
  - supervision and monitoring of service performance and standards, and
  - provision of administrative support for the operation of the scheme.
- 1.3** Bus Éireann subcontracts many of the school transport routes to private operators, but has the role of operator of last resort. As such, it aims to have the ability and flexibility to organise and transfer fleet resources in order to maintain full service coverage where there is a threat to service for any reason.
- 1.4** The vehicles used on school transport services comprise a mix of large and medium-sized buses, minibuses and taxis.
- 1.5** Overall, Bus Éireann's operations are split between school transport, other commercial operations including inter-city Expressway services, and public service obligation. In 2015, 54% of Bus Éireann's operating turnover came from school transport.<sup>1</sup>

## Focus of this Examination

- 1.6** The Department is responsible for the school transport scheme. It paid Bus Éireann €149 million to operate the scheme in 2015 — €163 million in expenditure less almost €14 million in fees collected by Bus Éireann from fare-paying pupils. The Department determines policy, sets the user charges which apply to the scheme, monitors service delivery and reimburses Bus Éireann agreed costs to operate the service. Expenditure comes from the Vote for Education and Skills.
- 1.7** This examination focused on whether the Department can demonstrate that it is achieving value for money through its arrangements with Bus Éireann to deliver the service and the oversight exercised by the Department on how the school transport service is delivered.

<sup>1</sup> Bus Éireann total operating turnover was €303 million in 2015 (Source: Bus Éireann 2015 Annual Report).

- 1.8** Bus Éireann is not audited by the Comptroller and Auditor General. However, the company agreed to make information available in respect of its procurement practices when outsourcing school transport routes. The examination assessed the procurement practices in Bus Éireann in respect of a sample of routes, from the perspective of compliance with public procurement guidelines.
- 1.9** The examination did not review the accounting and management records of Bus Éireann relating to the school transport network.

### **Approach and Methodology**

- 1.10** The analyses undertaken in this examination are built around the number of eligible pupils who apply to use the school transport service. Statistical data was obtained from Bus Éireann's report on eligible pupil numbers, and costs from the annual statement of account provided by the company to the Department. Further data was obtained from annual statistics published by the Department. The Department also provided information on route numbers.
- 1.11** Chapter 2 sets out the analysis of usage, operations and costs. Chapter 3 assesses the Department's oversight of service delivery by Bus Éireann. Chapter 4 provides detail on the review of Bus Éireann's procurement practices.



## 2 Analysis of Usage, Operations and Costs

- 2.1** The provision of transport for children attending primary schools dates back to 1909. It was introduced to relieve hardship in cases where, because of distance, it was not practical to expect children to walk to school. The closure of many small primary schools since the 1950s increased significantly the number of pupils eligible to avail of school transport provision. With the introduction of free second-level education in 1967, school transport provision was extended to include post primary children.

### Pupils availing of the Scheme

- 2.2** Currently, primary school children are eligible for transport if they live not less than 3.2 kilometres from and are attending their nearest suitable national school (having regard to ethos and language). For post primary students, the eligible distance is 4.8 kilometres.
- 2.3** School transport is also provided for children with special educational needs (SEN) arising from a diagnosed disability. There is scope within the scheme for the provision of specific/individual transport arrangements where travel on the school bus fleet is not deemed feasible.
- 2.4** In addition to eligible pupils, if there is spare capacity on a bus route, non-eligible pupils may apply for a ticket on a paid, concessionary basis. In 2015, 22,000 tickets were issued to concessionary users.
- 2.5** Eligible children who hold General Medical Service (GMS) cards and SEN pupils are exempt from charges.<sup>1</sup> Other eligible children, and pupils availing of the scheme on a concessionary basis, pay charges. Charges were first levied on primary school pupils for the 2011/2012 school year. Figure 2.1 details the different charges applied to users of the service.

**Figure 2.1 Charges for using the service, 2015**

Pupil category	Primary level		Post primary level	
	Individual	Family maximum	Individual	Family maximum
Eligible	€100	€220	€350	€650
Eligible with GMS card	No charge	No charge	No charge	No charge
SEN	No charge	No charge	No charge	No charge
Concession	€100	€220	€350	€650

Source: Department of Education and Skills

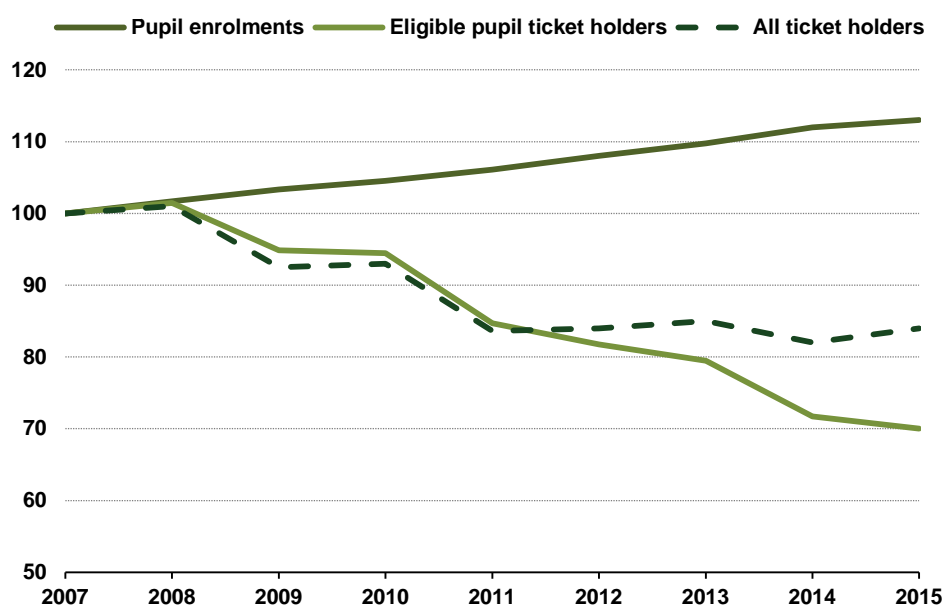
<sup>1</sup> In a very small number of cases, charges are applied to SEN pupils.

**2.6** Figure 2.2 illustrates the trends in school enrolments in the years from 2007 to 2015 and in the use of school transport over the same period. Despite an increasing number of pupil enrolments in schools, the number of eligible pupils issued with tickets has fallen significantly and consistently since 2008. In particular,

- In 2007, 127,000 or 16% of enrolled pupils were issued with tickets on an eligible basis. By 2015, this had dropped to 89,000 or 10% of enrolled pupils.<sup>1</sup>
- From 2007 to 2011, there was a 21,000 (16%) decrease in the total number of tickets issued (eligible tickets and concessionary tickets combined).
- Since 2011, there has been a drop of around 18,000 in the number of eligible pupils using the service. Charges were first introduced for eligible children attending primary school in 2011 and changes to eligibility rules were introduced in 2012. The drop in the number of eligible pupils availing of school transport provision has been offset by an increase of around 17,000 in the number of pupils using the service on a concessionary basis.
- The recorded number of pupils requiring special needs transport provision increased from around 7,500 in 2007 to around 9,800 in 2015 (an increase of 31%).

**Figure 2.2 Index of pupils<sup>a</sup> availing of the scheme, 2007 to 2015**

2007 = 100



<sup>1</sup> Source: Bus Éireann, Irish Bus School Transport Scheme, Statement of Account, year ended 31 December 2015.

Source: Bus Éireann and the Department of Education and Skills. Analysis by the Office of the Comptroller and Auditor General.

Note: a Includes primary and post primary school pupils combined.

## Operation of School Transport

### Vehicle Mix

- 2.7** School transport provision is designed around the number of eligible pupils who apply to use the service. Bus Éireann determines the routes and the size of vehicle to be used for each route.
- 2.8** A mix of minibuses, medium size buses and large buses are used to transport pupils to and from school. Taxis are also used to transport some SEN pupils.
- 2.9** In 2015, around 85,000 eligible pupils (95%) were transported on the school bus fleet (see Figure 2.3).

**Figure 2.3 Pupils' mode of transport, 2007 and 2015**

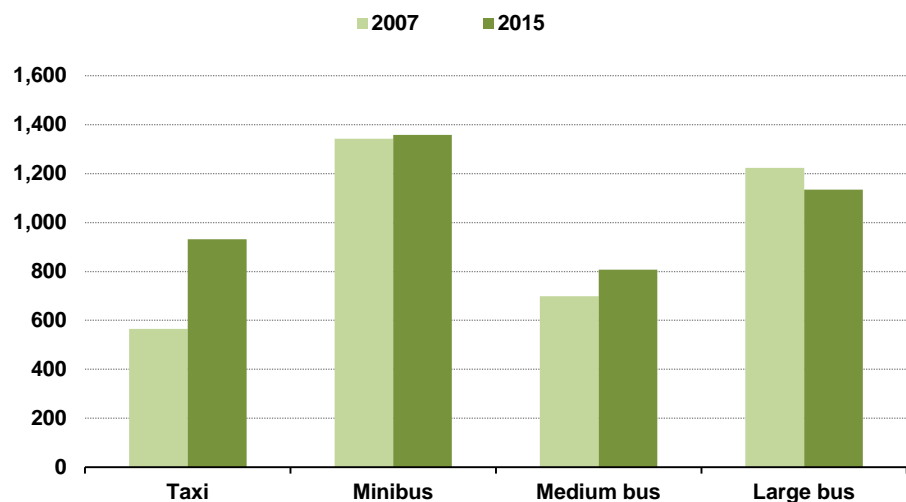
Mode of transport used	Eligible pupil numbers	
	2007	2015
School bus fleet	116,800	84,800
Taxi	1,800 <sup>a</sup>	3,000
Scheduled Bus Éireann/CIÉ services	8,400	1,600
<b>Total</b>	<b>127,000</b>	<b>89,400</b>

Source: Bus Éireann and the Department of Education and Skills. Analysis by the Office of the Comptroller and Auditor General.

Note: a Bus Éireann do not identify the number of pupils travelling by taxi in 2007. The average number of pupils per taxi for 2012 to 2015 was used to estimate the number of pupils travelling by taxi in 2007.

- 2.10** Figure 2.4 illustrates the composition of the fleet in 2007 and 2015. The overall size of the fleet increased from 3,830 vehicles in 2007 to 4,231 vehicles in 2015. The largest change was an increase in the number of taxis from 565 in 2007 to 932 in 2015.

**Figure 2.4 Vehicle mix, 2007 and 2015**

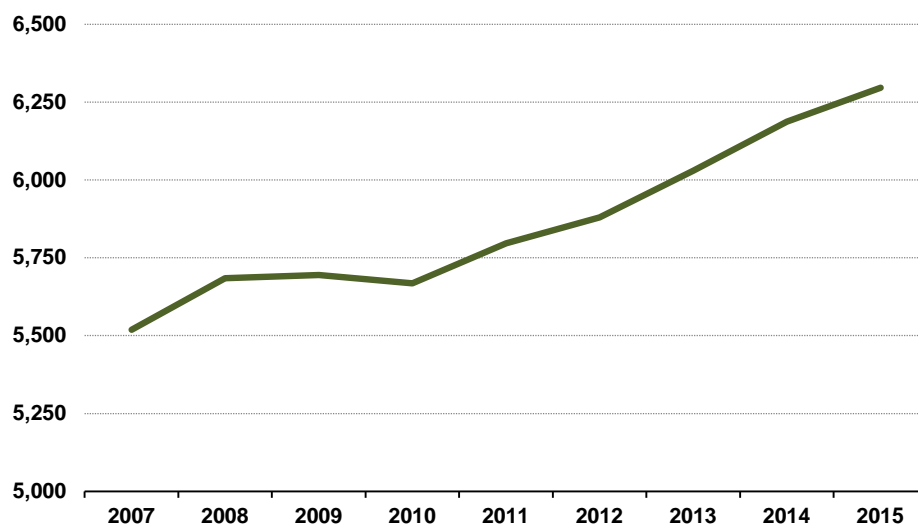


Source: Bus Éireann and the Department of Education and Skills.

### School Transport Routes

- 2.11** Figure 2.5 illustrates the change in the number of reported school transport routes from 2007 to 2015.

**Figure 2.5 Number of school transport routes, 2007 to 2015**



Source: Bus Éireann and the Department of Education and Skills.

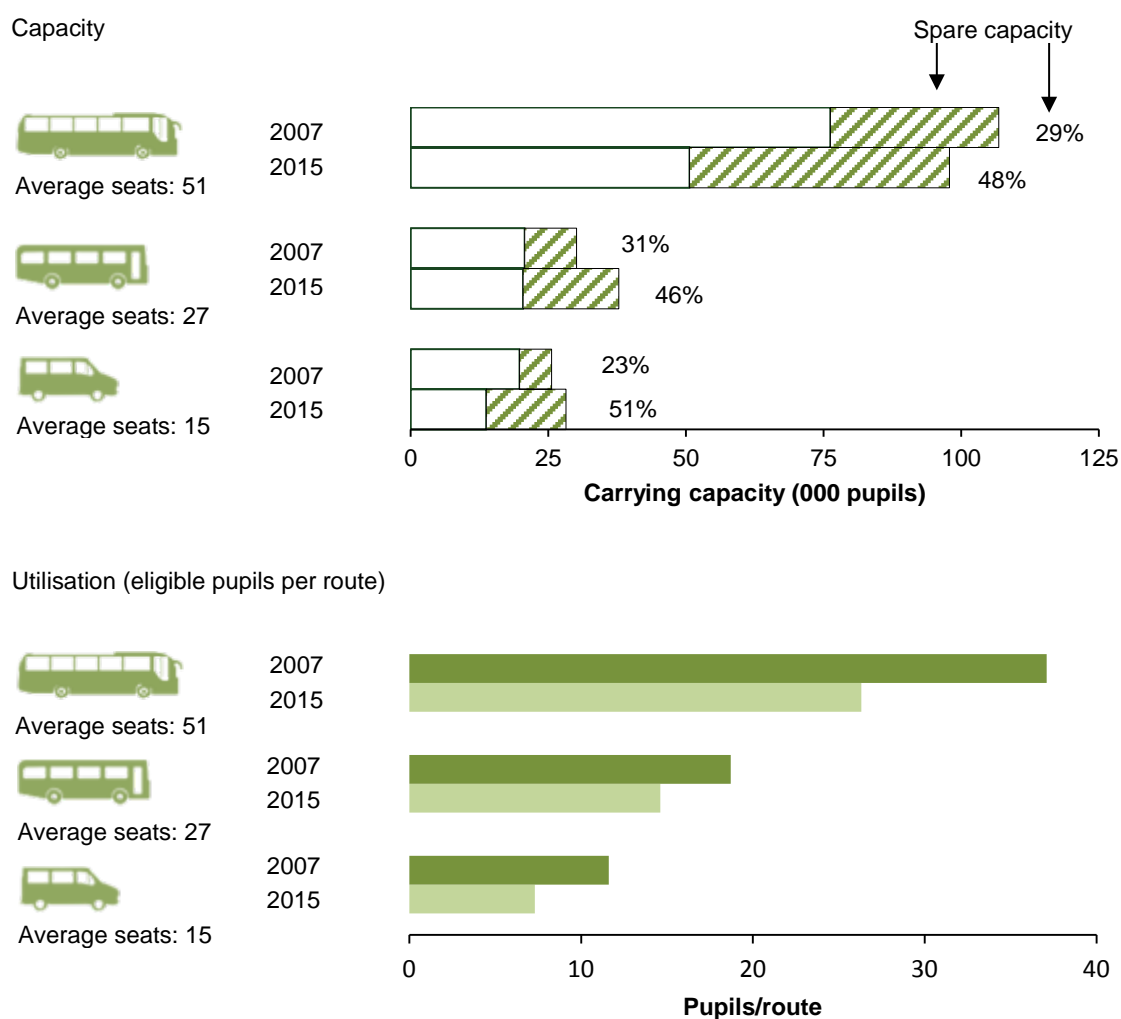
- 2.12** The number of reported routes has increased by 777 in 8 years — an increase of 14%. The average number of routes per vehicle in 2007 was 1.44 compared to 1.49 routes in 2015.

### Bus Fleet Capacity, Seat Allocation and Ticket Utilisation

- 2.13** The capacity of the school transport bus fleet (large and medium buses, and minibuses) deployed to deliver the required service can be assessed relative to the population of eligible pupils, around whose needs the service is intended to be designed.
- 2.14** Figure 2.6 illustrates the school transport bus fleet capacity in 2007 and 2015 and indicates the spare capacity that existed within the network. It also compares the average number of eligible pupils per route by vehicle type in 2007 and 2015.<sup>1</sup>
- 2.15** Key findings in relation to bus fleet capacity and utilisation are

- Overall seat capacity is about the same in 2015 as it was in 2007, at approximately 163,000 seats.
- Between 2007 and 2015, the number of eligible pupils using school buses dropped from an estimated 117,000 to 85,000.
- Estimated spare capacity increased from a total of 46,000 seats in 2007 (28%) to a total of 78,000 seats in 2015 (48%).
- There was a significant decrease between 2007 and 2015 in the estimated average number of eligible pupils per route across each vehicle category.

<sup>1</sup> For the purpose of this analysis, the capacity of a minibus, medium bus and large bus is assumed to be an average 15, 27 and 51 seats, respectively.

**Figure 2.6 Estimated school transport bus fleet capacity and utilisation, 2007 and 2015**

Source: Bus Éireann and the Department of Education and Skills. Analysis by the Office of the Comptroller and Auditor General (see Appendix A).

1 The number of pupils travelling on a concessionary basis in 2007 and 2015 was 6,800 and 22,300 respectively.

2 Survey consisted of 34 primary routes and 11 post primary routes and was undertaken by Bus Éireann at the request of the Department.

- Significant excess capacity remains when pupils travelling on a concessionary basis are included. The total number of tickets issued for bus fleet passengers — eligible and concessionary — was 123,000 in 2007 and 107,000 in 2015, resulting in estimated residual spare capacity of 24% and 35% respectively.<sup>1</sup>
- Not all ticket holders use the school transport service on a regular basis. For example, a survey carried out in April 2015 found that at primary level, 61% of tickets issued were being used in the morning and 70% in the afternoon. At post primary level, morning and afternoon ticket usage were 75% and 72%, respectively.<sup>2</sup>

## Cost of School Transport Scheme

**2.16** Figure 2.7 illustrates some of the trends in the school transport scheme during the period 2011 to 2015.

**Figure 2.7 School transport scheme, 2011 to 2015**

	2011	2012	2013	2014	2015
Tickets issued to eligible pupils <sup>a</sup>	107,445	103,722	100,810	90,996	89,366
Total costs, € million	163.3	162.0	162.6	163.5	162.9
Average cost, €/eligible pupil	1,500	1,600	1,600	1,800	1,800

Source: Department of Education and Skills and Bus Éireann annual statements of account.

Note: a Tickets issued to eligible primary and post primary pupils only – excludes concessionary pupils.

**2.17** Expenditure incurred by Bus Éireann in operating the school transport scheme was €163 million in 2015.<sup>1</sup> Bus Éireann collected €13.7 million in fees (8.4% of the cost of the scheme). This reduced the overall sum the Department paid to Bus Éireann to €149 million.

**2.18** In 2015, fees were collected from 64,000 pupils, including from those availing of the service on a concessionary basis. 38,000 pupils with medical cards (34% of ticket holders) and almost 10,000 SEN pupils were exempt from fees. The average fee collected from each fare-paying pupil was just above €200.<sup>2</sup>

**2.19** In the years 2011 to 2015, the annual cost of school transport did not vary materially, despite a significant fall in the overall number of eligible pupils using the service. The average cost per eligible pupil increased from €1,500 to €1,800. The Department has stated that a significant factor in the increased per capita cost was the increase in the number of SEN pupils catered for, whose transport is significantly more expensive on an average (per capita) basis.

### Value for Money Review

**2.20** Changes to the school transport scheme were introduced in the 2011/2012 school year following the completion by the Department of a review. The *Value for Money Review of the School Transport Scheme* (published in March 2011) was undertaken to assess the efficiency, effectiveness and value for money of the scheme by carrying out a root and branch examination of the scheme as it then operated. The review evaluated the extent to which the scheme warranted the continuing allocation of public funding and concluded that many of the eligible pupil ticket holders did not normally depend on the scheme for transport because they had access to alternative travel arrangements. The review made a number of recommendations for the future operation of the scheme.

**2.21** The policy changes relating to eligibility rules only impacted on new entrants. Pupils holding tickets retained their eligibility status up to the end of their school cycle i.e. primary or post primary level.

<sup>1</sup> Source: Bus Éireann, Irish Bus School Transport Scheme, Statement of Account, year ended 31 December 2015.

<sup>2</sup> Average is for primary and post primary pupils combined.

## Conclusions and Recommendations

### *Capacity and Usage*

- 2.22** The overall number of primary and post primary eligible pupils using the service declined by 30% in the period 2007 to 2015. Over the same period, the number of SEN pupils using the service increased by 31%.
- 2.23** Spare capacity within the school transport bus fleet was significant. In 2015, the fleet had the capacity to carry about 163,000 pupils a day. Ticket holders for the bus fleet numbered around 107,000 — 85,000 eligible pupils and 22,000 pupils travelling on a concessionary basis. Many pupils do not use the service every day.
- 2.24** Some of the decrease in the use of school transport services by eligible pupils in more recent years may reflect the impact of policy changes, such as the limiting of eligibility to those travelling to the nearest suitable school, and increased charges applied from 2011. Broader demographic factors may also be at play, such as changes in urban and rural population distributions, and greater access to other modes of transport.

### Recommendation 2.1

The Department should develop a forecast of likely medium term demand for the school transport service which would assist it in policy development in this area.

#### **Accounting Officer response**

Agreed. While there are forecasting mechanisms in place at the moment, there is scope to strengthen these in enhancing our medium term forecasting for the scheme to assist in calibrating our policy in this area. School transport section will continue to work with other relevant areas of the Department who have developed sophisticated models for planning future education provision.

For mainstream primary and post primary provision, overall enrolment projections provide a solid basis for identifying projected need. Accurately forecasting the requirement for special needs transport provision is more difficult for a number of reasons, including the nature of the demand, the distinct type of service required and distances in individual cases. The Department agrees that, notwithstanding the unpredictable nature of the demand, improved medium term forecasting mechanisms are required. The Department's school transport section will continue to work with other relevant areas within the Department and with the National Council for Special Education to explore options for strengthening its forecasting techniques in this area.

As a consequence of the Government policy decisions in 2010, the eligible/concessionary balance has changed in the intervening period. For this reason in 2016 the Department carried out a review of concessionary transport and made the recommendation that the fleet capacity should be reduced on a phased basis to accommodate eligible numbers which would yield cost savings. This would not mean that concessionary transport would cease. Given the nature of the scheme and the fixed capacity of buses, concessionary places, while impacted, would continue. This recommendation has not been actioned and the process to downsize vehicles on school transport routes has not been commenced.

### Cost

- 2.25** The service is heavily subsidised, with only 8.4% of the cost of the scheme being recouped from fare-paying pupils in 2015.
- 2.26** It is notable that while policy changes may be part of the reason for the reduction in the number of eligible pupils using the service, this has not led to net savings. Rather, surplus capacity has been increased. Bus Éireann determines each route and the type of vehicle used for that route. This is the key cost factor because contractors tender and receive payment for delivery of service on routes, and not for the number of pupils carried.
- 2.27** The large amount of spare capacity points to possible inefficiencies in network design and vehicle mix. The Department does not review the route network or fleet in order to satisfy itself that it is efficient and cost effective.

### Recommendation 2.2

The Department should engage an independent expert to review the route network to provide assurance that the network is effective and cost efficient. This review should happen periodically at intervals not longer than five years.

#### Accounting Officer response

Agreed. The Department accepts the recommendation to engage an independent expert to review the route network on a periodic basis. Given the size of the route network and the various elements involved careful consideration will need to be given to the methodology for this review.

While Bus Éireann has considerable expertise in route network planning and has yielded significant savings for the scheme through network management and review, we accept the merits of having a means of independent review to provide assurance of the effectiveness and efficiency being achieved.

It is worth noting that a larger bus that has sufficient time to operate a second trip with a much reduced number of pupils can usually provide the second trip at a lower cost than employing a separate smaller vehicle. It may appear that the second trip represents a poor use of available seats but it can still be the most economic and efficient approach to take overall.



## 3 Department Oversight

- 3.1** The Department pays Bus Éireann to operate the school transport scheme on its behalf. The sum paid in 2015 was €149 million.<sup>1</sup> The focus of this chapter is on the oversight exercised by the Department to monitor, measure and assess Bus Éireann's performance in delivering the school transport service.
- 3.2** There is no service level agreement (SLA) in place between the Department and Bus Éireann in relation to the provision of school transport.

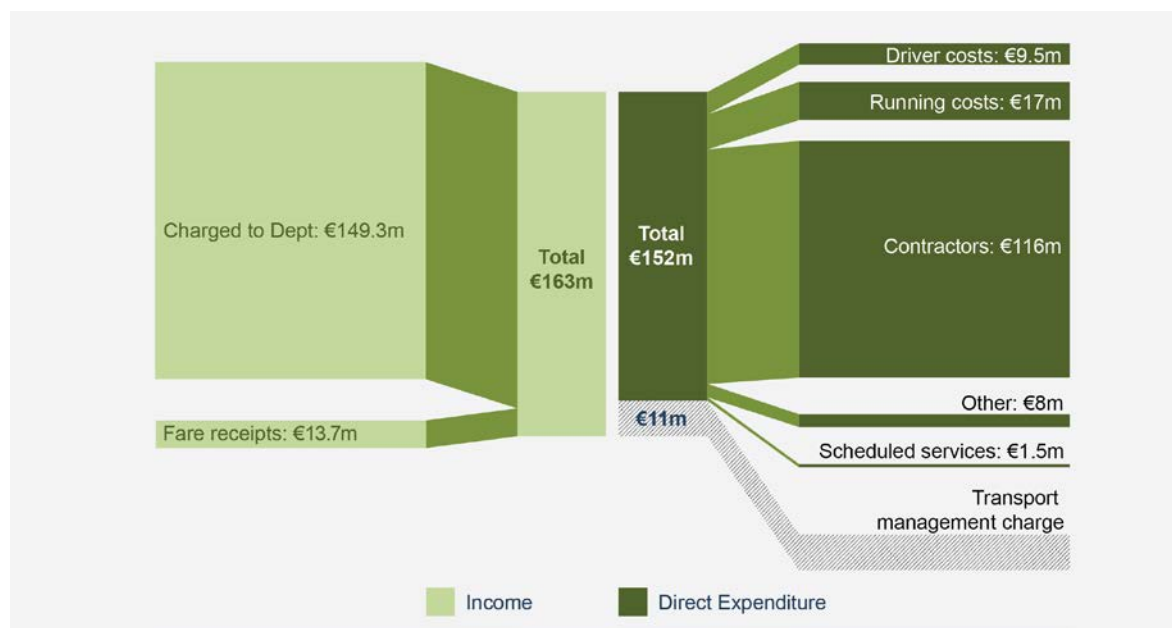
### 1975 Arrangement

- 3.3** The key document governing the current relationship between the Department and Bus Éireann is the 1975 *Summary of Accounting Arrangements*.<sup>2</sup> This provides detail on how Bus Éireann is to calculate its costs in respect of the scheme. It also sets out the annual reporting requirements to be met by Bus Éireann in its annual statement of account. (See Appendix B for a copy of the arrangement.) The arrangements have not been updated since 1975.
- 3.4** As required, Bus Éireann provides an annual statement of account to the Department.<sup>3</sup> This includes an independent auditor's report disclosing the opinion that the statement has been prepared in accordance with the *Summary of Accounting Arrangements*. The auditor's report draws attention to the fact that the statement of account does not comprise a full set of financial statements prepared in accordance with Irish generally accepted accounting practice.
- 3.5** The main components of Bus Éireann's 2015 school transport income and expenditure are set out in Figure 3.1.

1 The payment by the Department is net of €13.7 million that was collected by Bus Éireann from fare-paying passengers. Bus Éireann charged the Department a gross amount of €163 million in 2015 for operating the scheme.

2 Dated January 1975, these arrangements update and supersede the original *Summary of Accounting Arrangements* dated 1 August 1968.

3 The statement for the calendar year 2015 is included at Appendix C.

**Figure 3.1 Bus Éireann's school transport income and expenditure, 2015**

Source: Bus Éireann statement of account, 2015. Analysis by the Office of the Comptroller and Auditor General.

### ***Direct Expenditure***

- 3.6** These are driver costs, running costs, contractor costs and scheduled services costs. A more detailed breakdown of receipts and expenditure covering the period 2011 to 2015 can be seen in Appendix D.

### ***Indirect Costs***

#### ***Transport Management Charge***

- 3.7** The accounting arrangements between Bus Éireann and the Department provide for a 13% charge applied to direct costs to cover Bus Éireann's indirect costs and 'other' direct costs. While not identified as such in the 1975 arrangements, the Department refers to this charge as the transport management charge. By agreement with Bus Éireann, this annual charge was capped at €16.7 million in 2011 and at €15 million between 2012 and 2014. In 2015, the charge was capped at €11.3 million. The Department refers to the difference between the transport management charge based on 13% of direct costs and the negotiated capped amount as a rebate extracted from Bus Éireann.
- 3.8** Figure 3.2 provides details on how Bus Éireann has applied the funding from the transport management charge during the period 2011 to 2015.

**Figure 3.2 Application of transport management charge, 2011 to 2015**

	2011	2012	2013	2014	2015
	€000	€000	€000	€000	€000
<b>Transport management charge for year</b>	<b>16,700</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>11,286</b>
Applied to cover:					
Direct and indirect support	6,401	6,428	5,750	8,039	7,318
Indirect regional costs	4,237	4,094	3,880	3,361	2,668
Property charge	2,500	2,500	2,500	2,500	1,300
<b>Surplus for the year</b>	<b>3,562</b>	<b>1,978</b>	<b>2,870</b>	<b>1,100</b>	<b>—</b>
Unused surplus brought forward	8,083	8,195	9,763	11,733	11,999
Charges against surplus	3,450	410	900	834	800
<b>Surplus closing balance</b>	<b>8,195</b>	<b>9,763</b>	<b>11,733</b>	<b>11,999</b>	<b>11,199</b>

Source: Bus Éireann and the Department of Education and Skills.

- 3.9** The reported applications made against the transport management charge are not a component of the annual statement of account and are therefore not covered by the opinion given by the independent auditors. The Department does not carry out any verification checks on how the transport management charge is applied.
- 3.10** Between 2011 and 2015, Bus Éireann applied a total of €11.3 million in round sums to a category described as ‘property charge’. Furthermore, non-recurrent charges applied by Bus Éireann against the unused surplus and accepted by the Department since 2011 were
- €3 million for ‘future pensions for school bus drivers’
  - €3.4 million as a ‘contribution to capital investment’.
- 3.11** The Department’s view is that the 1975 arrangement is a cost recovery model. Despite this, funding provided to Bus Éireann for indirect costs has been in excess of Bus Éireann’s reported costs incurred. The Department understands the estimated excess — €11.2 million at the end of 2015, falling to €6.7 million in 2016 — is held in reserve and is available for future school transport operations. However, the statutory financial statements of Bus Éireann do not support this position, and the Department does not include the estimated excess funding as an asset on its balance sheet.
- 3.12** The Department has not provided a clear explanation as to why the accumulated surplus is necessary and why it did not renegotiate the terms of the arrangement so that it would pay Bus Éireann the amount of the verifiable costs incurred on school transport in any given year.

## Review of the Accounting Arrangement

- 3.13** The Department engaged consultancy firm FGS in 2009 to review the methodology used to apportion the costs of overheads and other indirect costs, to indicate whether the amount apportioned for direct and indirect costs and other costs including the management cost was reasonable, to identify possible alternatives and to make recommendations. FGS reported back to the Department in October 2009.
- 3.14** Key findings and recommendations of the FGS review include
- A flat 13% charge no longer provides an adequate mechanism for budgeting for overheads. A more sophisticated apportionment methodology is required.
  - Indirect costs should not be a percentage of direct costs as they do not vary proportionally with the direct cost base.
  - 'Other direct costs' should be reviewed and disclosed as direct costs in the statement of account.
  - A budget for indirect costs should be agreed in advance, which then forms a cap on the amount payable by the Department for that year.
  - A statement of financial position should be introduced to improve transparency. Bus Éireann should not be automatically entitled to any profit payment. Instead, a performance-related service charge should be calculated, based on one or more key metrics associated with the scheme such as pupil numbers, number of contracted routes or other measures to be agreed between the Department and Bus Éireann. The metrics should be designed to incentivise cost efficiency and quality of service delivery.
- 3.15** The Department has not implemented the recommendations of the FGS report. A decision was taken to focus on the transport management charge, and a cap of €15 million on this sum was introduced in 2012, reduced to €11.3 million for 2015.

## Value for Money Review of the School Transport Scheme

- 3.16** The Department carried out a value for money review of the School Transport Scheme in 2011. Of the 58 recommendations contained in the report, 38 have been fully implemented, six are being progressed, seven are under consideration and seven are not specific to school transport. The recommendations not implemented include
- The existing administrative arrangements with Bus Éireann should be further revised having regard to how the role of Bus Éireann has developed over a number of years, and the revised arrangements put in place for the 2011/2012 school year.
  - A formalised mechanism should be put in place to ensure that the costs allocated to school transport by Bus Éireann are proportionate. The Department should monitor the costs with professional support, including financial and legal expertise.
- 3.17** The Department has stated that it prioritised those recommendations in the report that related to operational efficiencies and savings and the securing of a 'rebate' on the transport management charge.

## Operational Meetings

- 3.18** Operational meetings between the Department and Bus Éireann take place generally on a monthly basis. A review of the arrangements for the meetings found
- there are no terms of reference for the meetings
  - management reports are not circulated to participants prior to the meeting
  - there is no evidence that discussions take place in relation to budgeted and actual costs of the scheme
  - the finance report is in bullet point form, with little detail.
- 3.19** There is no evidence that discussions take place in relation to relevant performance indicators or metrics as a means of the Department assessing performance and the achievement of value.

## Decision of the European Commission

- 3.20** Following a complaint by a representative body for private bus companies in Ireland, the Coach Tourism and Transport Council, against Bus Éireann and Dublin Bus, the EU Commission in July 2007 opened an in-depth State aid investigation. This included the investigation of the Department's payments to Bus Éireann for operating the school transport scheme.
- 3.21** In its decision on 15 October 2014, the Commission concluded that the funding of the school transport scheme confers a selective economic advantage on Bus Éireann and is not compatible with EU rules. As the scheme is based on a 1975 arrangement, the Commission considered the school transport scheme to constitute existing State aid. Member states are obliged to bring such existing measures in line with EU State aid rules.
- 3.22** Ireland disagrees with the Commission's view and considers that the school transport scheme is compliant with State aid law and is compatible with the internal market. Without prejudice to that position, the Department and the Department of Transport, Tourism and Sport have been engaging with the Commission since 2014 with regard to appropriate future implementation measures. The Department has stated it is working with the Commission
- to reinforce the social objectives of the scheme operated on behalf of the Minister for Education and Skills and
  - to further clarify the absence of any cross-subsidy or economic advantage from the school transport scheme to other existing Bus Éireann activities.

## Conclusions and Recommendations

### *Monitoring and measuring Performance*

- 3.23** SLAs are often used to govern arrangements between service providers and their funders. To be of value they should be precise and sufficiently comprehensive to enable effective management and monitoring of service delivery. The key components of an effective SLA would include
- a clear **policy statement outlining the strategic aims and objectives** to enable an effective response to the identified need
  - consideration of the **resourcing implications** to allow the achievement of these aims and objectives - all aspects of the SLA should be negotiated and agreed upon by the two parties to ensure that optimum service provision arrangements are put in place
  - **business and work plans** that can be adapted to identified needs in specific and measurable terms
  - **quantified service outcomes** and levels, through performance indicators - these agreed levels can provide a mutually agreed basis for assessing the effectiveness of the service
  - a clear **statement of the obligations and responsibilities** of both parties
  - **appropriate reporting requirements and times.**
- 3.24** By that standard, the 1975 accounting arrangements put in place oversight arrangements which fall well short of what is expected given the significant level of cost involved. The responsibilities and obligations of each party are not set out. The arrangement is solely focused on costs and there is an absence of key performance indicators, service level indicators and other metrics.
- 3.25** Reporting requirements under the 1975 arrangements are weak. The annual statement of account does not comprise a full set of financial statements prepared under generally accepted accounting practice; it does not provide sufficient detail on costs; and does not address how the transport management charge is applied. Furthermore, there are no other specified reporting requirements e.g. monthly or quarterly reports. An arrangement that is over forty years old can no longer be relied upon to produce information to support effective management and oversight.
- 3.26** Even though the arrangement is focused on costs, it has serious flaws. Key cost drivers are not identified or reported, so cost control is difficult to exercise. The Department carries all the financial risk associated with the scheme.

### **Recommendation 3.1**

The 1975 arrangement should be replaced by an SLA.

- The SLA should be comprehensive and specify what outputs are to be delivered by Bus Éireann and the mechanisms to measure the delivery of these outputs.
- All aspects of the SLA should be negotiated and agreed upon by the two parties to ensure that optimum service provision arrangements are put in place. The SLA should provide clarity to both parties on their respective obligations and responsibilities.

- Performance criteria should be set to enable the Department to measure the performance of Bus Éireann and to ensure that an economic, efficient and effective service is being delivered.
- Reporting arrangements should be updated. To improve transparency, the annual statement of account should be prepared in accordance with generally accepted accounting standards and include a statement of financial position or balance sheet.

#### **Accounting Officer response**

We agree in part with this recommendation. The 1975 *Summary of Accounting Arrangements* remains the current arrangements in operation and offers significant benefits which we would wish to retain for the Exchequer. It allows the State to leverage available transport management and tendering expertise within an established semi-State company for the benefit of an exchequer funded scheme. The State has the capacity to unilaterally alter the criteria for the scheme in line with public policy decisions. All funding within the scheme, including any reserve, is ring-fenced for expenditure on school transport, with a demonstrated capacity for the Department to extract a rebate where appropriate.

Within the continuing context of the 1975 arrangement, we accept the recommendation to put in place an SLA. A document is currently at an advance stage of finalisation and it is intended that this will be concluded with Bus Éireann soon. In advance of this document, some of the reporting principles that it will outline are already being put in place. This will help to formalise the on-going financial oversight carried out by this Department, one result of which has been that for the past number of years an element of the transport management charge has been rebated.

Elements of the current financial oversight employed by the Department include

- A formal budget and projected costs for the financial year are agreed, based on the evidence on trends emerging on the expected service level demands and Department sanctions when services recommence for the school year.
- Bus Éireann fleet numbers have been reducing and these cost reductions have been reflected in the agreed budget.
- A formal schedule of payments by month is provided generally at the beginning of the year to the Department and this is reviewed at monthly meetings.
- An annual statement of account is provided at the end of the external audit process.

### ***Funding provided to Bus Éireann***

- 3.27** There is no itemisation of the components making up the transport management charge in the audited annual statement of account, but Bus Éireann has provided data to the Department on the costs covered from the funds received and the amount of the surplus accumulated on school transport operations.
- 3.28** Despite the 1975 arrangement being described as a cost recovery model, Bus Éireann had accumulated a surplus of €11.2 million from operating the scheme up to the end of 2015. This reflects the difference between the funding provided for the transport management charge and the related expenditure incurred by Bus Éireann. In addition, the Department could not provide an adequate explanation as to why 13% was initially agreed and has continued to be applied over the years, albeit capped at a lower amount since 2011. Linking the reimbursement of indirect costs to a set percentage of direct costs is unlikely to reflect their different nature. As a result, this mechanism is too crude to provide an accurate means of identifying overhead costs attributable to the delivery of the school transport service.
- 3.29** The Department understands that the accumulated excess funding over cost incurred has been set aside and will be applied by Bus Éireann to meet future costs of school transport operations. However, the statutory financial statements of Bus Éireann do not indicate a deferred income amount due to the Department. At the close of 2015, the company's financial statements record accumulated losses of €13 million.

### **Recommendation 3.2**

The Department should move from cost to performance as the basis for payment.

- All costs associated with the scheme should be analysed and classified e.g. direct costs, indirect costs.
- The 13% transport management charge should cease. Any surplus on the scheme should be linked to metrics around service delivery and efficiencies.

### **Accounting Officer response**

We agree in part with this recommendation. We will continue to work with Bus Éireann to monitor the costs of the scheme and to analyse them on a monthly basis at our scheduled meetings. The Department takes account of the robust Bus Éireann internal financial control procedures, together with the independent assurance reporting provided by the external auditors regarding the operation of the school transport scheme. We have agreed an annual assurance from the Board of Bus Éireann in relation to its school transport tendering process.

To further enhance our monitoring of the costs charged by Bus Éireann, we are working to provide an independent external assurance report on the reasonableness of the 13% charge. This report will have regard to prior discussions between the Department and Bus Éireann on the appropriate proportion of costs allocated to school transport. It is expected that a draft report will be available soon.

The school transport scheme is a demand-led service based on the number of eligible children who apply to avail of transport. We work with Bus Éireann to analyse costs to the scheme on an on-going basis while each year the company produces an audited statement of account. This ensures that the financial information provided by Bus Éireann is in accordance with the relevant summary of accounting arrangements.



The 1975 *Summary of Accounting Arrangements*, which remains in place, has been the subject of High Court challenge and appeal. There is no profit and the remaining uncommitted reserve of some €6.7 million (at end 2016) may only be used on the school transport scheme. The school transport scheme is one of 'cost recovery'.

Bus Éireann provide the Department with an annual projected cost of school transport services together with a provisional spread of payments. These costs are broken down under the headings agreed in the 1975 arrangement which include payments to contractors, maintenance, Bus Éireann driver costs and the transport management charge. The Department makes 10 monthly payments to Bus Éireann on a provisional account basis. Under the proposed SLA any variance to these amounts will be agreed in writing between the two organisations with a full explanation of the reasons for the variance.

These figures are incorporated into the Department's annual profile of expenditure and are monitored on a monthly basis both in terms of the Department's monthly profile of expenditure and Bus Éireann information based on actual costs versus projected costs. Expenditure headings and profiles are discussed at monthly meetings held between the Department and Bus Éireann. Where changes in projected expenditure occur a new year-end forecast is submitted by Bus Éireann and reflected in a revised spread of payments.

Actual expenditure is finalised in the Bus Éireann annual statement of account which is independently audited by the Bus Éireann auditors in accordance with the 1975 *Summary of Accounting Arrangements*. Balances, where they occur, are accounted for in the following year's projected cost.

It should be noted that since 2011, the Department has secured rebates totalling some €21 million from Bus Éireann on the 13% charge for administration and indirect costs.

### **Recording of Decisions**

- 3.30** Operational meetings are held between the Department and Bus Éireann on a regular basis. The operational decisions made at these meetings are not documented in sufficient detail. This means that the details around key decisions are not evidenced and that non-attendees do not have sufficient insight in to how and why a particular decision was made.

### **Recommendation 3.3**

The method of how minutes are kept of meetings should be reviewed and improved. The discussions around key operational decisions that take place in meetings between the Department and Bus Éireann should be documented in sufficient detail so that a reader of the minutes can gain an understanding of the different issues that were discussed prior to the decision being made.

#### **Accounting Officer response**

Agreed. There are regular meetings held by the school transport section and we seek to maintain an appropriate record keeping system that is in line with business objectives and is in keeping with good governance practice. We will review the recording of decisions at meetings and ensure that they allow the effective and efficient operation of the business units involved.



## 4 Bus Éireann Procurement

- 4.1** The general school transport scheme is operated by Bus Éireann on behalf of the Department. Bus Éireann uses a mix of its own vehicle resources and those of contractors to deliver school transport services. Payments to contractors are the largest item of expenditure in the scheme, amounting to 71% of the cost of the entire scheme in 2015 (see Figure 4.1).

**Figure 4.1 Costs of school transport scheme, 2007 to 2015**

Year	Overall cost €m	Contractor cost €m	Percentage
2007	152.8	96.4	63%
2008	170.8	108.9	64%
2009	171.0	106.4	62%
2010	165.7	105.5	64%
2011	163.3	105.5	65%
2012	162.0	106.1	65%
2013	162.5	109.2	67%
2014	163.5	111.9	68%
2015	163.0	115.8	71%

Source: Bus Éireann annual statements of account

- 4.2** Bus Éireann does not fall within the remit of the Comptroller and Auditor General as it is a commercial semi-State body. However, in view of the special nature of the school transport scheme and the arrangement it has in place with the Department, Bus Éireann made information available in respect of its procurement practices when outsourcing school transport routes.
- 4.3** The focus of this chapter is therefore on how Bus Éireann manages the procurement process in relation to contracted routes.

## Bus Éireann Procurement Process

- 4.4** Approximately 10% of school transport vehicles used to provide services under the scheme are from Bus Éireann's own fleet. It uses sub-contractors for the remainder. A revised procurement process introduced in 2011 includes a tendering plan with the aim that, over 5 years, 100% of school transport contracts will be subject to tender (an average of 20% per year). A notice is placed annually on the eTenders website and panels are set up on a county basis.<sup>1</sup> Panel members are then invited to tender as requirements for services arise. Five year contracts are awarded, providing additional security to contractors where previously contracts terminated at the end of each school year. Where only one or no tender is received, Bus Éireann seeks to put a contract in place using a direct award procedure.

## Review of Procurement Process

- 4.5** Summary statistics on the size of the operation for contractor-delivered services are set out in Figure 4.2 below.

**Figure 4.2 Overview of contracted services, 2011 to 2015**

	2011	2012	2013	2014	2015
Cost of contracted services	€105m	€106m	€109m	€112m	€116m
Number of contractors	1,636	1,533	1,494	1,306	1,250
Number of contractors earning €100,000+ pa	289	298	313	331	321
Number of vehicles	3,335	3,414	3,461	3,638	3,751

Source: Bus Éireann and the Department of Education and Skills.

- 4.6** For purposes of reviewing the process of procurement, one office was chosen in each of Bus Éireann's five operational regions. In total, procurements of 177 routes were selected on a random basis. In each case, the procurement process applied was examined, as set out in Figure 4.3.

**Figure 4.3 Distribution of sample routes examined, 2012/2013 to 2014/2015**

Office	Region	2012/2013	2013/2014	2014/2015	Total
Dublin	East	13	13	25	51
Stranorlar	Northwest	6	6	12	24
Athlone	West	7	7	14	28
Limerick	Southwest	8	8	17	33
Waterford	Southeast	10	10	21	41
<b>Total</b>		<b>44</b>	<b>44</b>	<b>89</b>	<b>177</b>

Source: Office of the Comptroller and Auditor General

<sup>1</sup> eTenders.gov.ie is a central facility for all public sector contracting authorities to advertise procurement opportunities and award notices. The site is managed by the Office of Government Procurement.

## Conclusion

**4.7** Overall, the results of the examination of the sample routes showed that Bus Éireann was compliant with public procurement guidelines. In general, the review found that

- Routes were advertised via eTenders, with operators invited to express interest and submit pre-qualification questionnaires (PQQs).
- PQQs were evaluated on the same basis.
- Invitations to tender were only sent to those who passed the pre-qualification process.
- Tenders received were evaluated against the same criteria.
- Unsuccessful tenderers were notified in writing, with a short reason for their lack of success.
- Routes had a signed contract on file that matched the fixed price from the tender.
- In most cases, there were competitive tenders and the lowest cost tender won the contract.
- There were notable numbers of non-compliant tenders, usually due to seat capacity or tenderer error.



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## Appendices

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## Appendix A

**Figure A.1 Eligible pupils carried by vehicle type and route, 2007 to 2015**

Vehicle		2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Minibus<sup>a</sup></b>	Number of buses	1,343	1,334	1,343	1,282	1,256	1,289	1,320	1,367	1,358
	Number of pupils	19,787	19,500	19,209	18,288	16,241	16,230	16,447	14,906	13,704
	Number of routes	1,705	1,722	1,666	1,677	1,795	1,800	1,865	1,857	1,879
	Average number of routes per bus	1.3	1.3	1.2	1.3	1.4	1.4	1.4	1.4	1.4
	<b>Average pupils per route</b>	<b>11.6</b>	<b>11.3</b>	<b>11.5</b>	<b>10.9</b>	<b>9.0</b>	<b>9.0</b>	<b>8.8</b>	<b>8.0</b>	<b>7.3</b>
<b>Medium bus</b>	Number of buses	699	708	725	772	745	758	741	790	807
	Number of pupils	20,824	21,816	22,144	23,585	21,436	22,394	22,049	19,780	20,417
	Number of routes	1,116	1,119	1,171	1,220	1,297	1,300	1,302	1,374	1,399
	Average number of routes per bus	1.6	1.6	1.6	1.6	1.7	1.7	1.8	1.7	1.7
	<b>Average pupils per route</b>	<b>18.7</b>	<b>19.5</b>	<b>18.9</b>	<b>19.3</b>	<b>16.5</b>	<b>17.2</b>	<b>16.9</b>	<b>14.4</b>	<b>14.6</b>
<b>Large bus</b>	Number of buses	1,223	1,254	1,236	1,205	1,181	1,158	1,145	1,151	1,134
	Number of pupils	77,783	77,294	70,897	70,654	63,607	59,648	57,140	51,411	50,414
	Number of routes	2,094	2,124	2,092	2,010	1,909	1,920	1,954	1,955	1,918
	Average number of routes per bus	1.7	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.7
	<b>Average pupils per route</b>	<b>37.1</b>	<b>36.4</b>	<b>33.9</b>	<b>35.2</b>	<b>33.3</b>	<b>31.1</b>	<b>29.2</b>	<b>26.3</b>	<b>26.3</b>

Source: Department of Education and Skills/Bus Éireann.

Analysis: Office of the Comptroller and Auditor General.

Note: a Minibuses and taxis are disclosed together in the Department's statistical reports. These figures exclude taxis and an estimate of the number of pupils travelling by taxi.



## **Appendix B**

### ***Summary of Accounting Arrangements, 1975***



PRIVATE AND CONFIDENTIAL

FREE TRANSPORT SCHEME

FOR

PRIMARY AND POST-PRIMARY

SCHOOL CHILDREN

SUMMARY OF ACCOUNTING ARRANGEMENTS

Department of Assistant General Manager (Finance),  
Coras Iompair Éireann,  
Heuston Station,

JANUARY, 1975

FREEL TRANSPORT SCHEME

FOR

PRIMARY AND POST-PRIMARY

SCHOOL CHILDREN

SUMMARY OF ACCOUNTING ARRANGEMENTS

Office of the Assistant General Manager (Finance),  
Coras Iompair Éireann,  
Heuston Station.

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JANUARY, 1975

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FREE TRANSPORT SCHEME

FOR

PRIMARY AND POST-PRIMARY

SCHOOL CHILDREN

SUMMARY OF ACCOUNTING ARRANGEMENTS

INTRODUCTION

The attached statements and draft accounts describe the agreed accounting arrangements for the computation and presentation of the cost to CIE of supplying, supervising and administering on behalf of the Department of Education, the conveyance, to and from school, of school children who are eligible for free transport in accordance with the rules and regulations of the free transport scheme organised and operated by CIE, on behalf of the Department of Education.

These arrangements up-date and supersede the Summary of Accounting Arrangements dated 1st August, 1968.



# ACCOUNTING ARRANGEMENTS

## 1. Free Transport Services for School Children:

Services under the free transport scheme are supplied under two main classifications as follows:

- (a) Scheduled Services: These are the ordinary timetable bus and train services provided throughout the country for the general public. Eligible school children, in possession of travel permits, are carried free on such of those services as serve school centres at suitable times.
- (b) Special School Services: These are the bus services operated specially for the purpose of conveying to and from school, children who are eligible for free transport. Travel permits are issued to eligible children.

CIE organises and administers all the special school services, some of which are operated by contractors who use their own vehicles under contract to CIE.

## 2. Fare Paying School Children:

- 2.1. School children who are ineligible for free transport, are permitted to travel as concessionary passengers on special school buses, if accommodation is available.
- 2.2. A flat rate per school term, agreed with the Department of Education is charged to such children who are issued with special term travel permits. The receipts from the sale of these tickets are credited to the Department of Education.

### 3. Capital For School Buses:

The arrangements for financing the fleet of special school buses will be as follows:

- 3.1. the Department of Education to undertake to provide non-repayable interest free grants to CIE as from 1st April, 1974 for the purpose of financing the acquisition of new school buses, either as additions to or replacements of existing school buses.
- 3.2. the Department of Education, in agreement with the Departments of Transport and Power, and Finance to take over the outstanding liability for the existing fleet of school buses which were acquired by funds provided by CIE from the commencement of the free transport scheme up to year ended 31st March, 1974.
- 3.3. the outstanding liability to be determined on the basis of the written-down value of the buses at 31st March, 1974 i.e., the original cost of the buses to CIE less the amount of the depreciation charged to the Department of Education.
- 3.4. the amounts to be received by CIE by way of interest free non-repayable grants for the fleet of school buses in existence at 31st March, 1974 or for additional or replacement school buses after that date (3.1 and 3.2 above) to be placed by CIE in a "Grant Account."
- 3.5. the amounts in the "Grant Account" to be written-off by CIE over the life span of each vehicle in line with the writing down of the asset concerned in the schedule of Fixed Assets.

At present the life span of school vehicles is:-

Large or Medium Buses	- 16 Years
Minibuses	- 5 Years (See Sect. 5)

3. Capital For School Buses (Contd.):

- 3.6. compensation monies accruing in respect of the residual value of under-age school buses scrapped prematurely due to accidents or fires to be advised to the Department of Education by CIE and placed to the credit of the Department in the Grant Account.
- 3.7. the ownership of the buses financed by the Department of Education in the manner described in this section, to be vested in CIE as agents of the Minister of Education for the purpose of operating the school transport scheme.
- 3.8. CIE to carry the same legal liabilities in relation to the operation of school buses, that it carries in respect of the operation of its own vehicles.

4. Computation of Account : Scheduled Services:

Concession rates are available to regular users of CIE scheduled services in the form of weekly fares which give a reduction on the daily rate. Where children receive free transport on these services the charges raised are related to the appropriate adult weekly concession fare i.e., children under 16 years of age are charged at  $\frac{1}{2}$  of the adult concession rate and those over 16 years at  $\frac{3}{4}$  of the adult rate.

On services where adult weekly concession fares do not apply charges are assessed on the basis of  $\frac{1}{2}$  the single adult fare and the full single adult fare multiplied by number of weekly journeys for children under 16 years and over 16 years respectively.

The account to be furnished to the Department of Education will be compiled as follows:

4. Computation of Account : Scheduled Services (Contd.):

- 4.1. the overall charge to the Department of Education for carrying eligible school children on scheduled services to be based on the number of weeks pupils are carried in the year, multiplied by the appropriate weekly concession rate. Periods of less than a week to be expressed as an appropriate factor of a full school week.
- 4.2. all school children travelling on scheduled services to be issued with individual travel permits and child weeks to be based on the number of valid tickets on issue throughout the school year after making due allowance for travel permits returned for cancellation.
- 4.3. to simplify the computation of the overall charge to the Department of Education an area average weekly fare to be calculated based on the age of the individual children and on the distances travelled by each child in the six administrative areas of CIE, using the fare appropriate to each trip, (See Page 3).  
  
this average weekly fare, to be multiplied by the number of child weeks as calculated in 4.2.
- 4.4. the gross charge calculated in the manner described, for carrying school children on scheduled services to be reduced by 4.5%, which is the agreed discount factor for absenteeism.

5. Computation of Account : Special Services:

These services vary in length of route and type of vehicle employed, whether owned by CIE or supplied by contractors. The costs of the services are collected and classified by type of vehicle used, as follows:-

Minibus	:	Varying in size with up to 14 adult passenger seats.
Medium Bus	:	With between 15 and 34 adult seats
Large Bus	:	With over 34 adult seats.

5. Computation of Account : Special Services (Contd.):

CIE will be paid on the basis of the agreed direct expenditure incurred in operating the special services with an addition of 13% to cover all other direct and indirect costs.

The account will be computed in the following manner:

5.1. Direct Costs: the direct costs to be classified as described hereunder and to include all such costs directly associated with the operation, maintenance and storage of school buses.

5.1.1. Driver Costs: expenditure under this heading, consists in the main, of the gross wages, allowances, annual leave, social welfare contributions, paid to or for part-time school bus drivers who are recruited specially for the purpose.

(Regular full time CIE drivers are utilised in circumstances where part-time drivers cannot be employed e.g., filling temporary vacancies or training part-time drivers.

CIE has arrangements with a number of private garage owners to supply drivers to drive CIE school buses for an agreed weekly contract amount).

the gross wages, allowances, etc., paid to regular staff so employed, to be charged.

in cases where regular full-time employees drive school buses and do other CIE driving, the total cost to the school account to be apportioned on the basis of the time spent on schools and other work.

an addition to be made to the wages of regular full time drivers for the costs of spare drivers which are necessary to cover for illnesses and other absences.

the actual payments made by CIE to "driver" supply contractors to be included under "Driver Costs"

5. Computation of Account : Special Services (Contd.):5.1. Direct Costs (Contd.)

documentation e.g., time sheets, payrolls, cheque requisitions etc., certified by the appropriate supervisors to be available in support of the amounts charged under this heading.

5.1.2. Running Costs: the actual expenditure on school buses for maintenance, servicing, accident repairs, periodic overhauls, lubricants, tyres, fuel etc., to be charged to the school account in respect of the fleet of special school buses employed fully on schools services.  
tyre costs to be based on CIE's contract mileage rates with the Irish Dunlop Company.

(Total running costs for all buses, both on schools and CIE services, are accumulated for each type of bus and divided by the total mileage, including light mileage, run during the year in which the costs are incurred, to produce a pence per mile factor).

in those instances, where it is necessary to use buses from CIE's own fleet to operate special school services, the charge to the school account to be calculated by multiplying the miles run on the schools service by the pence per mile factor for the type of vehicle used.

documentation in the form of certified time sheets, work accounts, material and fuel requisitions etc., to be available in support of the charges made under this heading.

5.1.3. Road Tax: the charge to the schools account to be the actual tax paid at the special rate for full time school buses.

in circumstances where it is necessary to use a CIE vehicle taxed at the full P.S.V. rate, tax to be charged on the basis of the time spent on schools work expressed as a proportion of the total time in use.

5. Computation of Account : Special Services (Contd.):5.1. Direct Costs (Contd.)

5.1.4. Insurance and Claims: CIE operates its own Third Party Insurance Fund. Outside insurance cover of CIE buses is arranged in respect of excess liability only, which is £100,000 for any one accident at present.

for claims involving school buses an amount based on the estimated cost of settlement of individual accidents to be charged to the school account, the amount to be adjusted subsequently to agree with the total cost of each claim.

the annual cost of the insurance premium for excess liability in respect of school buses to be also charged, together with the expense of additional insurance to cover any liability that might be incurred by CIE or the Minister for Education arising from accidents involving contractors employed by CIE.

5.1.5. Payments to Contractors: the direct cost to the schools account of the special services operated by contractors using their own vehicles to be the actual payments made by CIE to those contractors.

the payments made to be in accordance with current agreements between the individual contractors and CIE.

the total amount of these payments to be included in the school account, except the amounts paid to contractors for carrying eligible school children on scheduled services. CIE is reimbursed these payments under the arrangements for scheduled services described at (4) above.

5.1.6. Inspectors' Wages: the actual wages of inspectors, including ancillary staff costs, expenses etc., while engaged on school transport duties to be charged to the schools account.

5. Computation of Account : Special Services (Contd.):

5.1. Direct Costs (Contd.)

5.1.6. Inspectors' Wages (Contd.)

in the case of inspectors engaged on both school transport duties and other work, wages costs to be charged on the basis of the time spent on school transport duties as a proportion of total time.

documentation supporting such allocation to be certified by the officer in charge - i.e. Road Passenger Manager, District Manager or their nominees.

5.1.7. Inspectors' Cars: the standing and running costs of the cars used by inspectors on school transport duties (i.e., mileage checking, organising, supervising etc., the special school services ) to be recorded and charged to the schools account.

5.1.8. Salaries: the salaries of executive and clerical staffs engaged full time on school transport duties in an operating or administrative capacity to be charged to the schools account.

in those instances where staff attached to the Road Passenger or other functions, whose duties involve working directly on the special school services, and on other CIE work, the time spent on schools working to be expressed as a percentage of total time employed. The charge to the schools account to be allocated on the basis of this percentage of the total salary costs of the staff so employed.

documentation supporting such allocations to be certified by the officer in charge - i.e. Road Passenger Manager, District Manager, Area Accountant or their nominees.



5. Computation of Account : Special Services (Contd.):

5.1. Direct Costs (Contd.)

- 5.1.9. Saving Certificates: Post Office Saving Certificates (currently agreed amount £5) to be paid each year to nominated students who act throughout the year as prefects on school buses.

the actual cost of purchasing these certificates to be charged to the schools account by CIE who arranges the registration of the pupils and the distribution of the certificates.

a prefect can opt to receive a rail/road rambler ticket at CIE's expense, no charge to be raised in the school account when such tickets are issued.

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For the purpose of calculating the cost of the Special School Services, the foregoing nine heads of expenditure are the agreed direct costs of operating the special school services, and no additional direct costs will be included in the account without prior notice to the Department of Education.

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6. Other Direct and Indirect Costs:

In addition to reimbursing CIE for the nominated direct costs of providing the special school services, the Department of Education will pay CIE an amount equal to 13% of the total of direct costs to cover all other costs incurred or associated with the special school services.

These are costs not included in or covered by the nine direct costs as described in section 5 above. They consist of miscellaneous direct expenditure on school services, or expenses and facilities which the special school services share as part of the CIE Road Passenger function.

6. Other Direct and Indirect Costs:

- 6.1. the payment by way of a 13% addition to direct expenditure to cover all other direct and indirect expenditure incurred either specifically for the special school services e.g., printing tickets, advertising etc., or for costs and facilities shared or used jointly in the operation and administration of the special school services and CIE's own services e.g., land and buildings, plant and machinery, accommodation costs, telephones, rates, rents, electricity, and sundry labour costs.
- 6.2. in exceptional situations, e.g., during strikes or other circumstances which result in the closure of schools or suspension of the school transport services, whether, partial or general and in circumstances where CIE would not be recovering its normal share of fixed costs due to an abnormal reduction in the level of direct costs, it is agreed that the calculation of the 13% add-on for indirect costs, be on the basis of an agreed estimate of what the level of direct costs would have been if the special school services had operated normally.

7. Depreciation and Interest:

- 7.1. as the Department of Education will be providing CIE with interest free non-repayable grants for new school buses and as CIE is to be refunded the monies invested in special school buses up to 31st March, 1974, no depreciation or interest charges to be raised in the school account in respect of the school buses covered by these arrangements.
  - 7.2. in circumstances where it is agreed to assign under-age spare vehicles from CIE's own fleet to full time service on schools work and where such vehicles are to be taxed at the special school rate, the charge for interest and depreciation to be calculated by the annuity method based on the current replacement cost of a special school bus of similar-capacity at the prevailing rate of interest.
- the full annual standing costs so calculated to be charged.

7. Depreciation and Interest (Contd.):

- 7.3. in the case of under-age buses drawn from CIE's own scheduled service or coach fleets for use temporarily on special school services, interest and depreciation charges to be calculated by the annuity method based on current replacement cost of a bus of similar type and seating capacity, at the current rate of interest, with an appropriate percentage addition for spare vehicles which have to be provided to cover for break-downs, accidents, repairs etc.

the charge to the school account to be raised on the basis of the period of time such vehicles are allocated full-time to the special school fleet.

- 7.4. in the case of CIE general service buses working part-time on special school services or when the operating roster of a CIE service includes a special school trip, procedures to be set up to record and charge to the schools accounts (in accordance with 7.3.above) the standing costs of such buses on the basis of the actual time spent on schools work related to total operating time, plus a percentage addition for spare vehicles.
- 7.5. no charge to be made, under this heading, for the use of over-age CIE general service buses on schools work.
- 7.6. if full time special school buses as defined in 7.1. and 7.2. above are used by CIE for any purpose (other than schools working and hireage in connection with schools related physical education events) an appropriate allowance to be made to the Department of Education. This allowance to be given by way of a reduction in the amount of interest and depreciation chargeable at 7.2, 7.3, and 7.4. above.

the reduction in standing costs, to be calculated by the annuity method described in 7.2. above, the amount to be related to the time spent on CIE work expressed as part of total operating time.

7. Depreciation and Interest (Contd.):

- 7.7. the 13% addition for overhead costs is not to be applied to interest and depreciation charges raised in respect of the use of CIE under-age vehicles on special schools service.

8. Presentation of Accounts for Payment of Capital Grants:

It is agreed that the procedures for the payment of interest free non-repayable grants will be as follows:

- 8.1. the programme for the acquisition of new and/or replacement school buses (the number of vehicles required, seating capacity and estimated cost) for each financial year to be agreed between CIE and the Department of Education at a time sufficiently in advance of the financial year, to which the programme refers, to enable each party to comply with its budgetary, planning and financing requirements.
- 8.2. CIE to arrange for the placing of orders with suppliers and the Department of Education to make the appropriate grants available to CIE on production by CIE of certified suppliers' invoices (or copies thereof), received in the course of implementing the agreed programme.
- 8.3. where the terms of the contract to purchase school buses require a deposit or when advance payments are necessary to finance the bus building operations the Department of Education to make available to CIE the amounts required on production of the certified suppliers' demand notes or invoices (or copies thereof).
- 8.4. CIE in applying for payments due under the Capital Grant arrangements for the purchase of school buses to make due allowance for any credits accruing to the Department of Education in respect of compensation received under, Clause 3.6. above.

9. Presentation of Working Accounts for School Transport Services:

It is agreed that accounts will be furnished as follows:

- 9.1. the accounts presented by CIE to the Department of Education to be expressed on the basis of a separate rate per child per week for Primary and Post-Primary school children according to the mode of transport ((a) and (b) at 1, above) and in the case of special school services a further subdivision to be made between the type of vehicles used on the services operated.
- 9.2. payments-on-account to be made to CIE each calendar month on the basis of the estimated number of children carried during that month expressed in child weeks multiplied by the agreed prevailing rate per child week for children carried either on scheduled or on special school services.
- 9.3. the demand for payment to be supported by CIE furnishing to the Department of Education an account containing the appropriate estimates of child week carryings.  
  
the monthly payments on account to have regard to whatever agreed adjustments may be necessary arising from the exceptional circumstances referred to in par. 6.2.
- 9.4. the records and annual account for the school transport services supplied, to be presented to the Auditors of the Board of Coras Iompair Éireann each financial year.
- 9.5. on receipt by the Department of Education of the Auditors' report and certified accounts, final settlement with CIE to be made having regard to the monthly provisional payments already received (9.2. above) and the receipts from the sale by CIE of term tickets to fare-paying school children carried on the special school services as described at (2) above.

10. Format of Accounts:

In appendices 1 to 5 are specimens of the agreed format of accounts to be furnished to the Department of Education.

- 10.1. in accordance with the Accounting Arrangements described in the foregoing sections, an account for the cost of supplying school transport services to be set out for each financial year under the agreed heads of expenditure as shown in Appendix 1.
- 10.2. these costs to be then related to the number of child weeks so as to produce rates for the three categories of vehicles involved i.e., large, medium and mini buses and to enable the account to be restated on the basis of a rate per child week for Primary and Post-Primary Services as shown in Appendices 2 and 3.
- 10.3. Appendices 1 to 3 to be presented with the report of the Board's Auditors for each financial year.
- 10.4. Appendices 4 and 5 to be presented by CIE for provisional monthly payments which the Department of Education undertakes to remit promptly to CIE (See 9.2.)
- 10.5. Application to be made by way of letter, supported by suppliers' invoices etc., for capital grant monies due.

11. General:

Matters relating to the general accounting arrangements are set out hereunder:

- 11.1. the Department of Education or its accredited nominees to have the right to examine at reasonable times the books and records of CIE in so far as they relate to schools transport services.

11. General (Contd.):

- 11.2. CIE also undertakes to give the Department of Education all reasonable information relative to the services when so requested.
- 11.3. the school transport accounts to be audited under the Company's internal audit programme to ensure that the methods and procedures laid down in this agreement are fully and properly applied.
- 11.4. the certificate for the final account furnished by the Board's Auditors to be acceptable to the Comptroller and Auditor General who has the right to examine the books and records of CIE which relate to the school transport scheme.  
(The Comptroller and Auditor General has intimated that the form of certificate as submitted by M/S Craig Gardner & Co., Chartered Accountants is acceptable).
- 11.5. the basic charging arrangements for schools transport to continue in force subject to the right of either party to terminate them by giving not less than 12 months notice in writing to this effect.  
  
specific procedural aspects of the accounting arrangements may be varied or discontinued by mutual consent during the currency of the present accounting agreement.
- 11.6. the Budgetary Committee of representatives of the Department of Education and CIE, when reviewing and monitoring expenditure on schools transport services, to assist in the smooth working of the overall scheme in so far as the accounting arrangements fall within the responsibility of each party on the committee.

APPENDIX - 1.CORAS IOMPAIR ÉIREANNSCHOOLS FREE TRANSPORT SCHEMESTATEMENT OF ACCOUNT YEAR ENDED : 31ST DECEMBER, 197

1. <u>RECEIPTS</u>	£000
(1) Payments-on-Account by Department of Education	6,620
(2) Receipts from Fare-Paying Passengers	40
	<u>£6,660</u>
11. <u>SPECIAL SERVICES (EXPENDITURE)</u>	
<u>DIRECT COSTS</u>	
(1) Driver Costs	800
(2) Running Costs	1,200
(3) Road Tax	60
(4) Insurance and Claims	70
(5) Payments to Contractors	3,000
(6) Inspectors' Wages	130
(7) Inspectors' Cars	30
(8) Salaries (Operating)	100
Salaries (Area Administration)	100
(9) Savings Certificates	10
	<u>£5,500</u>
(10) Add 13% (For Indirect and Other Direct Costs)	715
(11) Depreciation (CIE Vehicles)	25
(12) Interest (CIE Vehicles)	20
<u>Total Special Services:</u>	<u>£6,260</u>
111. <u>SCHEDULED SERVICES</u>	
Charge for Children Carried Free	500
<u>Total:</u>	<u>£6,760</u>
IV. <u>RECEIPTS FROM FARE-PAYING PASSENGERS</u>	<u>40</u>
V. <u>TOTAL: NET AMOUNT CHARGEABLE TO THE DEPARTMENT OF EDUCATION</u>	<u>£6,720</u>
Provisional Payments-on-Account	6,620
<u>Balance Due:</u>	<u>£100</u>

NOTE: The figures shown on this statement are for illustrative purposes only and are not the costs associated with any financial year.



CORAS IOMPAIR ÉIREANNAPPENDIX - 2.FREE TRANSPORT OF PRIMARY SCHOOL CHILDRENACCOUNT : YEAR ENDED 31ST DECEMBER, 197

Mode of Transport	Number of Children at 31/12/197	Cumulative Child Weeks	Total Amount	Cost Per Child Week
<u>SPECIAL SERVICES</u>			£	£
<u>Provincial Services</u>				
Mini-Bus				
Medium Bus				
Large Bus				
<u>Dublin City Services</u>				
Large Bus				
<u>SCHEDULED SERVICES</u>				
<u>TOTAL AMOUNT DUE:</u>			3,300,000	
Less: Receipts From Fare-Paying Passengers			30,000	
<u>Net Amount Due:</u>			3,270,000	
Less: Payment-on-Account			3,230,000	
<u>Balance Due:</u>			40,000	

CORAS IOMPAIR ÉIREANN

APPENDIX - 3.

FREE TRANSPORT OF POST-PRIMARY SCHOOL CHILDRENACCOUNT - YEAR ENDED 31ST DECEMBER, 197

Mode of Transport	Number of Children at 31/12/197	Cumulative Child Weeks	Total Amount	Cost Per Child Week
<u>SPECIAL SERVICES:</u>			£	£
<u>Provincial Services:</u>				
Mini-Bus				
Medium Bus				
Large Bus				
<u>SCHEDULED SERVICES:</u>				
<u>Total Amount Due:</u>			3,460,000	
Less : Receipts from Fare-Paying Passengers			10,000	
<u>Net Amount Due:</u>			3,450,000	
<u>Less: Payment-on-Account:</u>			3,390,000	
<u>Balance Due:</u>			£60,000	

APPENDIX - 4.TRANSPORT OF PRIMARY SCHOOL CHILDREN

MONTH: \_\_\_\_\_

PROVISIONAL ACCOUNT

Number of Children	Mode of Transport	Cost Per Child Week	Total Child Weeks	Total Amount
	<u>SPECIAL SERVICES:</u>	£		£
	<u>Provincial Services</u>			
	Minibuses			
	Medium Buses			
	Large Buses			
	<u>Dublin City Services</u>			
	Large Buses			
	<u>SCHEDULED SERVICES:</u>			*

\* - Allow for Absentecism calculated at 4.5%

Dept. of Assistant General Manager (Finance),  
 Coras Iompair Éireann,  
Heuston Station,

Date: \_\_\_\_\_

APPENDIX - 5.TRANSPORT OF POST-PRIMARY SCHOOL CHILDREN

MONTH: \_\_\_\_\_

PROVISIONAL ACCOUNT

Number of Children	Mode of Transport	Cost Per Child Week	Total Child Weeks	Total Amount
	<u>SPECIAL SERVICES:</u>	£		£
	<u>Provincial Services:</u>			
	Minibuses			
	Medium Buses			
	Large Buses			
	<u>SCHEDULED SERVICES:</u>			*

\* - Allows for Absenteeism calculated at 4.5%

Dept. of Assistant General Manager (Finance),  
 Coras Iompair Éireann,  
 Heuston Station.

Date: \_\_\_\_\_

**Appendix C**

**Statement of Account 2015**



**Bus Éireann - Irish Bus School Transport Scheme**  
**Statement of Account**  
**Year Ended 31 December 2015**

**Bus Éireann - Irish Bus School Transport Scheme****Statement of Account 2015**

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## ***Independent auditor's report to the Board of Directors of Bus Éireann in connection with the Operation of the Department of Education and Skills School Transport***

### **Report on the Bus Éireann - Irish Bus School Transport Scheme Statement of Account**

We have audited the accompanying financial information of Bus Éireann for the year ended 31 December 2015 which comprise the statement of account and the related notes which include a summary of significant accounting policies and other explanatory information (together the "School Bus Statement of Account"). The School Bus Statement of Account has been prepared by management of Bus Éireann in accordance with the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children dated 1 January 1975.

### **Management's responsibility for the School Bus Statement of Account**

Management is responsible for the preparation of the School Bus Statement of Account in accordance with the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children dated 1 January 1975 and for such internal control as management determines is necessary to enable the preparation of a School Bus Statement of Account that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the School Bus Statement of Account based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the School Bus Statement of Account is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the School Bus Statement of Account. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the School Bus Statement of Account, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a School Bus Statement of Account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the School Bus Statement of Account.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Chartered Accountants



***Independent auditor's report to the Board of Directors of Bus Éireann in connection with the Operation of the Department of Education and Skills School Transport – continued***

**Opinion**

In our opinion, the financial information of Bus Éireann Schools Transport Scheme for the year ended 31 December 2015 is prepared, in all material respects, in accordance the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children dated 1 January 1975.

**Basis of accounting**

Without modifying our opinion, we draw attention to Note 1 to the School Bus Statement of Account, which describes the basis of accounting. The School Bus Statement of Account is prepared in accordance with the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children for Bus Éireann. As a result, the School Bus Statement of Account may not be suitable for another purpose. Our report is intended solely for Bus Éireann and should not be distributed to or used by parties other than Bus Éireann.

The School Bus Statement of Account does not comprise a full set of financial statements prepared in accordance with Irish Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

*PricewaterhouseCoopers*

**PricewaterhouseCoopers  
Chartered Accountants  
Dublin  
18 May 2016**

# Bus Éireann - Irish Bus School Transport Scheme

## STATEMENT OF ACCOUNT Year Ended 31 December 2015

	2015 €'000	2014 €'000
<b>I Receipts</b>		
(1) Payments on account by the Department of Education	148,801	150,083
(2) Receipts from fare-paying passengers	13,707	13,057
	<u>162,508</u>	<u>163,140</u>
<b>II Special services (expenditure)</b>		
(1) Driver costs	9,493	9,698
(2) Running costs	17,266	17,872
(3) Road tax	34	40
(4) Insurance and claims	912	662
(5) Payments to contractors	115,764	111,886
(6) Inspectors' wages	2,544	2,536
(7) Inspectors' cars	193	203
(8) Salaries	3,238	2,900
(9) Prefect award scheme	35	34
	<u>149,479</u>	<u>145,831</u>
(10) Indirect and other direct costs	11,286	15,000
(11) Depreciation (Bus Éireann vehicles)	668	972
(12) Interest (Bus Éireann vehicles)	60	137
	<u>161,493</u>	<u>161,940</u>
<b>III Scheduled services</b>		
Charge for children carried	1,462	1,584
	<u>162,955</u>	<u>163,524</u>
<b>IV Receipts from fare-paying passengers</b>	<u>(13,707)</u>	<u>(13,057)</u>
<b>V Total net amount chargeable to the Department of Education</b>	149,248	150,467
Payments on account by the Department of Education	(148,801)	(150,083)
Amounts due to the Department of Education at start of year deducted	(1,789)	(2,173)
Amount due to the Department of Education for the year	(1,342)	(1,789)
Amount due to the Department of Education at start of year deducted	(1,789)	(2,173)
Payments made to the Department of Education during the year	1,789	2,173
<b>Balance due to the Department of Education</b>	<u>(1,342)</u>	<u>(1,789)</u>



M Nolan  
Chief Executive Officer



A Keane  
Manager Finance and Accounting

## Bus Éireann - Irish Bus School Transport Scheme

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### NOTES TO THE STATEMENT OF ACCOUNT

#### 1 Basis of accounting

The School Bus Statement of Account is prepared in accordance with the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children dated 1 January 1975.

#### 2 Receipts and costs

Receipts are accounted for on a cash basis and costs on an accruals basis in accordance with the Summary of Accounting Arrangements relating to the Transport Scheme for Primary and Post-Primary School Children dated 1 January 1975.

Receipts comprise amounts received from the Department of Education and Skills in respect of the Transport Scheme for Primary and Post-Primary School Children and receipts from fare paying passengers.

Costs comprise direct and indirect costs incurred by Bus Éireann. Indirect costs are based on the allocation methodologies agreed with the Department of Education and Skills for the operation of the Transport Scheme for Primary and Post-Primary School Children.

Where Bus Éireann vehicles are assigned full time to the schools service a charge for interest and depreciation is calculated using the annuity method based on the replacement cost of vehicles.

#### 3 Net amounts chargeable to the Department of Education and Skills

The net amount chargeable to the Department of Education and Skills amounts to €149.248 million (2014: €150.467 million and includes €11.286 million (2014: €15 million) payable to Bus Éireann in respect of other direct and indirect costs. These amounts reflect expenditure not otherwise charged to the statement of account in providing the service and are mutually agreed between Bus Éireann and the Department of Education and Skills on an annual basis. The allocation for the year ended 31 December 2015 has been capped at €11.286 million (2014: €15 million).

**Bus Éireann - Irish Bus School Transport Scheme**


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**APPENDIX I: TRANSPORT OF PRIMARY SCHOOL CHILDREN (Unaudited)**  
**Year Ended 31 December 2015**

	Number of children at 31 December 2015	Cumulative child weeks	Total amount  €	Cost per child week  €
<b>Mode of transport</b>				
<b>Special services</b>				
Large bus	14,514	570,760	26,999,726	47.30
Medium bus	9,042	343,950	16,856,885	49.01
Mini-bus	12,348	452,650	53,457,411	118.10
	<u>35,904</u>	<u>1,367,360</u>	<u>97,314,022</u>	<u>71.17</u>
 <b>Scheduled services</b>	 68	 3,241	 <u>60,289</u>	 18.60
 <b>Total amount due</b>			 97,374,311	
 <b>Receipts from fare-paying passengers</b>			 <u>(2,572,497)</u>	
 <b>Net cost of operations</b>			 94,801,814	
 <b>Gross payments by Department of Education</b>			 <u>89,985,527</u>	
 <b>Amount due by the Department of Education</b>			 <u>4,816,287</u>	

**Bus Éireann - Irish Bus School Transport Scheme****APPENDIX II: TRANSPORT OF POST-PRIMARY SCHOOL CHILDREN (Unaudited)**  
**Year Ended 31 December 2015**

	Number of children at 31 December 2015	Cumulative child weeks	Total amount  €	Cost per child week  €
<b>Mode of transport</b>				
<b>Special services</b>				
Large bus	36,108	1,327,490	40,923,423	30.83
Medium bus	11,362	397,300	13,505,751	33.99
Mini-bus	4,343	141,533	9,749,616	68.89
	<u>51,813</u>	<u>1,866,323</u>	<u>64,178,790</u>	<u>34.39</u>
<b>Scheduled services</b>	1,581	55,102	<u>1,401,730</u>	25.44
<b>Total amount due</b>			65,580,520	
<b>Receipts from fare-paying passengers</b>			<u>(11,134,879)</u>	
<b>Net cost of operations</b>			54,445,641	
<b>Gross payments by Department of Education</b>			<u>60,604,255</u>	
<b>Amount due to the Department of Education</b>			<u>(6,158,614)</u>	



## Appendix D

**Figure D.1 Scheme receipts and expenditure, 2011 to 2015**

	2011	2012	2013	2014	2015
	€000	€000	€000	€000	€000
<b>Receipts</b>					
Payments on account by the Department	152,156	150,472	150,652	150,083	148,801
Receipts from fare-paying passengers	11,485	12,570	12,772	13,057	13,707
	<b>163,641</b>	<b>163,042</b>	<b>163,424</b>	<b>163,140</b>	<b>162,508</b>
<b>Expenditure</b>					
Driver costs	10,764	10,724	9,974	9,698	9,493
Running costs	18,429	19,065	18,533	17,872	17,266
Road tax	48	49	47	40	34
Insurance and claims	1,358	1,248	857	662	912
Payments to contractors	105,476	106,096	109,172	111,886	115,764
Inspectors' wages	2,650	2,637	2,580	2,536	2,544
Inspectors' cars	238	212	207	203	193
Salaries	3,086	3,064	2,826	2,900	3,238
Prefect award scheme	36	38	36	34	35
	<b>142,085</b>	<b>143,133</b>	<b>144,232</b>	<b>145,831</b>	<b>149,479</b>
Add 13% for indirect and other direct costs	16,700	15,000	15,000	15,000	11,286
Depreciation (Bus Éireann vehicles) <sup>a</sup>	1,801	1,652	1,353	972	668
Interest (Bus Éireann vehicles) <sup>b</sup>	299	254	195	137	60
<b>Special services</b>	<b>160,885</b>	<b>160,039</b>	<b>160,780</b>	<b>161,940</b>	<b>161,493</b>
<b>Scheduled services</b>	<b>2,405</b>	<b>2,008</b>	<b>1,817</b>	<b>1,584</b>	<b>1,462</b>
<b>Receipts from fare paying passengers</b>	<b>(11,486)</b>	<b>(12,570)</b>	<b>(12,772)</b>	<b>(13,057)</b>	<b>(13,707)</b>
<i>as % of expenditure</i>	<i>7.0%</i>	<i>7.8%</i>	<i>7.9%</i>	<i>8.0%</i>	<i>8.4%</i>
<b>Net amount chargeable to Department</b>	<b>151,804</b>	<b>149,477</b>	<b>149,825</b>	<b>150,467</b>	<b>149,248</b>

Direct costs

Source: Bus Éireann annual statements of account

Note: a The arrangement does not specify whether the depreciation charge is determined on the acquisition price, a transfer value determined by Bus Éireann or on the net cost to Bus Éireann where capital grant funding is provided by a State agency.

b When underage Bus Éireann vehicles are assigned to the scheme, interest costs are calculated by the annuity method based on the current replacement cost of a bus of similar capacity at the prevailing rate of interest.

