Committee: Financial Monitoring Task Group

Date: 10 November 2016

Wards: ALL

Subject: Transport Services

Lead officer: Cormac Stokes, Assistant Director Street Scene and Waste

Lead member:

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Recommendations:

A. That the Task Group discuss and comment on the contents of the report

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. In November 2015 a report was brought to the Financial Monitoring Task Group (FMTG) providing an overview of the services and functions provided by the Merton Transport Services. The report included data setting out the range and level of activities and an overview of the financial position of the service.

1.2. At the time of the report there was a projected outturn overspend of approximately £650K that required further work to understand better and the Task Group requested a report be brought back setting out findings and progress in resolving the pressures.

1.3. This report provides an update on the financial position of the service and progress made with respect to addressing identified issues.

2 DETAILS

2.1. Following the meeting of the FMTG in November 2015 a report was taken to the Corporate Management Team that set out proposed amendments to the existing costing and charging model for transport services to align more accurately to budget and spend across departments. As a result of this review the budget for the bus provision was right-sized. However, significant concerns remained with respect to the increase in volume and costs of the taxi contract despite service led initiatives to reduce the number and percentage of children and adults receiving transport and efforts by the provider to deliver a cost effective offer through rationalising routes.

2.2. The review also identified possible options for further cost reductions. The following set of priorities was agreed:

- To continue to proactively demand manage access to transport
- To continue to promote “cheapest options” and in that context to:
    - Maximise alternatives as first priority
    - To utilise buses in preference to taxis

    - To manage taxi supply and costs more robustly
- To continue to seek efficiencies in the in-house transport provision
- To carry out more in-depth work on taxi cabs (including the rising costs post new contract commission and to establish more robust financial monitoring and information exchange to inform budget forecasting)
- To ensure the implications of Phase C are understood.

2.3. Since November 2015, CSF and C&H have worked with E&R through a Transport Review Board chaired by the Directors of each department. This board has focused on developing solutions to rectify the identified weaknesses and to design the council's future operating model with respect to the provision of transport services.

2.4. A key matter agreed by CMT is that the taxi commissioning and client management function be relocated to CSF in order to place the responsibility for organising transport alongside the budget responsibility.

3 INITIAL REVIEW AND PROGRESS

3.1. Merton Transport Services procure, manage, control and maintain the council's fleet for a wide number of internal customers including Streetscene and Waste, Parking, Enforcement, Bailiffs, Parks and Leisure and the in-house passenger transport service. The section also provides passenger transport services either through commissioned taxi providers or the council's own in-house passenger transport service (bus provision).

3.2. Upon review of the passenger transport commissioning process it was determined that the existing taxi framework, commissioned in partnership with Sutton, Kingston and Richmond, did not fully enable decisions to be made based on knowledge of relative or absolute costs. An 'as is' process mapping exercise identified that the framework is followed accurately: services are commissioned and prices and standards are checked in accordance with agreed protocols. However, it also highlighted that the current arrangements do not offer best value for money and that two key providers have been lost due to poor quality submissions against the criteria. The 'as is' maps for taxi commissioning also demonstrated that whilst the process was robust but lengthy it had some duplication built in and needed exploration of more cost efficient arrangements. In addition the re-commissioning of taxis using the Sutton framework revealed market conditions which identified both a limited number of providers, most of whom were not locally based, and an increase in charge rates resulting in a rise in costs as a likely result of providers mainly being located outside of Merton.

3.3. Such system issues needed to be addressed as a matter of urgency alongside the design of future arrangements and structures to ensure the perceived weaknesses were not taken into the emerging "to be" arrangements.

3.4. Merton Transport Services assess taxi providers against criteria with necessary safeguarding checks set by CSF and C&H. Given the nature of the clients served, these checks are important but it was agreed there was an element of duplication in the process which might be causing providers not to come onto the framework, again causing a contracted market with an absence of genuine competition. There was therefore an urgent need to stimulate the supplier market to enable a competitive local process for bidding for work.

4 DEMAND ANALYSIS AND MANAGEMENT:

4.1. Demand analysis was carried out to ascertain the service needs of the future and it is clear that C&YP demographic increases are more than outstripping efforts to continue to robustly apply eligibility thresholds and provide cost effective alternative arrangements arrangements such as Direct Payments, independent travel training, provision of parental Oyster Cards etc. Over the last year these initiatives have achieved the following:

- 33 takers of Direct Payments has saved £247k recurrent;
- 35 YP have been trained in independent travel from April 2014 to date 2015/16 saving an ongoing £258k over the 2 years with an additional potential saving of £74k for young people currently receiving training;
- 38 service requests were refused during 2015/16, this is a significant increase on previous years, this may reflect demographic increases in potential service users but also suggests the access threshold is being robustly applied.

4.2. There are a number of 'works in progress' by the operational staff which have been developed following internal reviews and visits to LAs who have achieved significant savings in this area including Barking and Dagenham and Haringey. As a result we are exploring a pilot of 'pick up points'. Our learning from other LAs is that this only works for carefully selected YP and with support from their school. We are currently working with Cricket Green School to pilot this approach.

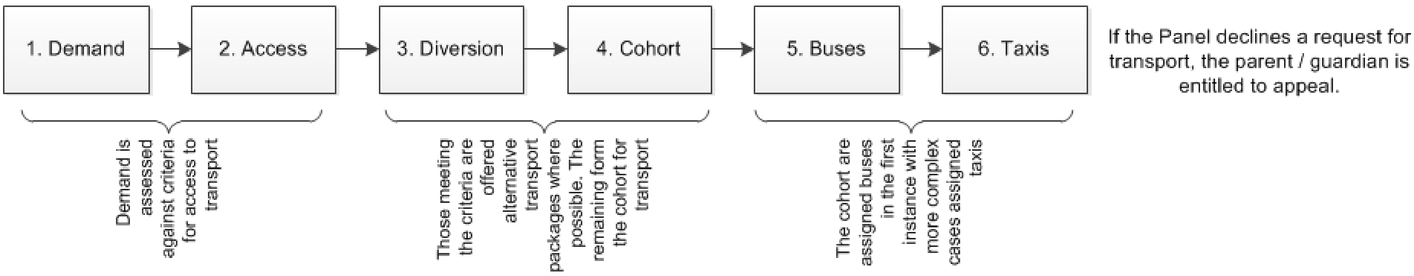
4.3. Having tested our policy against a number of local authorities there are two areas where we could tighten policy but we would need to maintain a discretionary offer; this would relate to under 5's and over 16's. The cost benefit analysis is currently being undertaken, but as there are only 3 children under 5 who fall into this category, this will not be a significant saving. In relation to over 16's many have already moved to independent travel and so there again is a higher proportion of highest needs children in this cohort for whom a discretionary offer would apply. 55 young people over 16 are still using transport with the majority attending specialist provision.

4.4. In this challenging context we have also identified cohorts of children to establish the cost benefit of transferring them from taxi routes to smaller buses managed by MTS. This work is on-going as it would require changes in the current fleet but could deliver savings in the medium term. It is proposed to run a pilot scheme in the new school year to prove viability of this approach.

4.5. In ASC work has been undertaken focusing on eligibility for and allocation of transport (including taxis). The 'as is' process mapping demonstrated that current processes are sound and Merton Transport Services have shown increased flexibility in placing clients on buses where possible rather than using taxis, which has been helpful. ASC staff have an advantage over CSF in that firstly the service use far fewer taxis and secondly, ASC staff in Direct

Provision have been collecting clients from home and taking them to their day activities as an alternative to using taxis, an option which is not open to CSF. General use of transport including taxis is reviewed on a monthly basis and this has continued alongside the improvements being made by the Transport Review, which the team anticipate benefits from.

4.6. Through all this work, it has become increasingly apparent that the new structure cannot completely separate the commissioning of buses and taxis as they are two services providing provision to a common cohort and our need is to secure the cheapest method of transport for each child. A lack of provision in the cheapest available transport, buses, generates demand in the other and therefore increasing the utilisation of buses and a more flexible fleet will be key to reducing costs.



5 PHASE C IMPACT

5.1.1 It is anticipated that Phase C will have no direct impact on taxi commissioning but could impact marginally on the bus maintenance recharges to CSF and C&H. The council will client the Phase C contractor (expected to be Veolia) in their delivery of fleet maintenance work. This will need to be undertaken by suitably qualified staff. The repair and maintenance of the retained MTS fleet will be carried out by the new Phase C contractor. This may result in a cost increase or more likely a decrease in the SLA core route charges for in-house buses. Until the cost options are finalised, figures cannot be confirmed. Once known, the Service Finance Managers will work with the departments to allocate appropriate budgets by removing the budget from MRCS and allocating to other departments including CSF. Further, Transport Commissioning are exploring with Sutton Council the possibility of hosting their transport management function and any economies of scale achieved by this partnership will be reflected in the vehicle SLA and therefore may provide a cost reduction to the in-house bus service SLA.

6 REVIEW OF EXISTING TAXI FRAMEWORK

6.1. Another work stream has focused on procurement of taxis and better bus / taxi planning (this work is detailed in section 4.3) but this was essential to addressing the poor value for money of the current framework.

6.2. A detailed review of current costs has been undertaken and it has been established that costs have increased significantly over the previous 12 months due to changes in circumstances and the establishment of the new framework in September 2015. The increase is circa £20,000 per month. Total costs will soon rise to £250,000 per month (although part of the ‘as is’ process is to monitor costs and re-commission as appropriate). As noted above data is kept in multiple spreadsheets which required manual analysis. In order to address immediately the pressures arising from the new framework the Transport Review Board developed a 'select list' of suppliers in addition to the current framework. Seven providers were approached of whom three applied. This indicates that Merton is not an attractive client to the supply market and significant work will have to be carried out in attracting new providers of these services. Of the three that applied only one met the safeguarding requirements of the council, which is indicative of a significant weakness in the limited supply market, particularly with regards to Safeguarding Standards. Training has been provided to two suppliers on safeguarding and the select list was reopened in August and the providers who have received training have subsequently been selected. Their inclusion is expected to put downward pressure on quotation prices in the short term.

6.3. The existing framework is a closed framework offering limited scope for developing the supply chain to deliver improved competition and value for money. An alternative approach, using a dynamic purchasing system has been explored and is currently being implemented (see below).

6.4. Following approval by the Procurement Board on 21 June 2016 the council has procured a provider of a Dynamic Purchasing System (DPS) and is preparing to terminate the council's engagement with the current Sutton framework. A DPS is a 'live' framework which companies can apply to join at any time over its proposed term, subject to satisfying Council standards. The successful companies are then invited to quote for requirements as they arise. The DPS benefits include new entrants to the market being able to apply at any stage and continuing price pressure through a quotation process. The expectation is that the implementation of a DPS framework will initially reduce costs by circa 10-15% per annum. The DPS provider "ADAM" has been procured due to a range of perceived benefits of their approach:

- The company has a track record in developing market engagement and encouraging suppliers to bid. In the light of our experience with the 'select list' this is crucial to achieving significant cost reduction.
- Their system allows providers to revise their price a fixed number of times which will drive down costs.
- The system is totally automated and will; provide improved management information on provider performance, reduce manual handling of data and the current issues with multiple interactions and hand-offs.
- Over time (i.e. after we have suppressed costs) we will be able to switch from a purely price based approach to a mixture of supplier performance and price.
- Suppliers are able to manage their own records and documents online thus easing some of the administration burden on the transport commissioning team.

7 ADDITIONAL OPPORTUNITIES

7.1.1 The commissioning and clienting of the taxis and buses is currently held almost completely within E&R as the "provider" organisation. Work to date has established that the commissioning and ongoing clienting of taxis cannot be completely divorced from commissioning and ongoing clienting of buses and that robust governance arrangements will need to provide reassurance that the opportunity of cheaper bus provision has been exhausted before taxis are commissioned.

7.2. The Transport Review Board is currently reviewing the options to move the client and commissioning functions to CSF where budget responsibility sits. It is envisaged that the review will be completed and implemented by April 2017, coinciding with changes occurring as a result of Phase C.

7.3. In response to many of the issues identified above, progress has also been made in respect of the following:

7.3.1 A business case was approved by the Technical Design Authority to purchase an 'add-on' to activate route software in the existing system to enable existing routes to be optimised. The 'add on' has been purchased and data is being migrated into the system ready for analysis.

7.3.2 The working group have designed a 'pick up points' pilot which aims to increase bus utilisation by no longer collecting passengers from their homes and using buses to collect and drop-off at specific points. Findings from other LAs will be shared with the Transport Review Board to inform how to implement the pilot.

7.3.3 An approach to bring the service in-house and run our own smaller vehicles was scoped. This is challenging as there are legal restrictions on how these vehicles are used without the function needing to become licenced as a taxi provider. Work is continuing to understand whether this is feasible and cost effective; a pilot will be run in the new school year.

7.3.4 The Transport policies of other local authorities were examined and used by CSF to revise the LBM policy and ensure the criteria for access to transport was suitably robust.

7.3.5 The taxi commissioning team are continuing to deliver shared service options with neighbouring authorities to jointly commission routes where this can offer savings.

8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1. Financial information is contained with attached templates.