



Development of a Central Transport Procurement Resource for the Council

SUMMARY

- 1.1 A study has been carried out by a transport consultant to consider in detail the development of an integrated approach to transport procurement in Derby. The services include the procurement and operation of Home to School Transport, adult social services, looked after children and socially necessary bus services. Current expenditure in these areas is estimated at £3.8m per year.
- 1.2 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 and resources to deliver further improvements.
- 1.3 The conclusion that the Consultant presented to a Cross-service Project Board was that, with justified and affordable increased staff resources, it would be possible over time to deliver significant cost savings and operational efficiencies, and to raise the standards of safety and customer service. Paragraph 1.14 and Table 1 of the main report sets out the key areas for savings and efficiencies. Paragraph 1.17 sets out the key conclusions from the Project Board.
- 1.4 This report proposes a staffing structure to deliver this agenda which is included within the main report as Figure 2 and proposes that the additional resources required are funded on an 'invest to save' basis. The financial breakdown is shown in Appendix 1 and Table 2.
- 1.5 Members are asked to support this initiative to begin to make some significant improvements in procurement and service operation.

RECOMMENDATION

- 2.1 To approve the principle of establishing an Integrated Transport Procurement service within the Highways and Transport Division of the Regeneration and Community Department.
- 2.2 To approve the financial business case as set out in the financial implications. It is proposed that the group would generate a surplus on the investment by 2011/12.

- 2.3 To approve funding of £166k from the Council's pump priming fund from 2007/08 to 2009/10 to support the additional staffing costs until sufficient income is generated to cover these costs.

REASON FOR RECOMMENDATION

- 3.1 There is a need to minimise future cost escalation and deliver cost savings in the procurement of transport services on behalf of client departments.
- 3.2 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.



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SUPPORTING INFORMATION

Background

Current Service Provision

- 1.1 The Highways and Transport Division within Regeneration and Community Department currently provides the following main services relating to passenger transport:
- Procurement and operation of home to school transport services for Children and Young People and its own supported services. For Children and Young People, this includes children that are eligible for mainstream transport to schools and also transport for children with special educational needs. These contracts include individual taxi journeys, mini buses and public service buses and may or may not require escorts on the contracts.
 - Procurement and operation of subsidised local bus services including Pride Park and Ride
 - Management of the concessionary fares scheme for elderly and disabled people and the B-line card for young people
 - Procurement and management of the Derby Community Transport contract to provide additional services for elderly and disabled people for district shopping services and to the city centre
 - Developing and supporting the implementation of improvements to bus services across the city eg new bus station, bus priority measures, real time information systems, bus stop and shelter improvements
 - Working closely with private bus operators to ensure co-ordination of bus services and looking for service improvements from bus operators
 - Responding to queries from Members and the public about bus services and facilities.
- 1.2 Currently the division does not get heavily involved in transport procurement in corporate and adult social services department.

- 1.3 At the present time, these services are provided through 2 groups. In total, there are currently 10 posts, 6 in transport procurement and operations group and 6 in the public transport strategy team. This includes the Transport Procurement and Operations Group Manager (TPOG) post which is currently vacant, as will be discussed later in the report. The structure of the existing TPOG is shown in Figure 1.
- 1.4 Although TPOG does exist, it has never been developed to deliver the full range of services that it was expected to. The current staff do an excellent job in trying to deliver and develop the service area but they do not have the appropriate resources to make significant changes or to carry out some fairly essential contract management work.

Areas Identified for Improvement

- 1.5 The development of a central post for transport procurement for the City Council has been an aspiration for a number of years, since a best value report identified the possibility in August 2003. It suggested that a central integrated transport procurement group would provide a more co-ordinated and coherent approach to:
- Strategic and financial management
 - Procurement
 - Quality Assurance and Customer Care
 - Safety

Progress to Date

- 1.6 In November 2004, a Cabinet report set out the way forward approving the establishment of a Transport Procurement and Operations Group Manager post, which would lead an existing team of procurement and operations staff to deliver their current workload and also take forward a project to investigate the efficiencies and improvements to working practices that could be delivered by creating a central procurement group. In establishing TPOG, it was decided that the other public transport responsibilities, for developing and delivering the local transport strategy for public transport, managing the local subsidised services, the Park and Ride site and co-ordinating operations with the private bus companies would remain with the Transportation Group.
- 1.7 Funding for the TPOG Manager was to be provided for 18 months using the corporate modernisation fund. This was on the basis that the project work would be completed within this time and a business case put together that would establish that this and other new posts would be funded on an invest to save basis in future years.
- 1.8 This post was filled and work first began on the project in August 2005. Unfortunately the post holder subsequently left the authority in October 2005 and we were unable to successfully fill this post. At the same time, there were other resource issues within the division that meant that the completion of the project could not be given priority. It is estimated that £40,000 of Modernisation Fund remains unspent.

- 1.9 In an effort to restart the process, a consultant, STAR, was retained in September 2006 to progress the business case for the development of this service area. A cross-service project board was established which included representatives from Regeneration and Community, Children and Young People, Corporate and Adult Social Services and the Resources Departments. The final report from the Consultant was submitted in March 2007. This report is available on CMIS.
- 1.10 The key objectives of the project were:
- to demonstrate the potential for cost savings / efficiencies in transport procurement
 - to calculate the scale of efficiencies which could be achieved
 - to identify the staff resource implications of delivering those efficiencies
 - to specify the structure and day-to-day operation of the Transport Procurement and Operations Group.
- 1.11 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.
- 1.12 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.
- 1.13 The Consultant prepared a table detailing the estimated cost savings by area of provision; these estimates were then verified with DCC finance officers and placed in the context of budget projections.

Key Areas for Efficiency Savings

- 1.14 There were a number of key areas where it was estimated that cost savings and efficiencies 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.
- 1.15 Issues related to increasing bus fares and introducing new charges for home to school transport are already being progressed and any proposed changes and the financial implications of these will be considered in a future Cabinet report. Current

expenditure on these services is around £800,000.

- 1.16 Table 1, which is an amended extract from the Consultants report, sets out the estimated scale of cost savings that would be achieved by an integrated approach to procurement and contract operation, excluding charging issues. By 2011/12, it is projected that efficiencies of around £415,000 per year could be achieved. This is with an investment of staff resource of around £160,000 per year; or net figure of around £250,000 per year.
- 1.17 The Consultant also recommended that 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.

Key Conclusions of Project Board

- 1.18 This work demonstrated to the Project Board that there was a robust case for establishing an integrated approach to transport procurement and operations to deliver these efficiencies. Key points that the project board noted in coming to the recommendations of this Cabinet report are:
- The investment of new resources to this group can be financially justified on an 'invest to save' basis. There are a number of areas in the short/medium term and long term where it is considered that efficiencies and changes to service delivery will be able to be made if resources can be targeted in the identified areas
 - Efficiencies and other savings are likely to be reductions in the levels of growth of spend in these areas, rather than actual reductions in spend, unless significant changes are made at a policy level by the procuring department
 - Improvements in service delivery are required as a priority in relation to the inspection of contracts, making sure that operators are delivering the services that they have been contracted to provide. For example, that the vehicles have valid licences, that escorts are provided and trained and they are the one specified for the contract
 - Resources are needed to properly tackle children's behaviour on buses – in relation to health and safety of the children and the bus drivers. CCTV is being used to assist in this area but its use is time consuming
 - Child protection issues that arise from time to time need to be able to be addressed in a timely and appropriate way, which is difficult with current resource levels
 - In researching the staffing structure of other authorities, it showed that all aspects of public transport work were delivered from within one service area; and it is suggested that this is the case within Derby City Council.

1.19 The proposed new structure for the group is shown in Figure 2.

1.20 Members are asked to support the following conclusions of this work:

- there will be significant financial and operational benefits to the establishment of an integrated transport procurement service within the Highways and Transport Division of the Regeneration and Community Department to deliver all transport procurement across the Council
- an Integrated Passenger Transport Group should be established to include all aspects of the passenger transport service, including liaison with bus operators, strategy development, park and ride and other supported bus services, procurement and operation of home to school and other social care transport services; policy and strategy decisions would remain with client departments, with the procurement group providing information to assist with decision making
- a sound financial business case has been developed to support the implementation of these improvements under an 'invest to save' approach

OTHER OPTIONS CONSIDERED

2.1 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.

2.2 If the way in which the service is delivered does not become more integrated then some investment will be required to add resources to the team to improve the safety procedures that are in place. However no significant improvements in efficiency or customer service could be expected. Funding to simply increase resources, for no additional significant benefits could not be justified.

For more information contact:
Background papers:
List of appendices:

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None
Appendix 1 – Implications

Figure 1 Current TPOG Structure

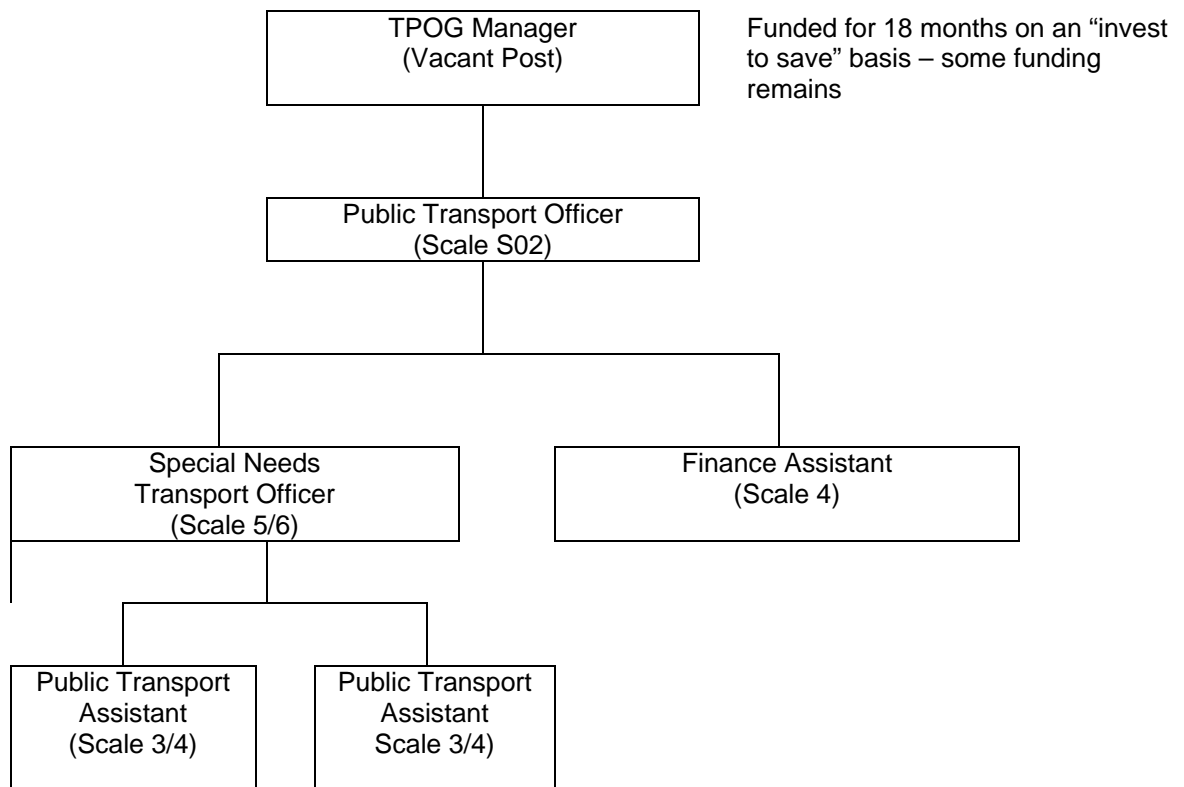
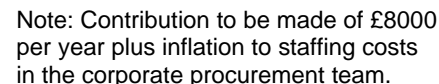


Table 1 Estimated Scale of Cost Savings Achievable by TPOG

	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 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	0	145,000	270,000	370,000	415,000			
TPOG Unit costs								
Staffing + on-costs	75,000	148,000	152,000	155,000	159,000			

CD/SF
TRANSPORT/CAB

IMPLICATIONS

Financial

- 1.1 The calculations made in March 2007 assumed additional staff resource costs of £75,000 for 07/08 assuming posts are filled from October 2007 and £148,000 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.
- 1.2 Table 2 below sets out a more realistic forecast on the basis that the resources will not be in place by October, and therefore costs will be lower in 2007/08. Also, because of the delay in bringing in resources, the efficiencies are likely to take longer to be delivered than was assumed in the Consultants report.
- 1.3 In relation to the 'invest to save' funding proposal this equates to a total of £166,000 from 2007/08 to 2009/10, in order to generate an approximate surplus of £250,000 from 2011/12.
- 1.4 Further work will need to be carried out to establish how financial efficiencies will be treated.

Table 2 Summary of financial implications to support the development of a central transport procurement and operations service

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Staff resource costs	38	148	152	155	159	163
Savings	0	-36	-135	-278	-415	-425
Net figure	38	112	17	-122	-256	-262
Cumulative effect	38	150	166	44	-211	-473

Legal

2. None directly arising from this report

Personnel

- 3.1 One permanent post, the Group Manager, is already on the establishment but long term funding was to be identified as part of this process; this post is currently vacant. In addition 4 new permanent posts are proposed to be created. One existing post is proposed to be upgraded from Scale 4 to Scale 5/6. There may also be a need to amend some existing job descriptions to reflect the new tasks to be carried out.
- 3.2 The grade levels for the new posts have been initially assessed by Corporate HR based on the core functions and remit of the posts concerned. The final version of the job descriptions will be subject to discussion with colleagues in Corporate HR.
- 3.3 The proposed structure chart includes the financial administration post which is linked to the implementation of the increased and new charges for schools transport. It is proposed that the establishment of this post is linked to a future cabinet report which will consider the charging proposals separately.

Equalities impact

- 4 The provision of supported transport services is important to enable vulnerable groups to access essential facilities and services and provide choice.

Corporate Priorities

5. The proposal predominantly comes under the Council's priority 6 of 'improving Council services and increasing value for money' and Priority 3 of 'leading Derby towards a better environment'.