



Cabinet
14 March 2016

**Report from the Strategic Director,
Regeneration and Environment**

Wards affected:

ALL

**Shared Passenger Transport Service with the London
Borough of Harrow**

1.0 Summary

- 1.1 A project was established in 2014 to provide significant savings through a transformational change in the delivery of the council's passenger transport service (BTS). The objective was to deliver £538k savings in BTS in 2015/16 and a further £100k in 2016/17. The projected timeframe for full delivery was in the order of twenty-four months based on a start date of August 2014. The savings were set against the base budget.
- 1.2 At the same time, work by the Children and Young People Department began to get underneath the pattern of demand and the very real difficulties of reducing it within the time frame required. At the root, rising demand and lack of in borough places.
- 1.3 Against this backdrop, officers have sought to bring forward as many savings as quickly as possible by creating a collaborative solution with the London Borough of Harrow which is seeking to establish itself as a regional transport hub.
- 1.4 Both Brent and Harrow have passenger transport services and are responsible for transporting adults and children with particular needs from their homes to specified schools, colleges or day centres. This proposal is for a fully shared passenger transport service, delivered from Harrow's Central Depot and ready for the start of the academic year in September 2016. The proposal is expected to create financial savings for both councils whilst still ensuring a high standard of service is maintained.

2.0 Recommendations

- 2.1 That Cabinet approves Brent Council entering into a shared service arrangement with the London Borough of Harrow for the provision of special needs transport from September 2016.
- 2.2 That Cabinet gives their approval on the basis of the initial savings opportunities that have been identified and authorises officers to work with Harrow over a further period from March to September to establish the maximum savings profile possible.
- 2.3 That Cabinet approves Harrow's lead on the necessary procurement of labour supply and taxi contracts in 2016/17.

3.0 Background

3.1 Brent's Transport Service (BTS)

Brent's largest requirement for passenger transport comes from the provision of home to school transport for children and young people with Special Educational Needs (SEN) who have a statement requiring the provision of a specific type of education, most often at a special school or unit catering for their particular educational need. Where the statement identifies a need for the learner to be transported to and from school, Brent has a statutory duty to provide the required transport.

- 3.2 The other core requirement arises within Community and Wellbeing where adult clients who are either elderly and / or have learning difficulties or physical disabilities are transported from home to day centres or other placements or activities, as defined within their personal care plans. With the move from day centres to other forms of provision, the number of adult clients using BTS will decrease significantly over the next few years.
- 3.3 In addition there are a number of ad-hoc transport requirements across the council for transport of vulnerable children, adult clients, foster parents, carers etc. in a variety of circumstances ranging from supervised parental visits, court appearances and emergency transport of children at risk.
- 3.4 The service generally receives strong feedback from service users. Most of the suggested areas for improvement are around continuing to strive for consistency around drivers and escorts, and the need to improve the standard of the vehicles. The importance of good driver and escort training has also been stressed.
- 3.5 The service faces significant financial challenges going forward as the number of SEN transport users is increasing each year and the vehicle fleet is ageing with no replacement budget.
- 3.6 **Vehicles**
BTS's vehicle fleet is old (85% of buses are over eight years old - normal working life expectancy is seven years), and urgently needs replacing.
- 3.7 **Demand**

One of the key drivers of increased costs for BTS is the ongoing increase in the number of children and young people using the service, and the need for some of them to be transported long distances to schools that meet their needs.

3.8 The increase in the overall numbers of children with special educational needs (SEN) and the numbers that need BTS transport is due to a combination of factors:

- population increases
- migration
- the robustness with which new applications for statements / Educational Health and Care Plans (EHCPs) are assessed
- legacy of statements already issued / placements already arranged

3.9 **Population increases**

There has been a substantial increase in the number of births in the borough, which has contributed to the Brent School-age population increasing by nearly 10% in the last 5 years. The need for specialist support services increases roughly in line with this.

3.10 **Migration**

In addition to predictable population growth, Brent also receives unpredictable inward migration of children with SEN. From October 2013, to January 2015, 22 young people moved into the borough with a special educational need. These numbers are not large, but they have a disproportionate impact as they are difficult to plan for. Pupils with significant SEN who are new arrivals to the borough often end up in expensive independent placements, and may remain there for several years until they reach a suitable transition point.

3.11 **The robustness of assessing applications for EHCPs**

Across London, an average of 3.8% of school-age children have a statement of special educational need or an EHCP. In Brent, as of January 2015, there were 1,655 children with statements and EHCPs, which equates to 3.8% of the Brent school-age population – in-line with the London average.

3.12 This has been gradually improving since 2011, when 4.2% of the school population had a statement; which demonstrates the gradual positive impact of the more robust assessment and review processes that have been put in place within the last four years.

3.13 **Legacy**

Significant improvements have been made in the last 3/4 years in both the amount and type of SEN provision within the borough, and the systems in place for assessing and reviewing statements. The impact of this on the overall SEN population is gradual, as once placed in a school, it is often not possible to transfer them to a new in-borough provision until a suitable transition point (i.e. 11+, or post-16). As a result, there are still roughly 150 students with SEN attending independent schools.

3.14 In addition to the 150 children at independent schools, there are an additional 270 students travelling to academies or other schools outside of the borough, making a total of 420 students attending independent and out of borough schools.

3.15 **Measures to reduce demand**

In order to reduce future demand, the following measures are being put in place. It must be noted that with population increases and to a lesser extent migration, this may be more about reducing the rate of increase, rather than actually reducing demand.

- an Independent Travel Assessor is being recruited to meet with families face to face and assess the travel needs and abilities of the child and whether being transported in a BTS bus or BTS-funded taxi is the best approach for the child
- there will be a stronger focus on increasing travel training
- the policy on transport is being revised
- there will be an increase in the number of in borough school places for SEN children
- there will be an increase the amount of travel training

3.16 **The views of service users**

Consultation has taken place with service users on the current service and potential future options. Paper surveys were sent to all families whose children use BTS. Families were also given the opportunity to attend one of four focus group sessions. Paper surveys were sent to Adult Social Care (ASC) users and they were given the opportunity to speak to a council officer if they wanted to learn more or give further opinions.

3.17 There were 150 responses to the survey from families whose children use the service. The survey showed high satisfaction with the current service. In regard to possible future delivery options, the following responses were given:

Option	Very Happy or Happy (%)	Neither Happy nor unhappy (%)	Unhappy or very unhappy (%)
a. Use a different organisation to run the service	21	39	32
b. Run the service in partnership with another organisation	28	44	18
c. Provide more support to help young people to learn how to travel independently (this is not instead of option a or b)	48	25	15

- 3.18 The focus group sessions looked at the issues in more detail. They confirmed a high degree of satisfaction with the current service, with some areas for improvement and stressed the importance of consistency with drivers and escorts. In regard to future options for the service, participants did not seem concerned about how transport was provided (i.e. shared service, run by another organisation) as long as service and service quality were maintained.
- 3.19 There were 47 responses to the ASC survey. Again, satisfaction with the current service was high. Concern was shown about possible changes to the service. This may be because the ASC users have been using the service for a longer period of time. With the move to alternative forms of provision for some day centre users, ASC's need for BTS will reduce significantly over the next years irrespective of the nature of the service.

Option	Very Happy or Happy (%)	Neither Happy nor unhappy (%)	Unhappy or very unhappy (%)
a. Use a different organisation to run the service	16	25	59
b. Run the service in partnership with another organisation	18	39	43
c. Provide more support to help young people to learn how to travel independently (this is not instead of option a or b)	45	32	23

4.0 The Way Forward

- 4.1 The financial pressure impacting on all councils has created the need to explore avenues for reducing the cost of service delivery. The West London Alliance (WLA) has identified passenger transport services as a key area of expenditure where collaboration across councils can support cost reduction objectives.
- 4.2 Both Harrow and Brent councils have a statutory duty to provide transport assistance to eligible children who access education and college placements. As described, eligible children are those that have physical and emotional needs that make the use of personal or public transport inappropriate.
- 4.3 The approach to this work has seen both councils:
- Establish current baselines including operating costs and clients
 - Determine current pressures
 - Ascertain key opportunities
 - Agree possible governance arrangements
 - Agree possible staff secondment arrangements

- Determine business development and growth
- Consider issues relating to demand management that would be required of the commissioning officers.

4.4 The Harrow team has spent a number of days at the Brent SEN office and there have been joint meetings involving directors, finance and procurement and operational staff from both councils. A business case has been developed that represents the position discussed between both councils.

4.5 **Options explored**

The option of a private company or social enterprise running the service was explored. Soft market testing took the form of meetings with some of the larger companies in the sector and a suppliers' open day. There was an appetite for running the whole service or parts of it. Figures of up to £1m were suggested by the companies as potential savings. However, it is difficult to establish how likely this is and earlier work by expert consultancies also gave rise to concerns over the achievability of that level of saving. The results of the consultation with service users also showed that using a private organisation to run BTS was a least favoured option.

4.6 A second option was to maintain a directly run service that continues to be managed and operated by Brent staff. It is likely that a very concerted approach to directly driving through further operational efficiencies may create new savings. Nevertheless, a fundamental and ongoing prerequisite of this would be the need to lease a depot to serve an in-house operation. The current depot lease is due to expire in March 2017 and there is a risk that the landlord would not seek to renew the lease and make use of the site for other business interests. That would leave Brent without a depot and/or having to meet increased and inflated accommodation costs.

4.7 By way of a third option, other London local authorities were approached about a possible shared transport service. Harrow showed the most interest. A very local collaboration with Harrow clearly makes good sense. Any savings that an in-house service could deliver are likely to be less than those offered by a shared service whereby economies of scale are certain to underpin larger, more sustained and longer-term savings. Officers therefore worked with Harrow to develop a firm and final proposal.

4.8 Options 1 and 2 were discounted as this would realise less savings for Brent as the council would still need to provide a depot facility and there would be no opportunity for shared route arrangements.

4.9 Consequently, it is now recommended that Harrow and Brent develop a fully shared SEN Transport service which requires the secondment of Brent staff to Harrow.

5.0 **The Benefits and Opportunities**

- 5.1 Brent and Harrow, like many other councils face significant financial challenges over the medium term. The scale of the challenges is such that traditional “salami slicing” of budgets is no longer sufficient to solve the issues. Both councils are committed to protecting services to vulnerable residents and consequently innovative solutions must be found to meet financial challenges while supporting those that are most in need. Shared service arrangements between Brent and Harrow have worked successfully with the merged Trading Standards, Procurement, and the Mortuary service delivered by Brent yielding significant savings to both councils.
- 5.2 This merger of SEN transport services presents a business 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, route sharing and rationalisation and systems and processes. It also provides the opportunity for better utilisation of Harrow’s premises to reduce the operational costs of the combined service.
- 5.3 This merger will deliver cost reduction in the following areas:
- Premises
 - Route sharing and route reduction and the related front line operational costs
 - Vehicles – greater economies of scale with vehicle contractor and reduced running costs
 - Systems and processes
 - Contractual arrangements – (the current BTS taxi contract and the labour supply contract expires this year and must be renewed) and provides opportunities for better contractual terms given the larger value contracts
 - Business development and growth including hiring out spare capacity and further collaborations.
- 5.4 In addition to the operational and contractual efficiencies, 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.
- 5.5 The overarching proposal is that the SEN transport 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.
- 5.6 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:

- A Secondment Agreement that governs the staffing arrangements
- Change control mechanisms that govern how increases in activities are agreed, costed and financed
- Performance review meetings that govern 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.

5.7 **Staffing**

The required posts will be covered by Harrow's current team as well as the seconded staff from the Brent team. Although a more integrated and reduced management team might have created further savings, this proposed secondment option does provide qualitative benefits:

- Route shares and optimisation - easier and seamless with staff who have little or no learning curve.
- Reduction in costs with combined routes for front line staff , in particular where agency or supply contracts are in place
- Additional capacity to spot check routes/contractors and to offer that monitoring option to the wider taxi service
- Information sharing on poor contractors
- Reduce duplication
- Increase purchasing benefits on all supplies and services
- Shared training opportunities that will reduce costs
- Shared IT options

Any staff savings will initially come from the reduced 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. The proposals around route sharing and route reduction/efficiency will be developed further. These will yield savings on both vehicles and staff and will be fully quantified during implementation.

The personnel management function that is currently outsourced and which is due to be re-procured this year would be subject to a Harrow-led joint procurement exercise.

5.8 **Premises**

Harrow is able to offer parking facilities for the Brent vehicles at their Central Depot with any overflow at the Old Driving Centre at their Leisure Centre complex. This provides Brent with a £100k per annum saving on current depot costs. Brent will also make additional savings from the closure of its workshop as that service will not be required.

5.9 **Vehicles**

There are a number of options for the provision of Brent's vehicles and these will be finalised as part of the implementation process.

5.10 Given the age of Brent's vehicles (most are over 12 years old) and the fact that these are capitalised assets for the council, the options that have been investigated are:

- Brent to dispose of its current 86 vehicles. The age of these vehicles mean that in 2017 they will be at the borderline stage re emission levels that qualify for vehicles sold in Europe. Therefore in 2 years these vehicles will have very minimal resale value. Disposal now yields higher capital to Brent and leaves Brent with the option of :
- Joining Harrow's leasing contract for the provision of vehicles. This would mean higher revenue costs but no capital outlay.
- Purchasing new vehicles and having these maintained by Harrow's contractor. This means significantly reduced revenue costs as new vehicles will have a 3 years' maintenance warranty. There would be a higher capital outlay as a consequence, but this option maximises revenue savings.
- Brent keeps its current vehicles and these would be maintained by Harrow's maintenance contractor under a variation to Harrow's current contract.

5.11 Regardless of the option chosen, the maintenance of Brent's vehicles will be done under Harrow's contract and will form part of the re-procurement of Harrow's contract in 2017/18.

5.12 **Contractual Arrangements**

A joint re-procurement of Brent's current personnel/labour supply contract is expected to yield further opportunities for financial savings this year. The contract will cover both councils and this merged spending power will create economies of scale as well as reduced usage where route sharing will lead to a lower requirement from the supply contract. This procurement would begin after approval from Brent's Cabinet of a shared service and would be led by Harrow.

5.13 It is proposed that all the taxi and ad hoc hire contracts be re-negotiated/re-tendered this year. The taxi framework will be procured by Harrow for 5 boroughs: Harrow, Brent, Hounslow, Barnet and Ealing. This gives greater purchasing power greater and further improves the savings potential. The final savings will be known by June 2016 but a 15% estimate has been included in the business plan.

5.14 **Business Development**

The merged service will have spare capacity to facilitate a growth in external income. Harrow's Commissioning Service incorporates a Business and Commercial team with sales and marketing experience. This team will embark on the proactive marketing of the product and service that will be offered. This will include a comprehensive and competitive pricing strategy so that the shared service becomes the provider of choice for schools, charities, and other groups.

5.15 **Demand Management**

Future policy direction and commissioning actions of the Education/Children and Adults departments in both councils will influence the level of savings or cost pressures in the shared service. Although the joint 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

Investigation shows that the average saving per passenger that can travel independently is circa £6k. The shared service would wish to make use of a dedicated independent travel trainer.

5.16 **Management arrangements – based on the secondment model**

A secondment arrangement does not immediately provide the benefit of full back office and management cost reduction. However, it does facilitate a speedier transition and does create many qualitative benefits, particularly around consistency of service delivery and continuity for existing passengers. This option requires Harrow Council to provide management capacity and support to the joint service. Harrow has an in-house expert team providing contracts management and support on the procurement and management of contracts for taxi, personnel and IT software. This will include on-going contract monitoring and any contractual negotiations required to maximise benefits and values to the joint service. There will be an annual management fee covering staff management and contract management. This has been included in the financial forecasts on the basis of 3% of Brent's staff costs and 2% of Brent's annual contract values. It is anticipated this can be waived if a permanent transfer of staff can happen at a later and mutually agreeable date.

5.17 **Other Considerations**

Clearly, a shared service will build on the previously received views of service users and will ensure a high quality service is maintained, vehicles are maintained in good condition and there is consistency around drivers and escorts. The timetable for implementation is to decide in March on a shared service so that mobilisation can start from April and a fully operational collaboration can begin from the start of the school term in September 2016.

- 5.18 It is clearly vital that, in order to ensure any concerns are fully addressed, the transition to a shared service is properly and sensitively communicated to all service users and to the staff affected. Officers give an absolute commitment to ensuring this is done in a way that avoids confusion and any uncertainty.

6.0 Financial Implications

- 6.1 The three year financial plan assumes shows a combined cost reduction of £1.13m as follows:

2016/17	£642k
2017/18	£427k
2018/19	£31k

The savings are split 50/50 between Harrow and Brent unless stated otherwise. The table at Appendix A summarises the saving that each Council will get in each financial year.

- 6.2 The current average cost per passenger for Harrow and Brent is £6k and £6.6k respectively. Assuming service demand remains the same over the next three years, the continuous cost efficiency of the joint service over time will result in a reduction in the average cost per passenger for Harrow and Brent of 6% and 15% respectively in 2018/19.
- 6.3 The current average cost per route for both Harrow and Brent is around £29k. An overall reduction in average cost of 11% will be achieved in 2018/19. The table below summarises the average costs over the next three years.

	<u>Harrow</u>	<u>Brent</u>	<u>Joint Service (HB SNT)</u>		
	2015/16	2015/16	2016/17	2017/18	2018/19
Forecast costs	4,967,000	5,600,000	9,925,000	9,468,000	9,437,000
Average cost per passenger	5,977	6,604	5,911	5,639	5,621
Average cost per route	28,546	28,718	26,897	25,659	25,575

- 6.4 Each Council will meet the cost for change where that change results in an incremental increase to variable costs. Each additional passenger will attract the average cost per passenger in the first instance. This will be adjusted (up or down) depending on the complexity or otherwise of the passenger's needs as this determines the mode of travel.
- 6.5 Each reduction in passengers will generate a cost reduction of the average cost per passenger of circa £6k adjusted for any element of cost that might still be attributable.

7.0 Legal Implications

- 7.1 Recommendation 2.1 proposes the delivery of a shared passenger transport service, hosted and managed by the London Borough of Harrow ("Harrow") on

behalf of Brent for the reasons cited within the body of this report. 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.

- 7.2 The proposals submitted by Harrow, if approved in principle would represent a provision of service to Brent which, on the face of it, would be subject to 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 2 or more local authorities concludes a contract, exclusively, between themselves provided the deal fulfils 3 conditions – then the contract would fall outside the scope of the Regulations; therefore no requirement to put the service out to competitive tender exercise. 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.”*

- 7.3 Brent must be mindful that should the shared proposal be approved and implemented, the proposal relies on growth and offering further shared services to other authorities and/or schools – therefore it is imperative that to continue to receive the benefit of regulation 12(7) the performance of the shared transport service must not exceed more than 20% on the open market (taking into account costs of supplying the service and/or annual turnover are some of the indicators used to determine market share under the Regulations).

- 7.4 The estimated value of the provision of the passenger transport services to Brent is likely to be deemed a High Value Contract under Contract Standing Orders (“CSO”). In view of the value of this proposed arrangement, Cabinet approval is required to enter into any partnership arrangement in accordance with CSO 87. Brent will need to enter into an inter-authority agreement (“IAA”) with Harrow setting out both parties’ respective duties, liabilities, costs and savings apportionment etc. in relation to the provision of a passenger transport service.

7.5 With regard to the proposal to establish a shared Special Needs Transport Service with Harrow, there are a number of models of shared service and officers have determined that a hosted service led and managed by one partner authority is preferable in these circumstances. The proposal suggests that a joint Strategic Board/Advisory Board comprising of officers of both authorities is created to monitor and oversee the provision of services. The proposed IAA does not refer to any possible formal delegation of Brent's functions to Harrow therefore the strategic/advisory board will be akin to a working group with no power to make decisions on the strategic direction of the shared service – all decisions affecting the service would be subject to scrutiny by each council's Cabinet/Executive.

7.6 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.

8.0 Diversity Implications

8.1 Please see Appendix B for the full equality impact assessment.

8.2 Current users of BTS are likely to have a learning or physical disability and be elderly or young. Any changes to the current service will have an impact on them. The current service is not being withdrawn. It will stay, but as a service run in partnership with Harrow. From the users' side, not all the changes that come with a shared service will be noticeable. What may noticeable is the bus, the driver and the escort and any variation in pick up and drop off times or other occupants on the bus. Routes will be looked at, so there may be more of a change for some users than others in regard to the above. Some users may find any initial change in driver, for example, unsettling for a while. Once the new service is underway, every effort will be made to ensure consistency in drivers and escorts, so users will hopefully soon become accustomed to the new service. The change should not be very noticeable because Harrow and Brent already share some routes, some Brent back office employees will still be in place as will the current drivers and escorts.

9.0 Staffing/Accommodation Implications

9.1 Harrow propose a process whereby Brent staff will be seconded to Harrow and be based at Harrow in the first instance, pending a possible formal TUPE transfer at a later and mutually agreeable date. Moving to a permanent merged team is likely to mean a reduction in overall staff headcount and therefore possibly some redundancies at a later date.

9.2 The shared service proposal from Harrow proposes using Harrow's depot to base the Brent fleet, so that Brent can move out of the current East Lane Depot and release savings. However, the lease on the East Lane Depot allows the Council to break the lease on or after the 29 September 2016 on at least six month's written notice, so the earliest exit date would be spring 2017. Unless the landlord is willing for the council to leave earlier, savings could not be realised on accommodation until spring 2017.

Background Papers

- Appendix A – Allocation of Savings
- Appendix B - Equalities Assessment

Contact Officers:

Chris Whyte, Operational Director, Environmental Services

LORRAINE LANGHAM

Strategic Director, Regeneration and Environment