

Development of an Integrated Approach to Transport Procurement in Derby

Final Report

Submitted to TPOG Board



March 2007

Contents

Executive Summary

1. Introduction	1
2. Potential for Cost Savings and Efficiencies.....	2
3. Review of Cost Saving and Efficiency Measures in Other Authorities.....	5
4. Estimated Scale of Cost Savings	8
5. Safety and Customer Service Standards	12
6. Staffing implications	13

Executive Summary

Summary

This study has considered in detail the development of an integrated approach to transport procurement in Derby. The current 'Transport Procurement and Operations Group' (TPOG) has been operational for over two years, but for much of this time has been without a Group Manager. The Group has worked hard to cover all of its tasks and responsibilities with a reduced workforce, but it has lacked strategic direction. It is essential that the Group is better resourced in order to deliver the estimated cost savings and operational efficiencies highlighted in this report and raise standards of safety and customer service. A proposed Group structure to deliver this agenda is provided in this report, together with the costs of staffing the Group and the activities to be undertaken.

Recommendations

1. To support the proposal to implement a fully integrated procurement unit (TPOG) to deliver the estimated cost savings and operational efficiencies.
2. To provide funding for the full implementation of TPOG on an 'invest to save' basis.

Reasons for recommendation

1. There is a need to minimise future cost escalation and deliver cost savings in the procurement of transport services on behalf of client departments.
2. There is a need to meet minimum standards of safety and customer service in relation to the transport service procured by and operated on behalf of TPOG, particularly given the vulnerable nature of the individuals carried.

Supporting information

The five key objectives of the project were:

- a) To respond to the recommendations in the Audit Report on Home to School Transport¹
- b) To demonstrate the potential for cost savings / efficiencies in transport procurement
- c) To calculate the scale of efficiencies which could be achieved
- d) To identify the staff resource implications of delivering those efficiencies
- e) To specify the structure and day-to-day operation of the Transport Procurement and Operations Group

¹ This objective has been addressed in a separate report

The approach adopted to achieve these objectives involved consulting with Derby City Council staff to obtain their views of the areas of provision where there was potential for cost savings and / or operational efficiencies to be achieved. Consultation was also undertaken with other (primarily unitary) local authorities to identify and explore the key areas where they had delivered operational efficiencies and / or cost savings. STAR prepared a table detailing the estimated cost savings by area of provision; these estimates were then verified with DCC financial officers and placed in the context of budget projections.

There were a number of key areas where it was estimated that cost savings could be achieved. These included:

- charging for denominational transport which was previously provided free of charge at DCC's discretion
- increasing the fares for all mainstream school transport usage
- reviewing the provision of mainstream bus services
- reviewing contracts on an ongoing basis, including SEN contracts and options for bundling contracts
- Framework agreements for taxi contracts
- Streamlining day centre taxi bookings via TPOG
- Closer management of the (re-specified) Translinc / DCT CASS contracts

In order to measure the success of TPOG in delivering cost savings, it will be vital prior to embarking on any cost saving measures, to establish the baseline for transport spending by the key client departments for transport procured via TPOG and that procured independently. It will also be important to establish Service Level Agreements (SLAs) between TPOG and each client department to formalise arrangements and responsibilities on both sides.

Other options considered

Given that TPOG is already in an interim phase of implementation, 'do nothing' was not a realistic option. The Best Value Review recommended the introduction of an integrated procurement and operations unit.

Financial Implications

TPOG staffing costs of £76,750 for 07/08 assuming posts are filled from October 2007. £153,500 plus inflation per annum to cover cost of new posts from April 2008 until sufficient income is generated to cover the extra staffing costs (estimated to be end of financial year 2009/10).

1 Introduction

This report is the culmination of a project to develop an integrated approach to transport procurement in Derby. The current Transport Procurement and Operations Group has been operational for over two years, but for much of this time has been without a Group Manager. This was intended to be a temporary measure whilst this TPOG project was being undertaken. The Group has worked hard to cover all of its tasks and responsibilities with a reduced workforce, but it has lacked strategic direction. It is essential that the Group is better resourced in order to deliver the estimated cost savings and operational efficiencies highlighted in this report, as well as meeting minimum standards of safety and customer service.

The five key objectives of the project were:

- a) To respond to the recommendations in the Audit Report on Home to School Transport²
- b) To demonstrate the potential for cost savings / efficiencies in transport procurement
- c) To calculate the scale of efficiencies which could be achieved
- d) To identify the staff resource implications of delivering those efficiencies
- e) To specify the structure and day-to-day operation of the Transport Procurement and Operations Group

Following this introduction, Section 2 of the report provides an overview of the potential for savings and efficiencies in Derby, based on consultation undertaken with in-house personnel and STAR's professional assessment. Section 3 provides a summary of the savings and efficiencies achieved by other (primarily unitary) local authorities. Section 4 indicates the estimated scale of cost savings for DCC over a five year period. The non-cashable efficiencies which need to be delivered, in terms of meeting standards of safety, quality and customer satisfaction, are summarised in Section 5. Finally, Section 6 outlines the current TPOG structure and proposes a replacement structure to reflect the tasks required to deliver the estimated savings and efficiencies. The associated staffing and overhead costs are provided to demonstrate the financial implications of implementing the proposed structure.

Annex 1 of the document contains details of the costs involved in DCC purchasing and operating its own vehicle fleet in the future, as a means of moderating the market and raising standards of service provision. Annex 2 provides the Business Case relating to the establishment of TPOG.

² This objective has been addressed in a separate report

2 Potential for Cost Savings and Efficiencies

There are a number of areas where DCC could seek to achieve cost savings and efficiencies in the transport services provided.

Discretionary school transport provision and eligibility criteria

The Regeneration and Community Department (R&C) is currently paying approximately £210,000 per annum on mainstream home to school transport for non-entitled, non-faith pupils. Three of the four schools served by these contracts have signed up to an ID card system, while the fourth school remains outside of the system. Preliminary analysis of ID card holders indicated that only around 60% of pupils travelling are attending their appropriate school, with the remaining 40% of pupils being carried to a preferred school. The ID card system has resulted in vehicles being under used, as pupils apply for a card for the days when they might opt to use the bus.

It would seem that there are a number of ways in which efficiencies could be achieved, particularly with regard to reviewing the current discretionary transport routes and contracts, implementing the appropriate school policy more stringently and offering spare places to pupils attending a preferred school. Proposals are already in place to increase the fares to cover much more of the costs of providing the services.

Denominational school transport provision

A range of options is under discussion for charging pupils attending denominational schools and consultation on those options is imminent. Efficiency could be achieved by removing all denominational provision or charging pupils some or all of the cost of providing the transport. It is likely that the most equitable approach will be to charge pupils a proportion of the total cost, with annual RPI increases. Further efficiency may be achieved by reducing the number of contracts operated if the number of pupils traveling reduces considerably. The planned advanced charging approach should also help to ensure that the services operate efficiently, as the cost will not vary depending on farebox revenue.

Operation of in-house vehicle fleet

The operation of an in-house fleet will only demonstrate short-term efficiencies for those authorities who have inherited a fleet and driving staff. It has the benefit of allowing in-house service operation which is generally cheaper than external fleet operation, and can also act as a market modifier, thereby reducing external costs. Derby has no inherited fleet, and savings, which could be considerable, will only become evident after some

3-5 years, as the costs of vehicle acquisition, staff recruitment and training and the development of maintenance facilities etc. must be paid off before the lower cost base and market modification actions can show a return on the investment.

Framework agreements for taxi contracts

There is potential for savings from having framework agreements or 'call-off contracts' with a limited number of operators, based on an agreed price per mile / journey. This could also drive up the service quality as operators compete to remain on the list of call-off contract operators. It should be borne in mind that framework agreements or call-off contracts are as much about non-cashable savings in terms of improving quality, as about achieving cashable savings.

There is potential to undertake a pilot once TPOG is established to test the level of efficiencies that might be achieved, followed by roll-out across the City if it works.

Bundling of transport contracts

Efficiencies may be achieved by grouping together 2 or more existing contracts which are currently serving different user groups and / or are supported by different departments within DCC. The small number of supported local bus contracts in Derby means that there are relatively few opportunities for combining local bus and school contracts. It is considered that the possibility to either extend timetables (e.g. Service 35) or to carry pupils on local bus services should be explored in detail with bus operators. The majority of school contracts operating currently were inherited from Derbyshire as a result of Local Government Reorganisation and have not been revised since that time. It is recommended that discussions with operators of commercial bus services are resurrected to explore the potential for carrying pupils on the commercial network where it has the capacity to cope with the additional passengers. Although discussions are likely to have taken place in the past, it is important that this option remains open for review on a regular basis, particularly in response to changes in the commercial bus network and school travel patterns. A key role for the restructured TPOG will be to undertake ongoing contract reviews with a view to delivering cost savings and service efficiencies.

Translinc contract

The current Translinc contract is highly specified with the resulting contract price being high. In addition, owing to the low level of contract monitoring, it is likely that more daily vehicle runs are undertaken than are actually justified by need. Reducing the contract specification when it is due for renewal and involving TPOG officers or external transport specialists in the procurement

process should help to contain costs and should result in a real cost reduction, e.g. by reducing the number of vehicles required to provide the contract by combining groups.

It should, however, be recognised that costs in the transport industry have increased since the contract was first awarded, and that any tender prices (on a like for like basis) are likely to be higher now. The price will also be affected by the number of bidders actually involved within the future tendering process. Early involvement of potential operators is advised to ensure a fully competitive tendering process.

Transferring management of the contract to TPOG would help to ensure full monitoring of the performance of the contract and regular reviews of its efficiency. There is a difficulty, however, in determining the scale of savings owing to likely future policy changes regarding individual day care services being provided more locally. The new contract would need to have flexibility to allow for changes in service provision as and when policy changes regarding day care provision are enacted.

There may be potential for making greater use of the Transline / DCT vehicles during downtimes, although there is already healthy competition between the two operators for the same group hire market.

Streamline day centre taxi bookings

There may be potential for replacing day centre ad hoc taxi bookings with one (or more) framework contracts. Currently, bookings are made by individual social workers and as such, prices are likely to be high in comparison with more formal arrangements, particularly as requests tend to be for immediate travel.

Service Level Agreements

The achievement of the efficiencies outlined in this report will be largely dependent upon the formal adoption of Service Level Agreements between TPOG and each client department. Such Agreements would serve to formalise arrangements and responsibilities on both sides and define the parameters for the delivery of TPOG services.

3 Review of Cost Saving and Efficiency Measures in Other Authorities

Within this study, we conducted a series of face-to-face and telephone interviews with transport officers within unitary councils in England, as well as obtaining further information via the internet and other sources. This section of the report provides a summary of the key areas where efficiencies and / or savings have been achieved as a result of changes to procurement and operational practices. The discussions with other authorities highlighted that considerable non-cashable savings had been achieved, in terms of the standard of safety of services provided, as a result of more streamlined procurement and operational practices.

It should be noted that despite the fact that a number of the unitary authorities had developed integrated transport units over recent years, none of the authorities had identified a baseline for spending prior to integration. The scale of 'cashable' savings achieved was, therefore, difficult if not impossible to determine, although consultees considered that savings had been made.

Denominational school transport provision

Nottinghamshire County Council considered a range of options for making the provision of transport to faith schools more efficient. Following a detailed consultation process, the Council opted to charge pupils approximately half of the cost of providing the transport (£250 for primary school pupils and £300 for secondary school pupils). Although the Council opted to introduce charging for new intake only from September 2007, the predicted cumulative savings over the next five years should amount to almost £1.4 million. The annual income by year five (2011/12) is estimated to be £825,000.

Operation of an in-house vehicle fleet

The unitary authorities which were operating an in-house vehicle fleet were those who had inherited a fleet as a result of Local Government Reorganisation in 1997.

Luton Borough Council deploys its in-house vehicle fleet to operate a wide range of contracts, totalling approximately £1 million. The Council asserts that the majority of savings it has achieved are as a result of operating an in-house fleet. In response to a request for transport, the approach is firstly to look at existing routes provided by in-house fleet, then at existing routes provided by external contractors, then as a last resort, ad hoc provision. This approach has reduced the cost of provision whilst retaining the quality and reducing the price of commercial operators' tenders. The Council is aiming

to obtain a 50/50 split between in-house and contracted service operation, although fleet vehicle usage currently stands at 100%, so the Council would need to purchase more vehicles in order to increase the proportion of contracts it operates. The fleet vehicles are fully deployed, being used between 11.00 and 14.00 to provide the Meals on Wheels service, whilst providing SEN and Social Services transport immediately before and after this contract.

Framework agreements / streamlining ad hoc provision

The authorities consulted had mixed views on the role and value of framework agreements. Poole BC had introduced such agreements to replace existing contracts while Luton BC had used them as a replacement for ad hoc taxi provision. Leicester City Council has introduced one large framework contract to replace contracts and ad hoc provision. Warrington BC, however, indicated that preliminary discussions with the town's main taxi operator, which covers 80% of the city, revealed that there was no interest in framework contracts, so the approach was not pursued.

Poole BC has 13 framework contracts in place covering all aspects of adult and young persons Social Services transport requirements. These contracts are operated by 3 operators, one of whom operates 10 of the contracts. The Council were happy with this approach and considered that administrative efficiencies had been achieved, as well as cost savings, although these had not been quantified.

Luton BC introduced a call-off contract to replace the ad hoc arrangements for taxi provision. The Council underwent a competitive tendering process asking operators for a trip price for 3 'bands' (within the borough, within the conurbation, and outside the conurbation). The tender round provided four costed responses from operators, three of whom were awarded a call-off contract. Within months of the contracts being awarded, one of the three operators was stuck-off the list owing to consistent poor performance. The Council approach the two remaining operators for a price in response to a transport request. The lowest price is assigned a serial number which must accompany the invoice for operating the service. Although the Council would have liked a third operator available to provide greater choice, they are happy with the way the system works and consider that efficiency of operation has been achieved, along with consistency in the quality of service provided.

Leicester CC awarded a contract to St. John's Ambulance in September 2006, to replace the previous contracts and ad hoc taxi provision. The tender for the contract requested two prices per journey (one for journeys within the city, one for city to county journeys) based on 6000 journeys per week. The contract does not mix adults and children on the same vehicles. Users who attend different day centres are not transported on the same vehicle (e.g.

Afro-Caribbean centre, Asian centre, etc.). As escorts are fully trained, older people are transported together, regardless of any illness they may have. The contract was awarded for three years with an option to extend for a further two years. The contract has been introduced gradually, with a small number of contracts being terminated at any one time to ensure a smooth transition to the new arrangements. It is anticipated that it will take up to six months to fully implement the contract. The Council has been reliant on the co-operation of incumbent taxi operators to implement the new system, some of whom have been resentful of their loss of business.

Other approaches

A number of authorities indicated that they had explored the possibility of amending session times as, theoretically, this is a good way of making the most efficient use of vehicles. Despite considerable efforts, none of the authorities consulted reported any success in terms of convincing social services day centres or schools to amend their session times.

One of the London Boroughs trialled the option of electronic, web-based auctions for the operation of individual routes. In total, 112 routes were auctioned over 13 electronic auctions. The total cost of the auctions was in the region of £8K with an overall saving of £450K per annum. The average saving per route was in the region of 30%. The experience has demonstrated that no single supplier was winning all the routes, suppliers were bidding different prices for different routes and the routes were moving to the most suitable supplier. This approach is still in its infancy and it may be that it is more suited to the London market than to other operating areas, but further exploration once TPOG is fully operational may prove fruitful.

4 Estimated Scale of Cost Savings

Table 1 provides a summary of the estimated savings resulting from a range of initiatives over a five year period. It is recommended that prior to embarking on any cost saving measures, the baseline for transport spending by the key client departments, via TPOG and independently, is established in as much detail as is feasible. This should help to measure any cost savings and demonstrate the success (or otherwise) of TPOG.

Charging for faith school transport

The estimated savings accruing from charging for transport to faith schools are those taken from recent figures prepared on behalf of both CYP and R&C. The figures assume that charging for denominational transport for pupils who live over the minimum walking distance will be introduced from September 2008 (back-dated for pupils starting at a faith school from September 2007).

The figures are based on primary aged pupils who live beyond the minimum walking distance of their faith school paying £350 per annum (approx. £1.94 per day) and those of secondary age paying £500 per annum (approx. £2.75 per day) from September 2007. Fares would be subject to RPI increases in subsequent years.

The figures in the table assume that pupils living within walking distance of the faith school which they attend will be charged an average £1.20 per day in 07/08; £1.65 in 08/09; £1.85 in 09/10; £2.00 in 10/11; £2.10 in 11/12; £2.10 in 12/13. The figures assume that the number of pre-paying passengers from 2008/09 is close to the current average loadings from 07/08 and that the price increases slightly reduce the number of pupils travelling.

Charging for non-faith transport

The figures in the table assume that pupils will be charged £1.20 per day in 07/08; £1.65 in 08/09; £1.85 in 09/10; £2.00 in 10/11; £2.10 in 11/12; £2.10 in 12/13. The figures assume that the number of pre-paying passengers from 2008/09 is close to the current average loadings from 07/08 and that the price increases slightly reduce the number of pupils travelling. Recent discussions surrounding the consultation exercise on charging for home to school transport indicate that the fare from 07/08 might begin at £1.40 per day. These figures will need updating following the results of the consultation process.

Review of non-faith discretionary provision of bus services for non-entitled pupils

The figures in the table assume that any potential efficiencies will not begin to be realised until financial year 08/09, once TPOG is fully staffed and the reviewing processes are well underway. Based on an annual spend of £210,000 on mainstream discretionary bus contracts, it is estimated that in 2008/09 savings of 30,000 will be achieved, with a further £20,000 saving in 2009/10 and an additional £10,000 in 2010/11. There may be potential for greater savings to be made, for example, by reducing provision for pupils travelling to a preferred school (i.e. not their appropriate school). Options should be explored in detail as soon as possible after the restructure. It should be borne in mind that some of the savings from such service reviews may be off-set by reductions in the amount of income generated from fares.

Reviewing contracts on an ongoing basis (including SEN and bundling of contracts) and framework agreements for transport contracts

The estimated savings are based on detailed work to be performed within TPOG exploring all elements of transport procurement. The savings assume that a pilot framework contract will be introduced in 2008/09 on a one year trial basis, the success of which will lead to more framework contracts being introduced in specific areas of the city.

Based on an annual spend of £2.1million, a saving of £50,000 is estimated in 2008/09, with an additional saving of £40,000 in 2009/10, an extra £30,000 in 2010/11 and an extra £20,000 in 2011/12.

Streamline day centre taxi bookings through TPOG

There is sufficient resource being spent on ad hoc taxi arrangements within CASS to warrant their replacement with more formal framework agreements. The figures assume that £160,000 per annum is spent on ad hoc arrangements and that an estimated saving of £40,000 in 2008/09 could be achieved, followed by further savings of £10,000 and £5,000 respectively over the following two years.

Translinc / DCT Contracts

We believe that significant savings are possible in these contracts which are soon due for retendering. These savings may be realised by a) relaxing the criteria for carriage of different classes of client, b) tightening the vehicle operations and deployment specified within the contract and c) by imposing a more pro-active management of the contracts which will allow revision when demand changes.

We understand that the contract definition process must start now in order for the contracts to be let in time – this effectively precludes management of the process within TPOG at this time. We do, however, recommend that TPOG staff are at least involved in the contract management process. We estimate that this closer management of the contract operation by TPOG staff should allow a minimum annual saving of £5,000.

Operation of in-house vehicle fleet

We have assumed that the imminent requirement for CASS to retender the Translinc and DCT contracts precludes purchase and operation of an in-house fleet by Derby City Council until 2011/12 when the contracts would again be up for renewal. Figures in Annex 1 demonstrate the relative cost of operating an in-house fleet to take on all the tasks currently undertaken by the Translinc and DCT contracts. There would be added value in that other contracts could be operated in-house at marginal costs, thus reducing costs elsewhere within the Council. Additionally the operation of an in-house fleet has the potential to act as a market modifier, as it introduces a new competitive element into the transport tendering process.

We have budgeted for 20 vehicles to be purchased together with the recruitment of 30 drivers. We have budgeted for the recruitment of a fleet manager and assistant and have included driver training, vehicle maintenance and all running costs. We have factored in vehicle depreciation to allow full replacement after 8 years operation. We have included an inflation element and the total estimated cost of in-house fleet operation 2011/12 – 2015/16 is £9,080,975.

The cost of contracting services out to Translinc and DCT (or any other successful tenderer) is likely to be £7,485,881 over the same period *if they are let to the same criteria as before*. As outlined elsewhere in this report, there is potential to reduce these costs through re-specification, which would also reduce the cost of in-house fleet operation, as less vehicles and drivers would be required in order to carry out the differently defined service levels.

From these figures it appears that there is an advantage to external contract operation as the costs appear to be lower by some £1.5m. However, this does not take into account the £1.2m of assets owned by the Council, the savings on other external contracts by bringing them in-house, and the market moderation influence of the in-house fleet operation. When these factors are taken into account a total saving of £219,906 is tallied over 5 years of operation. Derby City Council also has the advantage of being able to tailor supply more closely to demand as the operation of the contracts in-house will allow a more responsive supervision and contract management. It should be borne in mind, however, that there are not inconsiderable operational issues associated with owning and operating an in-house fleet which may make this option less attractive to the Council.

Table 1 Estimated Scale of Cost Savings Achievable by TPOG

	2007/08 (Year 1)	2008/09 (Year 2)	2009/10 (Year 3)	2010/11 (Year 4)	2011/12 (Year 5)	2006/07 price base	% of full effect saving against 06/07 price base	Narrative re reasonableness check and any sensitivity considerations
Estimated Savings	£	£	£	£	£	£	%	
Review of charging for faith school transport (CYP)		70,000	130,000	190,000	250,000	378,000	66.14%	Fare levels proposed in order to realise these savings
Review of charging for faith school transport (R&C)	10,000	40,000	70,000	75,000	80,000	235,000	34.04%	Fare levels proposed in order to realise these savings
Review of charging for non-faith school transport (R&C)	20,000	70,000	78,000	80,000	80,000	215,000	65.12%	Fare levels proposed in order to realise these savings
Review of non-faith discretionary provision of bus services for non-entitled pupils		30,000	50,000	60,000	60,000			Calculated in row above
Reviewing contracts on an ongoing basis (including SEN, faith contracts and bundling of contracts)		50,000	90,000	120,000	140,000	2,100,000	15.95%	Calculated percentage for this row and the two rows below. Scale of savings will be lower if the proposed Operations Manager post is not funded / filled
Framework agreements for transport contracts		20,000	70,000	120,000	140,000			Scale of savings will be lower if the proposed pilot is unsuccessful and the approach is not rolled out across the City as a result
Streamline day centre taxi bookings through TPOG		40,000	50,000	55,000	55,000			Dependent upon successful cooperation with CASS
Specification of the Translinc / DCT contracts		5,000	10,000	15,000	20,000	932,000	2.15%	CASS cooperation required to allow TPOG management of contract on day to day basis; assumes non fixed price contract to replace current Translinc & DCT contracts
Total	30,000	325,000	548,000	715,000	825,000			
TPOG Unit costs								
Staffing + on-costs	76,750	161,175	169,234	177,696	186,581			

5 Safety and Customer Service Standards

In addition to achieving cashable savings, it is important that TPOG seeks to achieve non-cashable efficiencies in terms of addressing safety and customer service standards. In order to achieve appropriate minimum standards in the safety of contracted services, it will be essential to undertake regular inspections of current contracts. Customer satisfaction with the services provided should be monitored on a regular basis to ensure that the standard of service required from our customers is provided. Activities should involve consulting with users of contracted services to monitor their levels of satisfaction with the service they receive and implementing improvements where services are considered to be falling below appropriate minimum standards.

These key elements of the work of TPOG have been performed to a limited extent due to under-staffing within the Group since its formation and in the absence of a Group Manager. The "Audit and Risk Management Report on Home to School Transport" identified a number of areas where improvements are required in order to achieve safety and customer service standards. In order to meet these standards, additional personnel will be required within TPOG, the details of which are discussed in Section 6.

6 Staffing Implications

6.1 TPOG Structure

TPOG has been under-resourced for a considerable amount of time. The Group was established in August 2005 and a permanent Group Manager post was approved, with initial funding for 18 months. This was to allow time to complete this project and to identify long-term efficiencies to fund this and other posts. However, it has operated without a Group Manager since October 2005, when the post holder moved to another local authority. The Group has worked hard to cover all of its tasks and responsibilities with a reduced workforce. If TPOG is to achieve the projected scale of financial savings, operational efficiencies and achieve appropriate standards of safety and customer service, it is essential that significant additional resource is made available. The current structure of TPOG is shown in Figure 1, with the proposed future structure being presented in Figure 2.

Figure 1 Current TPOG Structure

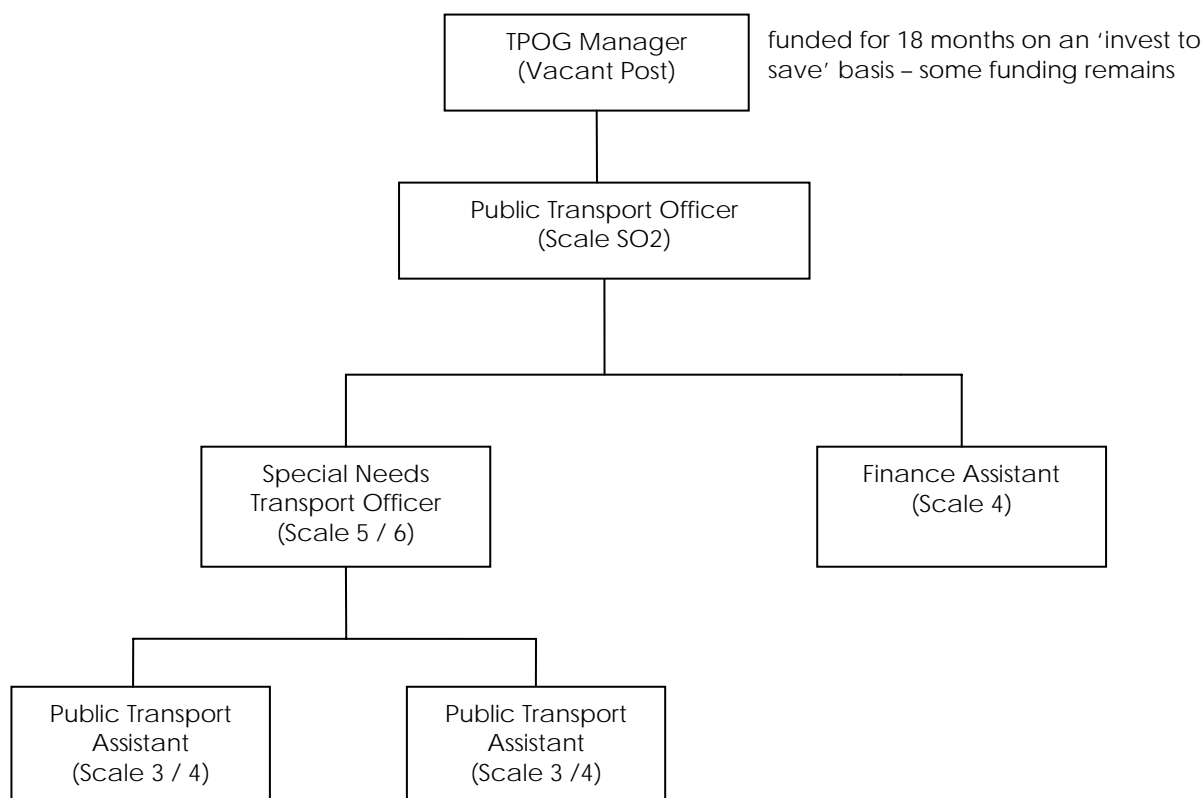
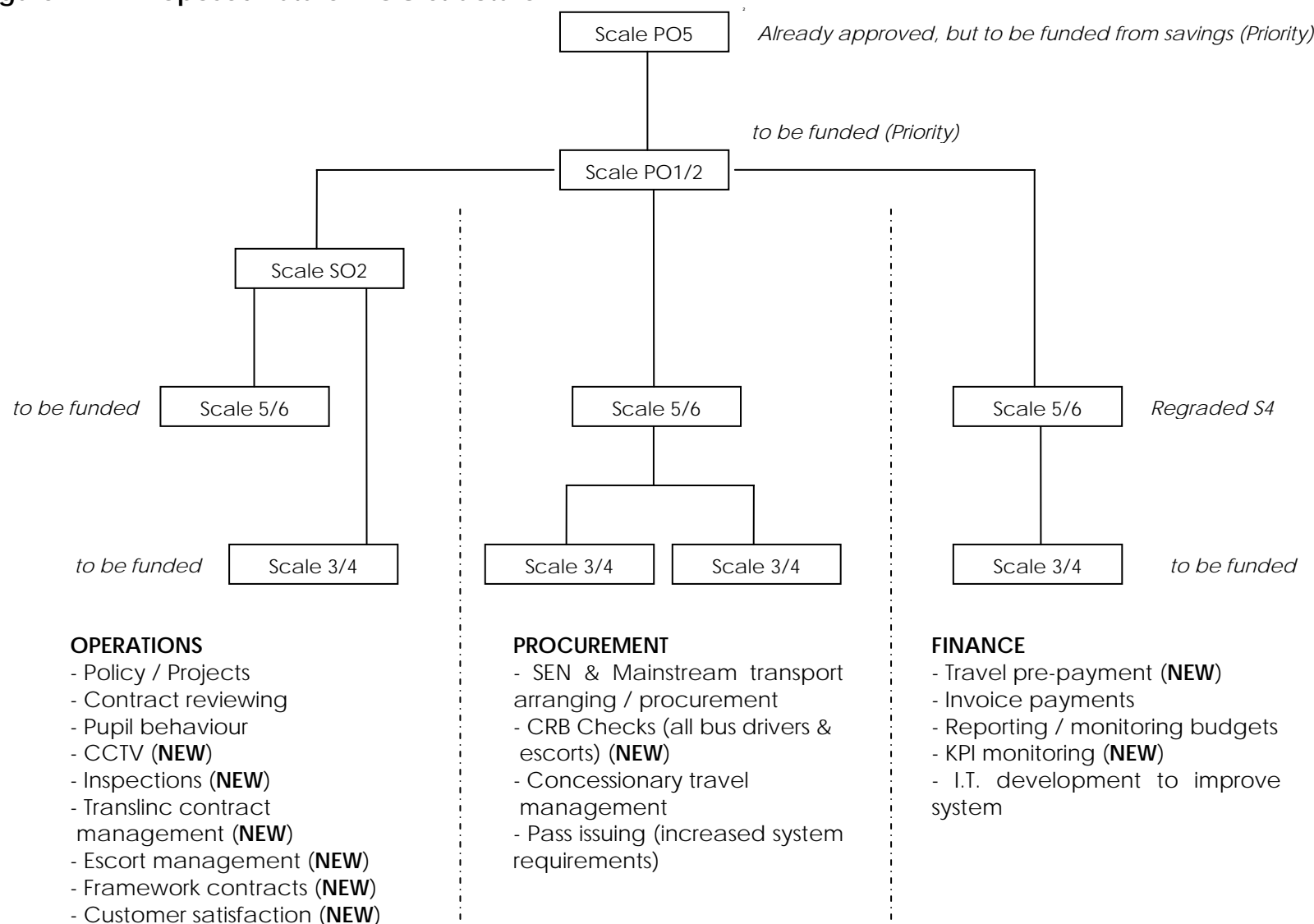


Figure 2 Proposed Future TPOG Structure



The proposed new structure divides the Group into three teams with the working titles 'Operations', 'Procurement' and 'Finance'. The Group Manager at Scale PO5 will provide the strategic direction which is currently lacking and oversee the work of the Group through the Team Leader (Scale PO1/2). The Team Leader will work closely with all three teams to ensure the effective delivery of the estimated costs and efficiencies.

Operations Team

The Operations Team would be responsible for undertaking a considerable number of the new tasks to be performed by TPOG. The Team would play a key role in the development and reviewing of policy and practice. One of the key means of achieving efficiencies is by undertaking contract reviews on an ongoing basis – this is a task which has not been performed to any great extent to date owing to under-resourcing of the Group and which will require additional resource to realise real savings. The ongoing formal reviewing role will be performed within this team and is likely to include reviews of contracted school transport (for entitled and discretionary pupils), reviews of SEN transport and testing of framework contracts to replace ad hoc transport and taxi contracts. This team will need to liaise closely with the Procurement Team in order to implement any proposed changes emerging from service reviews and with the Finance team to monitor any savings realised from new initiatives.

This team will also incorporate a new formal inspections function. Regular monitoring and inspection of contracts will be performed in order to achieve agreed minimum standards of service provision and improve the performance of current contracts. Although contract monitoring is currently being covered by existing personnel, none of these officers have the technical knowledge to perform detailed inspections and the monitoring task is not sufficiently robust to deliver the required safety and quality standards. It is anticipated that the inspections role would require an individual with a working knowledge of vehicle mechanics and PCV regulations.

Although TPOG currently has responsibility for responding to pupil behaviour issues, this role will be extended in the future as a result of the recent introduction (and anticipated roll-out) of CCTV on board school transport services. The team will use the evidence from CCTV footage to implement new guidance on the treatment of poor behaviour on school contracts to increase actual and perceived levels of safety of school transport. The team will also proactively liaise with the schools themselves to encourage good behaviour whilst travelling.

This team would take over responsibility from CYP for the management of DCC-employed escorts working on home to school contracts. Interim training arrangements for contractor-employed escorts are in the process of

being formalised and will be extended to DCC-employed escorts in the future. This initiative should help to improve the standard of service provided by escorts to vulnerable travellers.

The proposed structure incorporates the capacity to assist CASS in the management of the Translinc (or replacement) contract. It also includes the capacity to take on other transport arrangements on behalf of CASS, such as the replacement of ad hoc taxi arrangements with framework contracts, etc.

Procurement Team

This team will lead on the procurement of mainstream and SEN transport on behalf of R&C and CYP, as well as continuing to procure some taxi-based transport on behalf of CASS. The team would be responsible for implementing new procurement procedures emerging from the work of the Operations Team, such as framework contracts or e-auctions.

The team will implement the key recommendations emerging from the Audit and Risk Management Report on Home to School Transport, particularly with regard to the electronic recording and monitoring of procurement arrangements. This team will also be the first point of contact for complaints received in relation to contract operation.

The team will issue concessionary travel passes as well as new passes and ID cards for home to school transport in the future. The proposal to introduce a pre-charging system for fares collection on home to school transport will mean that this team will work closely with the Finance team to ensure that payment has been received before a pass or ID card is issued.

Finally, this team would be responsible for the enhanced CRB checking of drivers on mainstream home to school transport contracts on behalf of R&C and CYP, as well as enhanced CRB checking of minibus drivers on behalf of CYP and CASS. This is an important emerging task which TPOG has begun to perform for minibus drivers with existing resources on behalf of the three departments. The new structure includes additional resource to perform this role on an ongoing basis, as the scale of the task increases with the inclusion of all mainstream school bus drivers.

Finance Team

Financial activities are currently performed by a single member of TPOG staff and as such, this individual is often over-worked, but particularly at peak times. The proposed structure adds a second officer to provide ongoing assistance. One specific new task to be undertaken will be to deal with invoicing and advance payments for home to school transport on behalf of CYP and R&C.

The formal contracts inspections task is also expected to generate additional financial activity as operators are systematically charged for breaches of contract conditions, in order to enforce minimum service standards.

The independent operation of TPOG introduces an increased requirement to demonstrate value for money for client departments. The additional financial reporting and monitoring requirements for R&C, CYP and CASS will be provided by this team, based on information collected by the Operations and Procurement teams. The new requirement for monitoring of Key Performance Indicators (KPIs) relating to procurement and demonstrating value for money was also highlighted in the Audit and Risk Management Report.

6.2 Staffing Costs

The staffing and overhead costs of the current TPOG structure are shown in Table 3. As noted, however, the Group must be better resourced in order to deliver the estimated cost savings and operational efficiencies and achieve minimum standards of safety and customer service. The staffing and overhead costs of the current Group structure are £127,500 per annum. This figure does not include the Group Manager post which has been funded on a temporary 18-month basis pending the outcome of this review.

Table 4 shows the cost of staffing the proposed future TPOG structure. The proposed new structure incorporates five new posts, one of which would be the Group Manager post. Within the new structure, one of the current Scale 4 posts has been upgraded to Scale 5/6, to reflect the amount and complexity of current and likely future financial monitoring and reporting responsibilities. The total staffing and overhead costs of the proposed new Group structure would be £281,000 per annum, an increase of £153,500 per annum on the current staffing structure. It is assumed that TPOG will become fully operational half way through financial year 2007/08. Calculations undertaken by DCC accountants estimate that the income generated by TPOG activities will outweigh the costs of the new posts by the end of financial year 2009/10 (see Annex 2).

In order to 'kickstart' the work of TPOG, it will be important to prioritise recruitment of the PO5 (Group Manager) and the PO1/2 (Reviewing Officer) posts. These officers will provide the strategic direction which is currently lacking within the Group, in readiness for recruitment of the lower scale posts.

It is recognised that certain tasks performed by TPOG are of a seasonal nature, for example, pass issuing. The increase in staffing by five posts will cover all seasonal peaks in activity and provide coverage year round, to allow all non-peak related tasks to be covered adequately, with officers providing support across the three teams as appropriate.

Table 3 Current TPOG Staffing and Overhead Costs

Current staffing cost	Salary + on-costs
Scale SO2	£32,000
Scale 5/6	£28,000
Scale 4	£22,500
Grade 3/4	£22,500
Grade 3/4	£22,500
Current staffing cost	£127,500

Table 4 Proposed Future TPOG Staffing and Overhead Costs

Staffing Scale	Salary + on-costs
Scale PO5	£50,000
Scale PO1/2	£36,000
Scale SO2	£32,000
Scale 5/6	£28,000
Scale 5/6	£25,000
Scale 5/6	£25,000
Scale 3/4	£22,500
Scale 3/4	£22,500
Scale 3/4	£20,000
Scale 3/4	£20,000
Future staffing cost	£281,000

Annex 1 Comparison of In-House Fleet Purchase & Operation versus Renewal of Current Translinc & DCT Contracts

Purchase & operation of in-house fleet over 5 years

Purchase 20 minibuses @ £60k	£ 1,200,000
30 drivers salary & on-costs @ £30k	£ 900,000
Fleet manager + assistant	£ 75,000
Depreciation / vehicle replacement	£ 150,000
Training, maintenance, insurance, fuel, etc.	£ 400,000
Year 1	£ 2,725,000
Year 2	£ 1,519,250
Year 3	£ 1,564,828
Year 4	£ 1,611,772
Year 5	£ 1,660,125
Total over 5 years	£ 9,080,975

Manager £50K inc. on costs; Assistant £25K inc. on costs

£900K + £350K training, maintenance, insurance, fuel, etc. + £75k manager + assistant salary + £150K depreciation + inflation @ 3%
 Year 2 total + inflation @ 3%
 Year 3 total + inflation @ 3%
 Year 4 total + inflation @ 3%

n.b. figures do not include any savings accruing from bringing other external contracts in-house

n.b. figures do not include any reductions in external contract costs as a result of competition from in-house fleet

Costs of current contracts over 5 years

Translinc contracts (high + medium level) p.a.	£ 940,000
DCT Social Services contract p.a.	£ 120,000
DCT Regen & Community contract p.a.	£ 350,000
Total per annum	£ 1,410,000
Year 2	£ 1,452,300
Year 3	£ 1,495,869
Year 4	£ 1,540,745
Year 5	£ 1,586,967
Total over 5 years	£ 7,485,881

Combined cost of high and medium level needs contracts

This contract carries CASS 'medium level needs' clients

N.B. this contract is due to be retendered through OJEU at a lower level of provision

Current annual cost of provision

Year 1 figure + inflation at 3%, assuming contracts remain unchanged

Year 2 figure + inflation at 3%, assuming contracts remain unchanged

Year 3 figure + inflation at 3%, assuming contracts remain unchanged

Year 4 figure + inflation at 3%, assuming contracts remain unchanged

Year 1 saving -£ 1,315,000

Year 2 saving -£ 66,950

Year 3 saving -£ 68,959

Year 4 saving -£ 71,027

Year 5 saving -£ 73,158

-£115,000

£58,050

£56,042

£53,973

£51,842

£219,906

Figure after £1.2 million of assets excluded from calculation

Figures assume £100k saving via internal operation of contracts + £25k reduction in contract prices via market moderation

Savings over 4 years

DCC would have assets (to be retained or sold as appropriate)

DCC could use vehicles to run contracts not listed in this table which could total £100k

Existence of in-house fleet could moderate costs of external contracts by 5% (approx £100k)

Annex 2 TPOG Summary Financial Business Case

FINANCIAL BUSINESS CASE	07/08	08/09	09/10	10/11	11/12
<u>Estimated Net Position</u>					
Savings	30,000	325,000	548,000	715,000	825,000
TPOG Group costs	76,750	161,175	169,234	177,696	186,581
Net (pre identified budget savings)	46,750	-163,825	-378,766	-537,304	-638,419
<u>Budgeted Savings</u>					
starting in 07/08	-30,000	-30,000	-30,000	-30,000	-30,000
starting in 08/09		-141,000	-141,000	-141,000	-141,000
starting in 09/10			-126,000	-126,000	-126,000
	-30,000	-171,000	-297,000	-297,000	-297,000
NET (post identified budget savings)	76,750	7,175	-81,766	-240,304	-341,419
NET cumulative	76,750	83,925	2,159	-238,145	-579,564

Sensitivity

<i>Level of savings required to meet budgeted savings and cover TPOG costs</i>	<i>106,750</i>	<i>332,175</i>	<i>466,234</i>	<i>474,696</i>	<i>483,581</i>
<i>Breakeven % of total estimated savings</i>	<i>12.94%</i>	<i>40.26%</i>	<i>56.51%</i>	<i>57.54%</i>	<i>58.62%</i>
<i>Estimated savings as a % of total</i>	<i>3.64%</i>	<i>39.39%</i>	<i>66.42%</i>	<i>86.67%</i>	<i>100.00%</i>