
REPORT FOR: CABINET

Date of Meeting: 21 April 2016

Subject: Transport Shared Services

Key Decision: Yes

Responsible Officer: Tom McCourt, Corporate Director of Community

Portfolio Holder: Councillor Graham Henson, Portfolio Holder for Environment, Crime and Community Safety

Exempt: No

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: None

Section 1 – Summary and Recommendations

As part of the Directorate's commercialisation programme, under the Project Phoenix umbrella, opportunities for shared service arrangements have been explored. On the back of a successful Trading Standards shared service arrangement with Brent, both Councils have explored further opportunities for mutual savings and the Special Needs Transport Service has been identified as one such option and this report sets out the details of the proposed shared arrangements.

Recommendations:

Cabinet is requested to:

- 1 .Approve Harrow entering into a shared service arrangement for the provision of special needs transport to the London Borough of Brent from September 2016.
2. Approve Harrow leading on the necessary procurement of special needs transport labour supply and taxi contracts to meet the needs of the shared service.

Reason: (For recommendation)

To ensure the Council meets its obligations regarding special needs transport.

Section 2 – Report

1. Introduction

- 1.1. The Community Directorate launched its commercialisation programme, Project Phoenix in July 2015. A key aspect of this programme was the exploration of opportunities to share services with other boroughs and deliver mutual savings.
- 1.2. The Directorate has sought to exploit its physical asset at the Central Depot and has been positioning itself as regional transport hub with the facility to share parking and office space as well as its expertise in the field.
- 1.3. Brent and Harrow has a history of successful shared services, including Trading Standards and the Mortuary services which have been run successfully by Brent and have yielded significant savings to both Councils. In August 2015 both Councils started discussions around a shared special needs transport service led by Harrow. This has culminated in a joint business case that sets out the areas to be explored for mutual savings. This business case was approved by Harrow's Project Phoenix governance boards.
- 1.4. On March 14th, 2016, Brent's Cabinet approved the recommendation for the fully shared service, run by Harrow, including Harrow's lead on the procurement of the required labour and taxi contracts.

2 Background and Current Situation

- 2.1 Both Harrow and Brent Councils have a statutory duty to provide transport assistance to eligible children who access education and college placements. Eligible children are those that have physical and emotional needs that make the use of personal or public transport inappropriate.
- 2.2 For the financial year ending March 2016, both Councils face financial challenges in transport provision due to ever increasing demand and shrinking budgets. Harrow has had a 10% increase from the previous academic year in

the number of pupils numbers transport assistance from the service. The need for many new routes or increases in vehicle sizes has led to financial pressures. This is due largely to the often complex and expensive requirements of pupils being placed on the service..

- 2.3 Brent has additional pressures in that the leasing arrangements on the Depot used for the service is coming to an end and the Council also has an ageing transport fleet. Harrow's ability to provide both Depot space and access to maintenance contracts has created a scenario where there are readily available financial opportunities for both Councils.
- 2.4 Harrow operates a SNT service that covers 831 clients (581 children and 250 adults). Brent Transport services serves circa 852 passengers. Both Councils also operate a taxi framework to supplement the in-house service.

3 Options considered

- 3.1 the only other option considered was to not progress with a shared service arrangement. This option was discounted as there would be a loss of potential savings.

4 Implications of the Proposal

- 4.1 The overarching proposal is that the SNT services for the two boroughs are merged and operate under the umbrella of Harrow and Brent Special Needs Transport Service (HB SNT). The service will be hosted by Harrow Council and run from Harrow's Central Depot. The management of the business will sit with Harrow and will include the secondment of any relevant Brent staff to Harrow under a secondment agreement.
- 4.2 The overall arrangement will be governed by both Authorities through the joint SNT Board underpinned by an Inter Authority Agreement between both Councils. This agreement will set out the financial arrangements between the Councils and this will be based on the cost of the level of service being provided. The agreement will include :
 - Secondment Agreement that governs the staffing arrangements
 - Change Control mechanisms that governs how the increase in activities are agreed, costed and financed
 - Performance review meetings that governs the discussions on key performance indicators and the rectification plans that will underpin the resolution of any non/underperformance
 - Monitoring reports to track financial savings from the shared service
- 4.1 This proposal represents a business opportunity for both Councils as it provides the opportunity for both Councils to gain the benefits of economies of scale in contractual arrangements, greater efficiencies in operational front line staffing (drivers and escorts), shared policies from cross working with seconded staff, systems and

processes. It also provides the opportunity for better utilisation of Harrow physical premises assets to reduce the operational costs of the combined service.

4.2 This merger will deliver cost reduction in the following areas:

- Premises – Harrow is able to offer shared parking and office facilities at the Central Depot. This means that the shared service will have one operating base and both Councils will benefit from this arrangement there by reducing costs for both
- Route sharing and route reduction and the related front line operational costs. Route sharing will operate on border routes
- Vehicles – greater economies of scale with vehicle contractor and reduced running costs
- Systems and processes – this includes the use of a single routing and scheduling IT system
- Contractual arrangements – (Brent Transport Service taxi framework and the labour supply contract with Drakes Limited expires in September 2016) and provides opportunities for better contractual terms given the larger value contracts. Business Development and growth including hiring out spare capacity and further collaborations. Harrow has developed a marketing strategy for utilising this spare capacity.

4.3 The material staff savings initially will come from the costs associated with drivers and escorts, where these are part of supply contracts. The shared service will incorporate route sharing and this will reduce the number of front line operatives needed.

4.4 In addition to the operational and contractual efficiencies above, there is scope to achieve further savings from demand management activities. Achieving desired outcomes here would require actions to be taken by the commissioning Directorates/Departments i.e. children and adult services in both Councils and a shared approach being adopted. The implementation period would include the finalisation and agreement of a joint policy built on shared resources..

4.5 Future policy direction and commissioning actions of the Education/Children and Adults service areas will influence the level of savings or cost pressures in the shared service. Although the service will make it its mission to keep operational costs at a minimum, it is unable to influence demands. The commissioning departments of both Councils will be required to review demand management activities. It is recommended that both Councils jointly develop a refreshed Transport Assistance Policy that would cover:

- Independent travel training (ITT)
- Use of personal travel budgets
- Free travel for travel buddies

- 4.5 Harrow already has a task and finish group exploring demand management issues. The results of this will be discussed as part of continuous improvement in the service.
- 4.6 Brent currently uses an external provider for drivers and escorts under a managed service arrangement. Harrow will be engaging the same provider (Drakes Limited) to ensure that the contract is available for the joint service. The timetable for this contract to be in place means that approval is needed to negotiate directly with Drakes to ensure continuity of the supply while the shared service is embedded.
- 4.7 Harrow will also re-procure the taxi contracts. However as part of its efforts to become a regional transport hub, Harrow will be procuring the taxi framework on behalf of a number of boroughs including Brent, Barnet, and Hounslow, with Ealing being named in the procurement notices.

5 Community & Consultation

5.1 Brent has consulted with its service users. The results indicate that users are not concerned with who provides the service, but rather their concern was that the quality of the service be maintained.

6 Performance Issues

- 6.1 The Inter Authority Agreement has a detailed suite of KPIs against which the service will be measured. Service data will be collected by the Contract Manager and reported to Advisory Board, on a quarterly cycle.
- 6.2 This will be used as a part of monitoring the performance of the service and the achievement of pre-set targets and objectives. These targets will include the standard national indicators such as time spent on the buses. Where performance targets for KPI's have not been achieved and reported to the Contract Manager as a part of the agreed monthly reporting cycle, it is the responsibility of the Contract Manager to inform members of the Advisory Board of the situation and agree remedial action.
- 6.3 The Advisory Board will determine the communication process to other stakeholders who need to be made aware of situations when performance has not been achieved and remediation plans are in place.

7 Environmental Implications

- 7.1 Vehicles used in the service have to meet the required emission levels. This requirement is a key aspect of Brent's vehicle strategy as they have an ageing fleet.

8 Risk Management Implications

- 9.1 There is a detailed risk register that underpinned the business case for this shared service.

9 Legal Implications

9.1 The Local Authorities (Goods and Services) Act 1970 (“the 1970 Act”) provides that local authorities may enter into contracts to provide goods and services to public bodies defined as such by the 1970 Act. The proposals in principle would represent a provision of service to Brent which, on the face of it, would be subject to a competitive tender exercise by Brent under the Public Procurement rules. However Regulation 12(7) of the Public Contract Regulations 2015 (“the Regulations”) establishes that where two or more local authorities enter into a contract exclusively, between themselves provided the arrangement fulfils three conditions – then the contract would fall outside the scope of the Regulations; therefore there is no requirement to put the service out to a competitive tender exercise.

9.2 The following conditions must be met in order for both Councils to benefit from regulation 12(7):-

“(7) A contract concluded exclusively between two or more contracting authorities falls outside the scope of this Part where all of the following conditions are fulfilled:—

(a) the contract establishes or implements a co-operation between the participating contracting authorities with the aim of ensuring that public services they have to perform are provided with a view to achieving objectives they have in common;

(b) the implementation of that co-operation is governed solely by considerations relating to the public interest; and

(c) the participating contracting authorities perform on the open market less than 20% of the activities concerned by the co-operation.”

9.3 Both Councils understand that Brent's staff currently providing the passenger transport services will transfer to Harrow pursuant to a Secondment Agreement and will maintain their current terms and conditions. The detail of the effects of any subsequent and permanent TUPE transfer of staff will depend on the precise organisational structure and the employment contracts of those transferring, and will be kept under review. Moreover, post any subsequent TUPE transfer it is possible that redundancies may be necessary from the joint pool of staff. The terms of the proposed IAA will include precise terms governing staffing costs, apportionments and pensions liabilities.

9.4 The joint service will operate under the regime of an Inter Authority Agreement (IAA) (Appendix 1) .This sets out the range of legal and contractual obligations on both parties. The IAA also requires that the SNT Advisory Board :

:

- lead commissioners from Brent and Harrow Councils
- the Service Manager and
- any contract management staff that may be relevant.

9.5 An agreed suite of Key Performance Indicators and service standards. Monthly reports will be provided to Brent and where the KPIs have not been met, Harrow will provide a detailed report and a rectification plan.

10 Financial Implications

- 10.1 The proposal of a shared SNT service with Brent is estimated to generate circa £1.17m over 3 years, of which Harrow's share of the saving is £571k. This assumes that service demand remains at current level. It is anticipated that the majority of the savings will come from the re-procurement of labour supply and taxi contracts. The procurement work is currently underway and the outcome of the process will inform the exact level of savings secured for each Council. Efficiencies will also be sought on staffing, vehicle maintenance, route optimisation and routes sharing to maximise savings for the shared service. The implementation of these will help reduce the costs of running our SNT service which currently experiences a budget pressure of £1m. In addition to this, it should also be noted that a saving of £514k over 2 years is included in 16/17 MTFS for People Directorate (saving reference PC33) in relation to the review of eligibility criteria and demand management. Any savings arising from demand management do not form part of the business case for the shared SNT service, but it is the intention of both councils to explore this as part of the shared service to contribute towards the MTFS saving target.
- 10.2 In addition to savings arising from the shared service, additional income will be generated for the provision of depot space and management support by Harrow. These are set at £172k and £79k per annum respectively and will contribute to the overall income of Community Directorate. There is a total saving target of £1.64m over the 3 year period in 16/17 MTFS for commercialisation projects under Project Phoenix (saving reference CE_12). This additional income will contribute towards achieving this target.

11 Equalities implications / Public Sector Equality Duty

11.1 None

Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

The shared service provides opportunities for economies and scale and therefore enables the use of spare capacity to support business development and reduce costs for the Council.

Section 3 - Statutory Officer Clearance

Name: Jessie Man

on behalf of the
Chief Financial Officer

Date: 8 April 2016

Name: Sarah Inverary

on behalf of the
Monitoring Officer

Date: 21 March 2016

Ward Councillors notified:

**NO, as it impacts on all
Wards**

EqIA carried out:

No

EqIA cleared by:

N/A

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste - Divisional Director –
Commissioning Services venetia.reid-baptiste@harrow.gov.uk 0208
424 2492

Background Papers: None.

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

NOT APPLICABLE

[Call-in applies]