

**AGENDA ITEM: 16**

Page Nos. 115 - 134

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Meeting	Cabinet Resources Committee
Date	27 September 2011
<b>Subject</b>	<b>Transforming Passenger Transport Services</b>
Report of	Cabinet Member for Customer Access and Partnerships
Summary	<p>This report outlines the recommendations for delivering Passenger Transport Service and seeks authority from the Committee to:</p> <ul style="list-style-type: none"> <li>(i) participate in the West London Alliance (WLA) Transport Efficiency Programme to deliver Passenger Transport Services in a shared services environment with 4 other London boroughs,</li> <li>(ii) approve the transformation of the Passenger Transport Service to achieve the identified savings through the management of the in-house operation in conjunction with the WLA Transport Bureau.</li> </ul>

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Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Passenger Transport Service delivery recommendations - background
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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## **1. RECOMMENDATIONS**

- 1.1 That the committee approve the recommendation as set out in paragraph 6.7 to 6.9 to become full members of the West London Alliance (WLA) Transport Efficiency Programme to participate in the procurement of a framework contract led by London Borough of Brent to replace our current contract extended until February 2012.**
- 1.2 That the committee approve the recommendation as set out in paragraphs 6.7 to 6.9 to become full members of the West London Alliance (WLA) Transport Efficiency Programme, stage 1, to participate in the set up and operation of the Transport Bureau led by London Borough of Hounslow, to deliver passenger transport for vulnerable adults and children via the WLA Transport Bureau.**
- 1.3 That the Adult Social Care and Health Directorate through the West London Alliance Transport Project develop a 'Door to Door' Transport Policy for Vulnerable Adults which is subject to Public Consultation for implementation from 1<sup>st</sup> April 2012 as described in paragraph 9.8.**
- 1.4 To approve the transformation of the Passenger Transport Service as set out in paragraph 6.11 to achieve the identified savings through the management and transformation of the in-house operation until Stage 2 of the WLA Transport Efficiency Programme.**
- 1.5 That the committee approve the deployment of the £742,000 social care capital allocation for the purchase of London Emission Zone compliant vehicles by the Passenger Transport Service as detailed in paragraph 6.12.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet, 6 May 2008 (Decision item 5) – approved the establishment of the Future Shape of the Organisation<sup>1</sup>.**
- 2.2 Cabinet, 3 December 2008 (Decision item 5) – approved the programme structure for the next phase of the Future Shape programme and that a detailed assessment of the overall model for public service commissioning, design and delivery should be undertaken.**
- 2.3 Cabinet, 6 July 2009 (Decision item 5) – approved that three principles would be adopted as the strategic basis for making future decisions:**
  - a new relationship with citizens**
  - a one public sector approach**

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<sup>1</sup> The Future Shape programme has been renamed One Barnet Programme. The relevant previous decisions shown refer to meetings held before this change.

- a relentless drive for efficiency)

It also approved a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.

- 2.4 Cabinet, 21 October 2009 (Decision item 8) – approved plans to implement the Future Shape programme.
- 2.5 Cabinet, 21 June 2010 (Decision item 5) considered the medium-term strategic context for the Council and likely very substantial financial challenges. Cabinet endorsed the Future Shape programme as the response to the challenges set out. The report also noted that the full implementation costs of Future Shape were not budgeted at that time and would need to be factored into future financial planning and in reviewing earmarked reserves.
- 2.6 The financial statements for 2009/10, agreed by the Audit Committee on 21 September 2010, established a Transformation Reserve to meet the costs of the Future Shape programme.
- 2.7 Cabinet, 29 November 2010 (Decision item 6) – approved the One Barnet Framework and the funding strategy for its implementation.
- 2.8 Cabinet, 29 November 2010 (Decision item 9) – authorised the Commercial Director to commence the procurement process to identify a strategic partner for the delivery of the Passenger Transport Services and to extend the current SEN framework contract by 6 months to February 2012 to allow adequate time to procure the most suitable provider for a new service.
- 2.9 Business Management Overview & Scrutiny Sub-Committee, 16 December 2010 (Decision item 6), the report was discussed and Councillors were assured that they would see evidence of our work with other boroughs on passenger transport.

### **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The three priority outcomes set out in the Corporate Plan are: –
- Better services with less money
  - Sharing opportunities, sharing responsibilities
  - A successful London suburb
- 3.2 The One Barnet programme has three overarching aims: –
- A new relationship with citizens
  - A one public sector approach
  - A relentless drive for efficiency

- 3.3 The overarching aim of the One Barnet Programme is to create a new citizen centred council through delivering a new relationship with citizens and, by improving their experience of the passenger transport service this will contribute to the council in achieving this aim.
- 3.4 The aim of this project is to deliver passenger transport services in collaboration with other member boroughs of the West London Alliance (Brent, Ealing, Harrow and Hounslow) by sharing out-of-borough routes, where possible, to procure a centralised framework contract and a centralised mobility assessment service. This would help reduce the overall cost of the transport provision whilst working in collaboration with other partners to deliver region-wide services and fits within the One Barnet objectives of “a relentless drive for efficiency”, “a one public sector approach” and “a new relationship with citizens”.

#### **4. RISK MANAGEMENT ISSUES**

- 4.1 Risks associated with the delivery of the projects are managed and reported in accordance with corporate risk and project management processes and will also be reported through existing democratic processes.
- 4.2 In order to begin the process of achieving the WLA’s potential cost savings during the financial year 2011/2012, the approval to proceed with the implementation of the Transport Bureau is required prior to commencement of the Transport Bureau scheduled from November 2011.
- 4.3 By delaying the decision to proceed to the next stage of becoming full members of the West London Alliance Transport Project, the Council will not be able to participate in the region-wide SEN framework contract, planned to be in place by April 2012, which risks disruption to the transport service and potentially higher costs.
- 4.4 The WLA Transport Efficiency Programme board is managing the programme level risks associated with the delivery of the programme and the savings. The WLA Transport Efficiency Board is sponsored by the Chief Executive of London Borough of Ealing and chaired by the Director of Children’s Service at London Borough of Hounslow. The WLA have extended the contract with People Too, a specialist transport consultancy to ensure the continuation of support to the programme. Finance and procurement support is to be provided by officers from Brent to help deliver the procurement tasks and monitor the achievement of the savings.
- 4.5 Barnet have senior officer level representation on the WLA Transport Efficiency Programme board from the Commercial Directorate to ensure the management of the programme and the procurement of the framework contract is in accordance with Barnet’s policies, processes and procedures. The Barnet Council representative is the Assistant Director for Commercial Assurance.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 It is recognised that such a transformation of this service is likely to have an impact upon staff and the service users. Under the Equality Act 2010, the Council and all other organisations exercising public functions on its behalf must have due regard to *the need to*; (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Therefore it will be necessary to assess the equalities impact of the project on the different groups of service users within the Borough, as outlined in the 2011-13 Corporate Plan. This will be carried out when the new framework contract and the transport providers are known so that impact of the change is considered during the transition process.
- 5.2 The Council's Equalities policy will be followed in the formation of the transport bureau and subsequent formation of a transport hub. The Council will also consider the equalities and diversity policies of other partner boroughs in the shared service delivery model. Any eventual contract or the service level agreement will include explicit requirements fully covering the Council's duties under equalities legislation.
- 5.3 Adult Social Care and Health are planning a full consultation on the door-to-door provision of the transport services in Autumn. The aim is to develop a comprehensive transport policy in conjunction with WLA boroughs, drawing upon good practice within the region. Based upon experience within neighbouring boroughs, the policy will seek to maximise independence and should deliver efficiencies with our current arrangements. Implementation of the policy will be subject to full Equality Impact Assessment.
- 5.4 With respect to impact on staff, as the number of staff affected by this change is less than 10 we have decided not to include an EIA due to breach of confidentiality on personal data, which could risk identification of staff. Management will be required to consider the equalities issues throughout this project.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability))**

- 6.1 The Spending Review has announced reductions in government support to local authorities of 26% over the next four years. The Council has now received its grant settlement and budget reductions of £53.4m were approved at Cabinet on 14 February 2011 in the Budget, Council Tax and Medium-term Financial Strategy 2011/12 – 2013/14 report.
- 6.2 For current One Barnet projects (Wave 1), estimates of savings have been made which are reflected in the Council's financial plans. These were

included within the Budget, Council Tax and Medium-term Financial Strategy (MTFS) report approved at Cabinet on 14 February 2011.

- 6.3 Included within the One Barnet wave 1 projects and the current MTFS are savings related to transport. The Council has identified to deliver revenue efficiencies of £609,000 in 2011/12 across passenger transport and concessionary travel, together with a further £82,000. These savings have already been achieved through the reshaping of the current passenger transport services resulting in the full year impact of £691,000 for 2012/13. The One Barnet Transport Project has identified two further saving opportunities over and above those set out in the current MTFS relating to cross Borough collaboration on transport through the WLA and further internal efficiencies.
- 6.4 It is anticipated that we can achieve further savings by participating in the West London Alliance and working with other member boroughs through the harmonisation of shared out-of-borough journeys, collaborative procurement of passenger transport through a framework contract and pooling of resources for concessionary travel assessment. As well as financial benefits there are non-financial benefits to be realised by developing region-wide passenger transport policies for adults and children and sharing best practice.
- 6.5 In February 2011, the West London Alliance Transport Efficiency Programme comprising of Barnet, Brent, Ealing, Harrow, Hounslow and Hillingdon, supported by People Too, a specialist consultancy in passenger transport transformation, produced a business case to deliver the following services in a shared services model for all participating boroughs.
- Passenger transport services: Special Education Needs, Adult Social Care, Looked after children (where available) and Ad hoc (where available)
  - Fleet Services
  - Concessionary Travel: Blue Badge, Taxicard and Freedom Passes
- 6.6 The WLA detailed business proposed a staged approach to deliver the shared serviced across participating boroughs. Stage 1 proposed the setting up of a Transport Bureau hosted by one of the participating boroughs and identified 24% savings across passenger transport, and 29% savings when combined with concessionary travel for Barnet. Stage 2 proposed setting up of a separate legal entity to deliver passenger transport services on behalf of the participating boroughs and other public sector partners following review of stage 1 and in agreement of the participating Boroughs. It is expected that the Transport Bureau would operate for at least two years before embarking on Stage 2, the Transport Hub. The WLA proposed savings for the Transport Bureau are set out in Appendix 1, Section 2.1.
- 6.7 It was considered prudent to carry out due a due diligence exercise on the savings proposed by the WLA due to the concerns raised by officers in Finance and Passenger Transport Service. The due diligence was carried by Edge Public Solutions, a specialist consultancy in the field of transport and

fleet management in the public sector. The Edge review concluded that the Council is likely to achieve about 75% of the proposed savings in the WLA Business case. It also noted that the WLA approach of increased buying power and collaboration is a sensible principle to follow and there are likely to be some additional benefits of being a longer term member of the alliance in terms of the outlined high level plans in the WLA business case to develop opportunities with other transport stakeholders across West London and further develop buying power and shared services. The One Barnet Transport project team considered the benefits of the WLA Detailed Business and the findings of the due diligence exercise and is therefore recommending a solution which will achieve the financial as well non-financial benefits whilst minimising the risk to the Council as outlined below.

Table 1 shows the level of savings and costs expected from the WLA Transport Efficiency Programme after the adjustments arising from the due diligence exercise.

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b>WLA proposed savings</b>	<b>189</b>	<b>1,157</b>	<b>1,621</b>	<b>1,803</b>
Edge Recommended Adjustments	-32	-255	-461	-461
LBB adjustment (50% route shares)	-73	-147	-147	-147
Concessionary Travel correction	-9	-38	-38	-38
<b>WLA proposed savings (adjusted and validated by Edge and LBB)</b>	<b>75</b>	<b>717</b>	<b>975</b>	<b>1,157</b>
<b>Costs associated with WLA membership</b>				
One-off (IT Software & Support Costs)	-67	0	0	0
Ongoing Bureau (Mgr & IT Hardware)	-29	-93	-93	-93
LD Health reform grant		12	12	12
<b>Net WLA/Edge Combined Savings</b>	<b>-21</b>	<b>636</b>	<b>894</b>	<b>1,076</b>

Table 1

- 6.8 The first year's cost associated with WLA membership for 2011/12 has been budgeted in the One Barnet Transport Project budget. It is anticipated that this will be reduced through the award of Capital Ambition funding to the WLA for this programme. As a full participating member borough to the programme, Barnet costs would be reduced by an equal proportion of the grant from Capital Ambition. To date the programme has been awarded £232,000 with an invitation to bid for a further £105,000 from Capital Ambition. The exact contribution will be confirmed following confirmation that Barnet Council will be participating in the WLA Transport programme. Furthermore the Council through the Learning Disability and Health Reform grant from 2012/13 funding can utilise for mobility assessments which will fund part of the ongoing costs related to the WLA Transport Bureau.

- 6.9 The WLA Transport Bureau will be hosted by Hounslow and will report to the WLA Transport Efficiency Programme Board. The day-to-management will be the Bureau Manager (to be recruited by the host borough) and will be staffed by secondments from participating boroughs. Barnet is expected to second up to three staff to the Transport Bureau in two stages. It is likely at this stage that only one member of staff will be seconded in November 2011. Three other staff will be affected by their roles changing. The legal advice has recommended that the staff movements be on a secondment basis initially; this is based on the current arrangements, i.e. there is no one leading borough and the management board is comprised of all the boroughs. The WLA is working towards a common secondment agreement to be put in place for all staff. It is, however, expected that the staff will be TUPE transferred to the WLA Transport Hub managed by one of the participating London Boroughs when that is formed in stage 2 of the project following a review of stage 1 in the latter part of 2013.
- 6.10 It is expected that the Council will continue the provision of the remaining in-house Adult Social Care and Health and Children Services (SEN) passenger transport in the short term, including 33 minibuses, 40 drivers, and 150 passenger escorts (includes agency and temporary staff) with gradual reduction in escort staff through natural wastage in readiness for transfer to the WLA Transport Hub during stage two of the WLA Transport Efficiency Programme.
- 6.11 However, the One Barnet Transport Project team recognised the need for delivering better and efficient internal Passenger Transport Service and accepted the some of the recommendation to centralise all transport matters within an Integrated Transport Unit (including centralisation of ad-hoc and LATC transport requirements). There is a potential to make further savings as set out in table 2 below:

<b>Proposed Internal Passenger Transport Savings</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Total proposed savings</b>	<b>0</b>	<b>601</b>	<b>604</b>	<b>604</b>

Table 2

- 6.12 The recommendation 1.5 of this report will enable the Council to deploy the £742,000 social care capital allocation for the purchase of London Emission Zone compliant vehicles used for Adult Social Care to enable the replacement of these non-compliant minibuses. An options appraisal was carried out as detailed in appendix A which considered both revenue and capital options. The leasing option which was not identified as the preferred option would commit the Council to long term contracts which may not reflect the required future services. Adult Social Care expect to reduce the transport offer substantially within the period that the lease would cover through the implementation of a door to door transport policy and a greater emphasis on travel training. The capital grant will be used to purchase up to 12 vehicles with 5 vehicles to cover current transport needs being available through spot hire, enabling the Council to have the flexibility to reduce provision if required.

- 6.13 The recommendations 1.1 and 1.2 of this report will enable the Council to participate in the WLA Transport Efficiency Programme to deliver an efficient and effective passenger transport service with like-minded partners and has the potential to deliver £1.076m by 2014/15 as detailed in table 3 below. There are also potential internal savings of £604,000 as set out in paragraph 6.11, the total position being as follows:

<b>Total savings</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Potential savings identified through the WLA	-21	636	894	1,076
<b>Internal savings</b>	<b>0</b>	<b>601</b>	<b>604</b>	<b>604</b>
Total	-21	1,237	1,498	1,680

Table 3

- 6.14 It must be noted that the savings shown in table 3 are potential future savings and are outside of the current MTFS. There are some risks attached to the achievement of these savings - for example, the savings resulting from out-of-borough route sharing as part of the WLA project are dependent upon the exact routes and a full risk assessment of the passengers, drivers and escorts sharing vehicles. Further these savings are subject to the Council participating in the procurement of the framework contract from October 2011 and the Transport Bureau from Nov 2011. It is proposed that the planned and actual savings arising from the WLA and internal transformation work are reported to the Financial and Business Planning Group to enable these to be factored into the development of the subsequent MTFS of the Council.
- 6.15 The recommendation 1.4 will enable the fleet to become more flexible through a gradual migration from large vehicles to smaller and more varied fleet capable of handling dual utilisation (home to school and use during the day) and self-drive options for social care staff. As well delivering the financial benefits outlined in this report, the internal transformation will ensure that there are clear service level agreements in place with service directorates to respond to current and future needs and a clear partnership strategy is developed with local community transport providers and the WLA to ensure that local fleet use is maximised.

## **7. LEGAL ISSUES**

- 7.1 Procurement processes must comply with the Corporate Contract Procedure Rules and the European procurement legislation and the Treaty obligations of transparency, equality of treatment and non discrimination. In order to participate in the WLA framework contract procurement, consideration will need to be given to paragraph 6.9 of the Contract Procedure Rules which deals with the procurement of new framework contracts, this states that the Commercial Director must be satisfied that such an approach represents the most economically advantageous solution for a service work, supply or utility

provision and complies with the Relevant EU Rules on the use of such agreements.

7.1.1 Before procuring or entering into a framework agreement, the Commercial Director shall be satisfied that:

(i) the term of the arrangement shall be or is for a period of no longer than four years duration;

(ii) the terms and conditions of the arrangement do not compromise the Council's contractual requirements;

(iii) the parties to the arrangement are recognised public bodies or providers from the private sector;

(iv) full, open and proper competition in respect of the creation of the framework agreement has taken or will take place in accordance with the Relevant EU Rules and/or Relevant Contract Procedure Rules.

(v) Preference should be given to use of any Government Procurement schemes e.g. OGC.

7.2 In the event that staff are transferred to another organisation, the council must comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") with respect to the transfer of staff. Where they apply, the Regulations impose information and consultation obligations upon the Council and the external organisation and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new organisation at the point of transfer of the services.

## **8. CONSTITUTIONAL POWERS**

8.1 The council's constitution, in Part 3, Responsibility for Functions, paragraph 3.6 states the terms of reference of the Cabinet Resources Committee including "approval of schemes not in performance management plans but not outside the council's budget or policy framework".

## **9 BACKGROUND INFORMATION**

9.1 In November 2010, Cabinet approved a paper that proposed significant savings from in house efficiencies and proposed to initiate a procurement process to identify a strategic partner for the delivery of passenger transport services.

9.2 The paper also stated that although savings were anticipated from the procurement, the key driver for externalisation was not just financial savings but also commissioning a new service that allowed our partners to join throughout the life of the contract. The paper proposed procuring a robust

enough service to manage the changing numbers of adults and children eligible for transport and providing a more joined up service, where the focus would be across all methods of passenger transport enabling the most appropriate solution for every eligible individual.

- 9.3 At the Business Management Overview & Scrutiny meeting in December 2010, the Councillors requested more evidence of working with other boroughs on passenger transport. In January 2011 Council Directors Group approved the proposal to join the West London Alliance (WLA) and to participate in the detail business case for delivering region-wide passenger transport services via the WLA Transport Efficiency programme comprising Barnet, Brent, Harrow, Hillingdon, Ealing and Hounslow funded by Capital Ambition.
- 9.4 The WLA Detailed Business case identified 29% savings to be achieved for Barnet through the shared services model for passenger transport, fleet services and concessionary travel which was significantly above the 10% savings assumed for this One Barnet project. However there was some concern about the robustness and reliability of the savings being proposed as part of the WLA model and therefore it was considered prudent to carry out some due diligence on the WLA proposal.
- 9.5 Edge Public Solutions, a specialist consultancy in passenger transport, were commissioned to carry out a holistic review of the passenger transport provision in the borough, analyse and assess the robustness of the savings being proposed by the WLA in relation to the accuracy of the baseline start point, the assumptions made and the impact of the initiatives on the service levels provided by the current operation. Edge delivered their report and recommendation which were considered by the project board. Directors have considered the summary of the recommendation from the transport project board to challenge and validate the recommendations and have agreed with its findings.
- 9.6 The rationale for the recommendation was that it had to meet all the savings estimated for the One Barnet Transport project as well as providing a commissioning framework for a service that allows our partners to join it throughout the life of the provision. Additionally, it should deliver a service robust enough to manage the changing numbers of adults and children eligible for transport and provide a more joined up service as agreed in the 29<sup>th</sup> November 2011 Cabinet report.
- 9.7 Edge's recommendations for delivering some of the service via the WLA were accepted as they met all of the criteria. However, their recommendation to work independently to procure a separate framework contract and to continue to deliver the service on our own was rejected in favour of the WLA proposal for the following reasons.
- Procuring a separate contract by January 2012 presented a significant challenge to meet the deadline and would risk the continuation of the transport service.
  - It would limit the opportunities to work collaboratively with other like-

- 9.8 It will be necessary for the Council to have in place a clear door-to-door and eligibility policy for passenger transport and concessionary travel for Adults with mobility needs related to disability or age. Under this Policy, eligibility will be determined by assessment of a service user's access to existing transport and an assessment of their mobility and ability to travel independently. The Door-To-Door policy will include eligibility criteria for access to Council funded transport, including assisted transport options such as Taxicard, Blue Badges, and Disabled Persons Freedom Pass. It is expected that the public consultation will commence in the Autumn, and will last 12 weeks.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 WLA Final Report Detailed Business Case - Feb 2011 Final version
- 10.2 LBB Transport Report by EDGE July 2011 v2

Legal: PBD

Finance: JH/MGC

## **APPENDIX A - Passenger Transport Service delivery recommendations – background**

This appendix details the various approaches to delivering the Passenger Transport Services for the Council; from the original proposal to outsource the service through to delivering the service via the West London Alliance and provides the financial and non-financial benefits of each approach as background information to the recommendation in the report to members.

### **1. The One Barnet original proposal**

The report to Cabinet on 29<sup>th</sup> November 2010 recommended the procurement of a strategic partner to deliver end-to-end passenger transport services by January 2012. Key strategic benefits from this approach were:

- The provision of all of Barnet Council's transport streams via a single provider
- A more comprehensive transport policy that would facilitate for a streamlined and a more equitable mechanism for clients to be assessed for their transport needs.
- A better, coherent service for clients thus improving the reputation of the Council for being able to deliver the service to a high standard.
- Improved links with our public sector partners by creating a service fit for future with the changing financial pressures and client make up that allows for our partners to join the Council in a wider service for mutual benefit of the public sector bodies and their clients.

The One Barnet framework assumed that a new strategic partner would deliver an annual saving of 10% on current operating costs from the 1<sup>st</sup> April 2012, with investment being made by the Council in 2011/12 to resource a competitive dialogue procurement process of £155,000. It was further recognised that Adult Social Care needed to have in place clear door to door transport policy in order to ensure that resources are targeted to best effect and to mitigate against any cost pressures from pan London schemes such as Taxi Card and Freedom Passes.

This 10% assumption was seen as being conservative based on benchmarking data with an average of 18% savings against children and adult door to door transport being cited by a leading consultancy in passenger transport (based on work done in 14 local authorities). Further, in January 2011, the project team learned about the work of the West London Alliance Transport Efficiency Programme (Brent, Harrow, Hillingdon, Ealing and Hounslow) which was aiming to deliver a region-wide shared services passenger transport solution with increased savings.

### **2. WLA Transport Efficiency Programme**

The West London Alliance, supported by People Too, a specialist consultancy in passenger transport transformation, had embarked upon a transport efficiency programme to cover door to door transport for vulnerable groups and had produced an outline business case in October 2010 for the participating boroughs (Brent,

Ealing, Harrow, Hounslow and Hillingdon) and estimated a saving of 17% for each borough via a shared services model.

Following approval from the Corporate Directors Group, Barnet participated in the detailed business case stage. The business case was delivered in Feb 2011 indicating:

- 24% savings across passenger transport, and
- 29% savings when combined with concessionary travel

The first stage of the WLA Transport Efficiency Programme led by People Too is to set up a transport bureau, a shared services model hosted and managed by one lead borough to deliver services for all the participating boroughs. The aim of the Transport Bureau is to deliver immediate savings by sharing passenger transport routes for out of borough journeys and to drive cost of the private hire framework through collaborative procurement. Specifically, it proposes:

- collaborative scheduling of out of borough journeys for Special Education Needs (SEN), Adult Social Care and Health (ASC&H), looked after children (LAC) (where available) and ad-hoc (where available) from Sept 2011,
- collaborative procurement of private hire frame work to reduce costs by April 2012,
- scheduling of all passenger transport journeys from April 2012,
- development of the eligibility policy for adults and children's passenger transport requirements including Blue Badge, Taxi card and Freedom Passes, with the capability for centralised eligibility assessments through the Bureau by April 2012.

It is expected that the transport bureau will be in operation from November 2011 and will run for approximately two years before the next stage, the transport hub – a separate legal organisation that will manage the transport services on behalf of the participating boroughs. It is recommended that it would be prudent to carry out full investment appraisal to identify financial and non-financial benefits of participating in the transport hub for Barnet and following successful review of stage one of the transport bureau.

## **2.1 Financial benefits**

The scope of transport services for the purposes of the detailed business case included:

- Passenger transport services: Special Education Needs, Adult Social Care, Looked after children (where available) and Ad hoc (where available)
- Fleet Services
- Concessionary Travel: Blue Badge, Taxicard and Freedom Passes.

The table below provides the analysis (Passenger Transport and Fleet Services) of savings by participating Borough, split into what can be achieved by Boroughs individually through adoption of best practice and then through collaborative working.

		Ealing	Hounslow	Harrow	Hillingdon	Brent	Barnet	Total	Average
<b>Total Budget</b>	<b>£'000</b>	<b>5,293</b>	<b>4,217</b>	<b>6,703</b>	<b>6,133</b>	<b>5,152</b>	<b>6,214</b>	<b>33,712</b>	<b>5,619</b>
Savings - Individual	£'000	871	502	685	647	77	823	3,604	<b>705</b>
<b>Savings - Individual</b>	<b>%</b>	<b>16%</b>	<b>12%</b>	<b>10%</b>	<b>11%</b>	<b>1%</b>	<b>13%</b>		
Savings - Collaborative	£'000	725	548	607	834	757	664	4,136	<b>689</b>
<b>Savings - Collaborative</b>	<b>%</b>	<b>14%</b>	<b>13%</b>	<b>9%</b>	<b>14%</b>	<b>15%</b>	<b>11%</b>		
Savings - Total	£'000	1,596	1,050	1,292	1,481	834	1,486	7,740	<b>1,290</b>
<b>Savings - Total</b>	<b>%</b>	<b>30%</b>	<b>25%</b>	<b>19%</b>	<b>24%</b>	<b>16%</b>	<b>24%</b>		<b>23%</b>
Cost per Child - current	£'000	6,600	5,107	8,077	7,034	5,186	6,911	38,915	<b>6,486</b>
<b>Cost per Child - after savings</b>	<b>£'000</b>	<b>4,623</b>	<b>4,043</b>	<b>6,979</b>	<b>5,335</b>	<b>4,347</b>	<b>5,258</b>	30,586	<b>5,098</b>
Cost per Adult - current	£'000	2,468	2,612	3,172	3,484	3,295	3,984	19,015	<b>3,803</b>
<b>Cost per Adult - after savings</b>	<b>£'000</b>	<b>1,729</b>	<b>1,872</b>	<b>2,741</b>	<b>2,643</b>	<b>2,762</b>	<b>3,030</b>	14,778	<b>2,956</b>
<b>Note:</b>	<b>Cost per child and adult after savings includes after individual and collaborative savings Average column on individual savings excludes Brent as distorts average number Barnet figures incorporate budget reductions proposed for future savings plans</b>								

The key points arising out of the savings analysis are:

- Total savings of £7.74m (22.9%) across the six Boroughs split £3.6m (10.6%) from individual improvements through adoption of best practice and £4.14m (12.3%) from collaborative working
- Potential reductions in average cost per child per annum from £6,486 to £5,098 and average cost per adult per annum from £3,803 to £2,956
- Total savings by Borough varies from £834k to £1,596k per annum. No Borough would achieve less than 16% total savings.

The table below details the savings opportunities identified across Concessionary Travel (Assisted Travel) activities for participating Boroughs.

	Brent	Ealing	Hounslow	Harrow	Barnet	Hillingdon	Total
	£	£	£	£	£	£	£
Disabled Person's Freedom Pass			23,000	22,672	24,064		69,736
Discretionary Disabled Freedom Pass				150,000			150,000
Charging for Replacement Lost Freedom Passes	10,832	10,832	10,832	10,832	10,832	10,832	64,992
DH Blue Badge Funding	20,832	20,832	2,0832	20,832	20,832	20,832	124,992

Blue Badge Parking Revenue			116,000	91,000	147,000		354,000
Taxicard – Reduced Funding Gap to 2014/15	NYK	NYK	NYK	NYK	NYK	NYK	NYK
Taxicard – Discontinuation of GP Endorsement			38,380	38,380	38,380	38,380	153,520
Staff Reductions (FTE)	60,000	90,000	30,000	75,000	75,000	60,000	390,000
Total	9,1664	12,664	239,044	408,716	316,108	130,044	1,307,240

The key benefits of the WLA Regional Concessionary Travel Unit are:

- economies of scale achieved through adoption of a Regional Bureau model
- Multi-service assessment in lieu of single scheme by scheme assessments, with a single multi-service application form
- Seconded staffing
- Joint commissioning
- Single contact centre functionality (however it should be noted for Barnet, that initial customer contact will be managed through Barnet Customer Services).

A summary view of all the savings proposed for Barnet in the WLA detail business is shown below.

<b>WLA SAVINGS</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>WLA Business case savings</b>				
Out of Borough Shared Journeys	147	294	294	294
Contracted Hire Procurement @ 5% (collaborative)	0	0	44	177
Contracted Hire Procurement @ 15% (individually)	0	398	530	530
Collaborative fleet and spot hire	0	56	111	111
Individually fleet and spot hire	0	111	223	223
Staff Reductions	0	15	30	30
Reduction in spend on agency	0	13	52	52
Alternative travel	0	52	70	70
Mobility Assessment savings	42	218	267	316
<b>WLA NET Savings</b>	<b>189</b>	<b>1,157</b>	<b>1,621</b>	<b>1,803</b>

However, these figures were seen as being optimistic by some boroughs. The WLA accepted that that individual boroughs need to determine their own level of confidence that they place on these figures in terms of setting budgets and agreeing savings profiles over the coming years.

### 3. EDGE Public Solutions Review

The Council determined that it was necessary to conduct a due diligence exercise of the WLA business case high level savings targets. This was carried out by Edge Public Solutions and would also inform the Adult and Children's Commissioners on the commissioning opportunities for the medium term to improve transport and reduce costs. In addition, the Council needed to make a number of key decisions to mitigate imminent challenges. which included decisions relating to renewing or extending expiring contracts with external transport providers, how to replace vehicles soon to be non LEZ compliant, how the soon to be formed Learning Disability Trading Company should be allowed to commission transport and overall determining which aspects of the WLA proposal that LBB should firmly commit to.

#### 3.1 Key observations & recommendations by Edge

The One Barnet Transport Project Board considered the recommendations from the Edge report for delivering the in house passenger transport service as well as the assessment of the viability of the WLA business case in respect of proposed efficiencies, service impact, risks and advantages to the Council. The Project Board concluded that:

- The Edge assessment of the WLA business case was acceptable for Barnet which concluded that the likely level of savings will fall short of the target by 25% which equates to £461,000 per annum in 2014/15. Further, the team concluded that the WLA will deliver £1.096m savings by 2014/15 after all the WLA costs were taken into account.
- LBB has the opportunity to deliver approximately £1.61m per annum of efficiencies by 2014/15 by acting largely independently of the WLA and focusing on its own transport transformation including a wider scope of initiatives whilst selectively joining the WLA for work to deliver shared 'out of borough' routes and a centralised assessment service for Concessionary Travel. However, there were risks associated with this approach which could not be mitigated against.
- The WLA approach offered some significant benefits in providing overall programme management of the transformation with resources secured through external funding and the economies of scale of participating boroughs. WLA also offered a vehicle for the possible future benefits of collaboration with wider public sector transport organisations as confirmed by Edge report.
- The main differentiating factor in the Edge's proposal was by taking a largely independent approach the Council would enjoy some important benefits such as retaining sovereignty, retaining control of key decision making, retaining the option to maintain current standards of service and retaining a small number of jobs in the local area. The larger saving was also based on being able to deliver significant efficiencies more quickly as it will not be constrained by delivering at the speed of the slowest and there will be less complexity in the delivery of the overall plan. However, the team felt that retaining sovereignty and control should not be prioritised over delivering an effective and efficient service. Further, senior procurement officers considered that the timescales were not achievable and that this financial saving opportunity was overstated.
- Edge identified that the Council has an additional opportunity to work more closely with Northern London boroughs to share routes in the same way as the WLA opportunity. However the Project Board noted that there are no clear plans

### 3.2 Financial benefits

The Council and Edge Public Solutions concluded that a combination of an independent approach together with selectively joining up with two key WLA initiatives will allow LBB to secure savings of £1.157m in 2014/15 as detailed below.

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
<b>WLA proposed savings</b>	<b>189</b>	<b>1,157</b>	<b>1,621</b>	<b>1,803</b>
Edge Recommended Adjustments	-32	-255	-461	-461
LBB adjustment (50% route shares)	-73	-147	-147	-147
Concessionary Travel correction	-9	-38	-38	-38
<b>WLA proposed savings (adjusted and validated by Edge and LBB)</b>	<b>75</b>	<b>717</b>	<b>975</b>	<b>1,157</b>

### 3.4 Key risks

The Edge's approaches proposed slightly increases savings but exposed the Council to some key risks which the officers felt cannot be mitigated against. Specifically, if the officers felt that procuring a new framework contract for private hire by January 2012 was a challenge and if not procured by that date the Council would be at risk of not having a contract in place to deliver passenger transport services. Further, the recommendation to work independently of partners and retaining and enhancing the current transport service risked not being able to deliver to the One Barnet principles.

## 4. Medium Term Financial Strategy and Internal efficiencies

### 4.1 Financial Planning Assumptions

The Medium Term Financial Strategy includes a range of savings for transport some of which are linked to the savings as set out in the One Barnet Framework with other initiatives reflecting service directorate plans. This section outlines the various plans to achieve the MTFs savings (£609k for 2011/12 and £82k for 2012/13) linked to One Barnet and transport savings related to door to door transport for children and adults. The MTFs includes savings in respect of Transport Service as follows:

<b>MTFS - All Transport-Related Savings</b>		<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
<b>One Barnet</b>			
Adults	To rationalise the transport costs across adults day care transport with Children's Special Needs Transport by merging routes and/or reconfiguring opening times of Day Centres.	60	27
Children's	Transport for pupils with Special Educational Need	300	27
E&O	Change of transport routes and remodelling of routes for Children's and Adults	28	0
<b>Other Savings</b>			
Adults	To merge Adults Day Care Transport with Children's Special Needs Transport by merging routes and/or reconfiguring opening times of Day Centres.	104	28
Adults	Reduction in the cost of administering Freedom Pass renewals	32	0
Adults	Greater use of public transport and concessionary travel arrangements to support a reduction in the funding of individual transport packages of care.	50	0
E&O	Transport - Model 2 renegotiating service to rationalise provision	35	0
<b>Total Savings</b>		<b>609</b>	<b>82</b>

### Capitalisation benefits for non-compliant vehicles

A financial evaluation has been carried out on the relative merits of the Council purchasing 17 vehicles compared to the costs of leasing. The assumptions within the comparison are:

- The leasing cost of each vehicle is £12,861 per annum over 5 years
- The purchase cost of each vehicle is £58,945.
- The comparison is based over a 5 year period
- 17 vehicles are to be procured
- The residual cost for each vehicle is £5,895 after 5 years.
- There are no maintenance costs included in the figures above. However there is an assumption that purchasing rather than leasing will result in lower maintenance costs for the first 2 years because of warranties.
- There is a possibility of utilising a capital grant of £742k towards the capital cost if the purchase route was followed.

The leasing cost over 5 years for 17 vehicles is £1,093,154, or £64,303 per vehicle. This equates to £218,631 per annum. To purchase the vehicles without using the capital grant referred to above, would cost £1,002,065 or £58,945 per vehicle. With interest this equates to £231,613 per annum. After allowing for residual costs the cost per vehicle is £53,050, and the total annual cost reduces to £211,572. This is an annual saving of £7,089 over the leasing option (even though the benefit of disposal will not be realised until after year 5).

If the capital grant of £742k was utilised however the costs of purchase decrease from £211,572 per annum to £188,421 per annum.

It can be seen therefore that the comparative cost per annum of leasing the vehicles, purchasing without using a capital grant and purchasing by using the grant is £218,631, £211,572, £188,421 respectively. These costs compare with the current charge for the service of £113,000.

The use of the Capital Grant would be additional funding to Adults, the current budget of £113k would be available to fund the additional cost over and above the Capital Grant which would cost £298k over 5 years at an annual cost to the Council of £60k p.a.