

REPORT FOR: CABINET

Date of Meeting:	11 April 2013
Subject:	Special Needs Transport Change Programme 3 (SNT3)
Key Decision:	Yes
Responsible Officer:	Roger Rickman, Divisional Director of Special Needs Service Councillor Mitzi Green, Portfolio Holder for Children, Schools and Families
Portfolio Holder:	Councillor Thaya Idaikkadar, Leader of the Council and Portfolio Holder for Property and Major Contracts Councillor Margaret Davine, Portfolio Holder for Adult Social Care, health and Wellbeing
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Full Equalities Impact Assessment

Section 1 – Summary and Recommendations

This report outlines the full programme of change for the service which includes significant procurement of new suppliers to the Council over the next 3 years. The report seeks delegated authority to deliver the full programme and procure, and award contracts to the preferred suppliers.

Recommendations:

Cabinet is requested to:

1. Note the progress on the SNT3 programme;
2. Authorise the Corporate Director of Children & Families in consultation with the Portfolio Holders for Children, Schools and Families, Property & Major Contracts and Adults & Housing to:
 - a) **Procure**, select and award contracts to the preferred transport services suppliers on such terms as are agreed, acting in the best interests of the Council and in doing so promoting local social enterprises and private organisations
 - b) **Consult** on a new transport eligibility policy
3. Agree to receive a further progress report with a final draft policy for approval in Autumn 2013.

Reason: (for recommendation)

The current MTFS provides a need and a time-frame for delivering further savings of £540k from special transport. The SNT3 programme will deliver the required savings whilst maintaining the service required by residents.

To deliver savings within the time-scales will require delegated authority to identify best providers and award contracts to the best-placed provider.

A broader, more flexible delivery will future-proof the service for the direction of government policy. The preferred option will be seek solutions that are delivered by local suppliers and local social and community enterprises.

Section 2 – Report

1. Introduction

1.1. Having already delivered two successful change programmes in Special Needs Transport Services over the last 3 years and saved between them over £1million in annual costs, a third programme, Special Needs Transport 3 or 'SNT3' is set-out to deliver a further saving of £540k.

1.2. The SNT3 Programme, has 10 complementary workstreams, which together will deliver the £540k savings target in 2014/15 as required by the MTFS for the year 2014/15. At the end of the 3 years, the programme will provide a sustainable saving of approximately £1.06m.

1.3. These significant savings will be achieved whilst increasing the independence of service users, lowering carbon emissions, improving delivery processes and safeguarding the provision of transport for children and young adults.

1.4. Within the programme's 10 workstreams, there are three main elements of activity; (1) Demand Management, (2) Current Cost-Control & (3) Future Cost-Control.

1.5. The outcome of the SNT3 Programme will be to preserve access to services, to increase the range of services available to transport recipients and in doing so improve the life experiences of learners that are receiving transport assistance.

1.6. The workstreams achieve more users travelling independently, lower costs in delivering the current transport operation and greater flexibility with lower costs for all future provision.

1.7. The most significant costs, savings and risks within the SNT3 programme, are within the third element, Future Cost-Control, which will require engagement with the market and Harrow Council moving from a provider of services to a commissioner of services.

1.8. Where services are transferred to external suppliers, Harrow Council will work to stimulate innovation and inclusion of Harrow's social enterprises, charities and small scale private service providers.

1.9. Using local, small scale community and social providers, will provide on-going employment opportunities for staff, create favourable conditions to stimulate innovation, maintain an element of competition and create resilience and capacity within the wider supply chain.

1.10. This will require breaking leases with the current vehicle provider, Fraikin Ltd, and commencing new service contracts with local social enterprises and small business.

2. Background

2.1. Harrow Council has a Statutory duty to provide transport assistance to 'eligible' children and young adults. An eligible child defined in Schedule 35B of the Education Act 1996 and include Children who attend schools beyond the statutory walking distance, Children with SEN, disabilities or mobility problems, Children whose route to school is unsafe and Children from low income families and so could be broadly described as someone for whom the use of standard modes of transport would be inappropriate due to their physical or emotional needs. An 'eligible' adult is 'an adult who is aged under 25 and is subject to a learning difficulty assessment.'

2.2. s508B of the same Act says that the LA must make such travel arrangements as they consider necessary 'in order to secure that suitable home to school travel arrangements for the purpose of facilitating the child's attendance at the relevant educational establishment...are made'

2.3. The future direction of Government Policy for Special Education and Transport is towards a greater level of customer choice and involvement. This could

go as far as a potential move towards the use of personal budgets for either education or transport or both elements, which could pose a significant financial risk to a mainly in house service. The design of the SNT3 programme creates more flexibility in the delivery of transport which will help mitigate risk, as well as creating choice.

2.4. In Harrow, there are 515 children and young adults who are given transport assistance to and from school or college. Transport is arranged for service users in what are called 'routes'. These routes range from 8-10 children transported in a Council minibus to one or more children transported in a private taxi.

2.5. Currently Harrow uses a fleet of 70 mini-buses to transport the children, operated by 154 staff, that are employed part-time, term-time only, to deliver the significant proportion of the Children's Special Transport Service.

2.6. The Adults element of the service caters for 350 users, with 14 mini-buses, and in the region of 35 full-time staff on more standard work and leave contracts.

2.7. All special needs transport (for Children and Adults) is managed by a single team of 10 staff (8.4 FTE) who between them manage the delivery of both services and the large workforce.

2.8. 20% of the current 'routes' are provided by local small business, social enterprises and local taxi firms. These have already been re-procured within the SNT3 programme using a newly established Transport Procurement Framework

2.9. The SNT3 programme will extend this strategy further, using more local, small scale private, community and social providers, creating a mixed approach to supply, a choice of providers for commissioners of services and a competitive element within the market.

2.10. Initial impact analysis of the re-tendering through the framework is forecasting a £115k reduction in overall costs, which is a 20% reduction from the previous spend. This serves as an indication of where well designed and well managed buying can reduce costs, even where already savings have been made.

The SNT3 Programme: Demand Management

2.11. As mentioned above, the SNT3 programme has three elements and 10 workstreams. The first of the three elements is 'demand management' which includes the following three work streams:

- 2.11.1. Eligibility Policy Refresh
- 2.11.2. Independent Travel Training (ITT)
- 2.11.3. Direct Transport Payments (DTP).

2.12. In summary, these were all trialled within SNT2 and all aim to offer new services to users, more flexible solutions, reduce the overall demand and cost of transport and to increase the life-long independence of service users

2.13. The policy refresh applies to services provided to those attending education placements and is designed firstly to give council support to the new forms of service

that will be mainstreamed within the programme. Eligibility for transport services to adults as part of community care services will not be affected. The refresh and re-determining of the policy may mean some children and young adults falling out of eligibility. The results of the policy consultation will be considered in the final policy drafting and brought back to Cabinet to provide information on the comments received and to make a decision on the formal adoption of a new policy..

2.14. Consultation on the policy will be with parents/carers of children, children and young adults attending education institutions, schools and representative groups. We will be asking service users questions regarding the use of alternative providers, the introduction of ITT and DTP, eligibility for those attending education placements and potentially the tightening of allocation for some users.

The SNT3 Programme: Current Cost Control

2.15. The Current Cost Control element includes the following six work streams:

- 2.15.1. Fraikin Supplier Relationship Development (SRD)
- 2.15.2. Identifying new providers for short-term hire
- 2.15.3. Invitations to all schools to become transport providers
- 2.15.4. A LEAN review of the Transport Services Processes
- 2.15.5. Re-tendering of the 20% of external routes (complete)
- 2.15.6. A focus on sickness absence from the outcomes of the LEAN project

2.16. All of the workstreams in Current Cost Control are attached to costs that can be reduced relatively quickly. For instance the Fraikin SRD work is already providing benefits, such as faster response times and spare vehicles provided free of charge. A new deal on spot-hire vehicles will be complete in March 2013. The re-tendering work for taxis is already complete and making positive budget impacts.

The SNT3 Programme: Future Cost Control

2.17. The Future Cost Control workstream is centred around a three year programme of market engagement and increasing the number of routes delivered by local suppliers including third sector and community organisations and small local business. This element of the programme is known as:

- 2.17.1. Strategic Market Engagement

2.18. A survey of 11 London Boroughs completed in January 2013, showed that 6 of the authorities had all transport provided externally (Lambeth, Haringey, Ealing, Croydon, Waltham Forest, Kingston), Brent are 90% external, Hounslow & Enfield ~60% external, Enfield split internal/external, Harrow & Lewisham are provided in-house except for the 20% taxi and smaller vehicle provision.

2.19. Within the boroughs that have services provided externally, there is a great variation in approach. For instance, two authorities have a single contract for the whole of the provision, one with a strategic partner that is profit driven, another with a Community Transport Group, others largely have two or more providers, particularly those that have been included in recent framework procurement activity where 3-5 providers is the normal range.

2.20. Having a balance of providers, creates opportunities for all types of suppliers to grow at a suitable pace, to take part in the market to the scale that suits them and to use the strengths of their individual organisations when bidding for work.

2.21. Keeping the number of providers higher, increases the stimulation to innovate, keeps costs low to the authorities and allows authority commissioners to both place contracts with the best-placed providers and avoid suppliers who cannot meet our quality criteria. Whilst maintaining the supply of core transport services, there will inevitably be an impact on delivery standards through reducing costs. These will be carefully managed and suppliers that fail to provide services to the required standard will have contracts put at risk or cancelled.

2.22. To further ensure there is a ready-supply of local, small and social providers with the capacity and capability to provide services to the required standard, the framework will be refreshed in 2014.

2.23. Refreshing the framework will re-open the supply of services to the full market, this gives the Council the ability to work with small business and social enterprises to further develop the market, to stimulate innovation and to improve the overall standard of delivery.

2.24. This activity is planned to commence in May 2013. This time-scale gives a long lead-in period which will favour those social and private organisations seeking to grow slowly, to make sure they are prepared for taking on new services and to ensure that our approach is broad in attracting a range organisations.

2.25. Two rounds of soft market testing have been completed to model potential savings from market engagement. The first with providers that are registered on the West London Alliance framework, which has provided real pricing for potential work, the second comparing Barnet procured routes (without escorts) with the Harrow current routes (taking account of escorts). These have shown a typical price reduction of around 30% from current costs to external costs.

2.26. Phasing provides additional opportunities for refreshing the suppliers within the framework and to work with suppliers to maintain and improve service delivery standards. A three year roll-out gives time for the management team to design and refine their contract management practices. Finally, the three year time-frame gives time to down-scale the fleet without flooding the market and choosing the timing and management of vehicle disposals.

2.27. *It is the intention of this Programme to offer a greater number of routes to local, social and private external suppliers. Over a period of three years the service will shift from being 20% externalised to towards 100%, allowing more freedom for Harrow Council and shifting to a commissioning model.*

2.28. *This will require cancelling leases with the vehicle provider (Fraikin) and designing a new client management team.*

2.29. *These are all factored into the SNT3 Programme workstreams and into the costings that form the business case.*

2.30. Cost-saving forecasts for this work stream, include the cost of buying-out of the current Fraikin leases which would be necessary to move to a commissioned service model.

The SNT3 Programme: Costs & Benefits

2.31. The benefits and costs of the full programme are shown in the table below. The aim of the SNT3 programme, is to meet the £540k MTFS savings target for 2014/15 and take account of the requirements of other budget pressures from previous programmes and changes in grant levels.

	2013/14 (Net Saving) / Net Cost £	2014/15 (Net Saving) /Net Cost £	2015/16 (Net Saving) /Net Cost £	2016/17 (Net Saving) /Net Cost £	2017/18 (Net Saving) /Net Cost £	Total (Net Saving) /Net Cost £
Medium Term Financial Strategy (MTFS) Savings	(56,000)	(641,000)	(641,000)	(641,000)	(641,000)	(2,620,000)
Medium Term Financial Strategy (MTFS) Costs*	495,852	207,870	81,388			785,110
Further anticipated budget pressures that need to be managed through SNT 3	(26,500)	(53,000)	(141,000)	(229,000)	(229,000)	(678,500)
Net MTFS Position	413,352	(486,130)	(700,612)	(870,000)	(870,000)	(2,513,390)
SNT 3 Forecast (Savings)	(307,485)	(773,822)	(987,863)	(1,062,328)	(1,062,328)	(4,193,825)
Implementation Costs						
Project Costs	52,000					52,000
Potential redundancies/severance (if applicable)	443,852	207,870	81,388	0	0	733,110
Vehicle lease termination costs	211,409	165,023	89,317			465,749
Total Delivery Costs	707,262	372,893	170,705	0	0	1,250,859
SNT3 Net (Savings)/Costs	399,777	(400,929)	(817,159)	(1,062,328)	(1,062,328)	(2,942,966)
(Over)/under delivery of MTFS Savings	(13,575)	85,201	(116,547)	(192,328)	(192,328)	(429,576)

** project costs included in MTFS growth and redundancy/severance costs (if applicable) considered as part of corporate provision for redundancy*

2.32. The programme will save £773k in the target year 2014/15, with costs of £373k, delivering a net saving of £400k. By the last year of the programme (2016/17), the full year effect of the three phases of work will deliver savings of £1.062m.

2.33. During the 5 year period there will be total savings of £4.2m, against total costs of £1.25m, delivering a net saving of £2.9m over 5 years.

2.34. As mentioned above, the final full-year effect is a saving of £1,061m, forecast to be delivered in 2016/17. The MTFS position requires a saving of £641k, SNT 3 therefore is forecast to over-deliver by £421k, this will manage the additional

requirements of anticipated budget pressures of £229k in that year, leaving a net budget position of £192k surplus.

2.35. The phasing and over-delivery allows a level of flex to manage any potential risks of quality in delivery and price sustainability.

3. Staffing Implications

3.1. Where there is a service provision transfer then The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will operate to transfer in scope employees to a new provider. All of the Council's rights, powers, duties, and liabilities (except criminal liabilities) under or in connection with the contracts of employment of the relevant staff will transfer. There are current Government proposals to amend the TUPE regulations, which could be implemented during the course of this programme.

3.2. The number of staff employed in connection with the service is approximately 200, which includes a high number of part time, term time only staff. 10 staff manage the delivery of the operation and large workforce.

3.3. Where any change results in a TUPE transfer the Council will meet all of its statutory obligations provided by TUPE. Under TUPE, existing contractual terms and conditions are protected on transfer. In addition the Council has a protocol for managing organisational change, which includes consultation and union engagement.

3.4. The full programme will be delivered over three years, which gives time to the staff affected by the change programme to adapt to the proposals and consider the options available.

3.5. Whilst TUPE applies by operation of law, it is possible that circumstances could arise where it would be in the interests of the Council to consider a voluntary severance or redundancy scheme. If this situation arises a separate report to Cabinet would be made.

4. Legal Implications

4.1. Under the Education Act 1996 local authorities have statutory duties to provide transport to 'eligible' children and young adults to educational establishments in specified circumstances. There is an element of discretion contained within these duties.

4.2. Any change to Harrow's eligibility policy, which sets out how it will exercise its discretion, must take account of any consultation responses, government guidance and equality issues. This will be particularly relevant if any child or young adult who was previously receiving a service will no longer be eligible. The results of the consultation and equality implications will be included in a future report on approval of the new eligibility policy.

4.3. In procuring and awarding contracts, the Council will comply with EU procurement rules and its own contract procedure rules.

5. Financial Implications

5.1. The budget for Children's Special Needs Transport in 2012/13 totals £3.34m.

5.2. Since 2009/10 the service has already delivered significant savings through improved efficiency and by reducing demand for the service; a further reduction of £101,000 from these programmes is still to be delivered in the 2013/14 MTFs. More significantly the service is tasked with delivering additional savings of £540,000 in 2014/15. Following these reductions (totalling £641k) the service is left with a net council budget in 2014/15 of only £2.7m, a 32% reduction since 2009/10. Given the scale of the savings already delivered these further budget reductions require transformational change to the service's operating model.

5.3. The work streams included in SNT3, when fully implemented look to deliver savings totalling £1,062k. In addition to meeting the MTFs budget reductions of £641k it will also meet the anticipated cessation of the Dept of Transport's Bus Services Operating Grant and provides for the loss of internal income for the courier service and from school buyback, totalling £229k.

5.4. The majority of the savings, £877k, are delivered by transferring the service to external providers. This projection is based on extensive soft market testing and benchmarking with neighbouring boroughs through the WLA, which should mitigate the risk that the market will not deliver this scale of savings. The soft market testing did not include the potential effect of staff transferring under TUPE, as the precise effect could not be identified and as such the level of savings could not take account of this. When tendering for services, providers will have to take account of potential TUPE transferring staff. However, the costs of potential redundancies/severance (if offered) have been included in the implementation costs.

5.5. The proposals require the termination of the vehicle lease agreements, which will incur termination costs. The extent of the termination payments will depend on resale values however the business case includes a prudent estimate of £466k over the 3 years 2013/14 to 2015/16.

5.6. Based on these forecasts there is a slight under delivery of saving in 2014/15 of £85k, this is more than off-set by projected on-going over delivery of £192k.

6. Performance Issues

6.1. Each of the new services introduced in the SNT3 Programme will have either Service Level Agreements in-place or contracts that set-out the required standards.

6.2. Performance of each of the services will be measured and managed against the standards set-out in the agreements and contracts.

6.3. There is a specific work-stream within the programme to identify the contract management needs of an increasingly commissioned service and to ensure that the right resources with sufficient skills are targeted towards the effective management of all new arrangements

6.4. Lessons learned in the Highway tender have been adopted within this programme to ensure there are effective mechanisms in-place for Councillor involvement in the procurement process and in the ongoing management of contractors.

6.5. Any customer complaints will be managed in the same way as they are currently managed. Contractors will be asked to show how customer feedback is being captured

6.6. Ensuring providers perform adequately and deliver services in accordance to contract specification is the principal reason for the LEAN review. The requirements of an increasingly commissioned service will be factored into the review to make sure the client team is appropriately staffed and trained, well ahead of the time when the team will be needed

6.7. The changes proposed under the programme do not have any impact on national indicators.

7. Environmental Impact

7.1. Harrow Council is fulfilling its duty to promote sustainable modes of transport in offering a broader package of services including Independent Travel Training.

7.2. If the Independent Travel Training service is successful, there will be a decreased demand for Harrow arranged and dedicated transport, with a corresponding increase in children and young adults using public transport. This will reduce local transport emissions and have the knock-on effect of those trained having a greater confidence and desire to use public transport outside of 'home to school' transport.

7.3. The greater use of personal budgets for transport may cause some displacement into private cars.

7.4. Any new providers that are applying to work for Harrow through the three phases of strategic market engagement, will be required to demonstrate how they comply with and support the Council's Sustainable Procurement Policy and where minibuses are used will have to report to the Council on their fuel usage.

7.5. Their responses to sustainability requirements will form part of the decision-making around supplier selection and supplier management. They will, therefore, have to demonstrate a real and measurable commitment to minimising environmental impacts and generating local "social value" in order to join the procurement framework.

7.6. Local Social Enterprises, small and medium sized private providers are the target market for procurement activity. Local small scale providers will have time and support to develop with the free and fair opportunity to compete for places on the procurement framework.

7.7. Where transport operators provide services, currently carried out in-house, the suppliers will need to report fuel use to the Council to enable carbon emission totals to continue to be reported by the Council.

8. Risk Management Implications

8.1. There is an up to date full risk register is kept by the Programme Manager. Strategic Risks are managed by the relevant boards, less significant risks managed by the Programme Manager.

8.2. The outputs of a risk workshop is the basis for the risk register and further risk workshops are completed quarterly to update and refresh the view of risk.

8.3. The Programme as a whole is 'managed by exception' and reports on this basis to three boards, the SNT3 Programme Board, the Children & Families Programme Board and the Corporate Transformation 2 Board through VERTO.

8.4. Issues and changes in risks are highlighted to the appropriate boards with requests for decisions or actions.

9. Equalities implications

9.1. The public sector equality duty under section 149 of the Equality Act 2010 provides:

“(1) A public authority must, in the exercise of its functions, have due regard to the need to (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act; (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

9.2. A full equality impact assessment was carried out and is attached to this report. As part of the procurement, robust equality requirements will be included within the specification and these will be part of the supplier selection decision-making process.

9.3. There was also a potential adverse impact in relation to users not having continuity of driver. A mitigating measure is to include in the tender a requirement to seek to ensure continuity of driver where possible and to give advance notice of the change of provider to all users. One of the consequences of the proposed changes is to offer alternative travel options, including independent travel training and use of personal budgets to secure transport. This may have a positive impact on disabled service users.

9.4. The assessment highlighted that there was a potential adverse impact in relation to age for staff, as nearly half the employees affected are age 60 or over. Whether the impact of the changes are positive or negative will depend on individual staff circumstances. Mitigation measures include compliance with the protocol for managing change, which is mentioned in the staffing implications section.

9.5. A further EQIA will be completed following consultation on the new draft policy and the results of this will be fed back in a further report to Cabinet.

10. Corporate Priorities

10.1. Please identify which corporate priority the report incorporates and how:

10.1.1. Keeping neighbourhoods clean, green & safe.

There will be a net decrease in the amount of council provided transport and an increase in the use of already operating sustainable modes of transport.

10.1.2. United and involved communities: A Council that listens and leads.

There are currently transport users that receive transport that would prefer to be travel-trained and use transport more independently. In providing a transport service, the Council is responding to a current demand for travel training.

In mainstreaming Direct Transport Payments, there will be a greater choice for customers in how they travel and the potential for arranging their own transport.

10.1.3. Supporting and protecting people who are most in need

The SNT3 Programme offers a continuous access to transport for dependent children and young adults. This will be achieved whilst delivering savings. Having a mix of future providers will stimulate customer quality focus, innovation and provider cost-consciousness.

10.1.4. Supporting our town centre, our local shopping centres and businesses.

The service will offer social enterprises and local small scale businesses based in Harrow the opportunity to become first tier suppliers to the Council through the procurement framework, and to become second tier suppliers by requiring all providers to make their supply and sub-contracting opportunities available to local businesses.

Section 3 - Statutory Officer Clearance

Name: Patricia Harvey

on behalf of the
Chief Financial Officer

Date: 4 April 2013

Name: Sarah Wilson

on behalf of the
Monitoring Officer

Date: 4 April 2013

Section 4 – Performance Officer Clearance

Name: David Harrington

on behalf of the
Divisional Director
Strategic Commissioning

Date: 4 April 2013

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker

on behalf of the
Divisional Director
(Environmental Services)

Date: 5 April 2013

Section 6 - Contact Details and Background Papers

Contact: Ben Sellar-Moore, Programme Manager
Tel: 020 8424 8218 (Int Extn: 8218)

Background Papers:

Special Needs Transport 3 – Full Business Case

**Call-In Waived by the
Chairman of Overview
and Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]