
OPERATIONAL TRANSPORT REVIEW

**Responsible Cabinet Members - Councillor Bryan Thistlethwaite,
Adult Services Portfolio
Councillor Chris McEwan,
Children and Young People Portfolio**

**Responsible Directors – Cliff Brown, Director of Community Services
Murray Rose, Director of Children’s Services**

Purpose of Report

1. To provide Members with details of the Phase 1 Operational Transport Review and to seek agreement to implement the outcome of the review and to seek agreement to waive the Council’s contract procedure rules to enable a partnership to be entered into with a suitably qualified and experienced company.

Background

2. The Council engaged the services of a consultant through its current framework agreement to carry out a review of operational transport in June 2007 with a view to providing financial efficiencies in coming years. The scope of the review covers the Council’s own fleet, maintenance and purchasing requirements, Ring-a-Ride and transport procured by Children’s Services and Adults Services. The review is not about the Council’s policies with regard to transport or the Local Transport Plan although any recommendations and actions implemented will need to dovetail in with those policies.
3. The outcome of the review highlighted a number of key issues which need to be addressed including but not exclusive to:-
 - (a) Improving operational efficiency of services on the ground.
 - (b) Improving procurement arrangements.
 - (c) Creating a centralised Transport Unit for Darlington with responsibility for all operational transport requirements whether fleet or passenger transport.
 - (d) Create and publish an effective operational Transport Policy for Darlington Borough Council incorporating an agreed eligibility criteria and service standards.
 - (e) Establish new Council-wide governance arrangements to oversee the necessary transformation of transport services including the formation of a Transport Review Board.

4. The initial review identified the opportunity for gross maximum financial savings of £638,000 per year following a period of transformational change.

Information and Analysis

5. Following the initial review consideration was given to how the recommendations could be carried forward.
6. It was clear that there was not the internal capacity or expertise to be able to deliver the level of savings identified. There were therefore two options – to recruit staff to carry out the work or procure a partner to take the recommendations forward.
7. It would take time to recruit and employ the right calibre of individuals to deliver the outcomes of the report and there would be no guarantee of being able to attract the right individual or deliver the savings identified. It was therefore believed that the most appropriate course of action was to go out to the market through one of the frameworks in place to procure a partner to deliver the outcomes of the Review.
8. One of the key criteria of any partnership would be to deliver the financial efficiencies. Within the specification contractors were asked to consider putting their fees at risk should they not be able to deliver the savings identified.
9. While the Council was going through a procurement exercise, the consultants were engaged to continue to take the project forward, in line with the Council’s procurement procedures.
10. The DOH had established a framework, advertising through OJEU, specifically to enable Council’s to draw upon this framework to appoint firms with a view to bringing about improvements to social care for Children and Adults. The general specification of the DOH framework is “to provide support on analysing, preparing and implementing solutions related to local authorities social services strategies for all areas of their business. This will include all aspects of human resources, performance management, and commissioning services.”
11. A specification and tender documentation was sent out to seven companies on the DOH framework.
12. Tenders were to be returned by 5pm on Friday 31 August 2007. Of the seven companies contacted, four declined to submit a proposal; of the remaining three only one returned a submission.
13. This company has met the required criteria as set out in the specification and has the technical and professional expertise to enter into a partnership with the Council.

14. The company have worked with a number of local authorities recently on delivering transformational transport services. Two references have been taken up with extremely positive comments on their ability to deliver the contractual improvements.
15. The project will be overseen by a Strategic Board and managed through an Operational Board. The Strategic Board will comprise of:-
 - (a) Cabinet Member for Children's Services
 - (b) Cabinet Member for Adult Services
 - (c) Director of Community Services
 - (d) Director of Children's Services
 - (e) Assistant Director – Finance and IT, Community Services
 - (f) Assistant Chief Executive
 - (g) Assistant Director – Environmental Services, Community Services
 - (h) Assistant Director – Planning and Resources, Children's Services
 - (i) Representative from the successful partner

The role of the Strategic Board will set the overall direction for the partnership ensuring it delivers required outcomes.

16. The Operational Board will manage the service improvement plan, monitor progress towards the overall strategic objectives and financial savings.

Financial Implications

17. The successful tender proposes savings over a 30 month period with a guaranteed gross saving of £1,397,000. From this the consultancy fees of £835,500 plus the £73,000 already spent need to be deducted. The net savings figure is therefore guaranteed at £488,500 in the same period.
18. As the savings will continue after the consultants have left the authority in 30 months time, the projections have been calculated to fit with the MTFP currently being prepared up to 2011/12.
19. Members will also note from the projections overleaf that the transport savings that have already been highlighted in the current years MTFP have been deducted from the overall saving figure so as not to double count. These savings are for Adult Social Services and Street Scene. The savings in Adult Social Services were highlighted last year as potential efficiencies in 2007/08 but were deferred pending this review and the Street Scene savings had already been included in the significant overall savings from the Leading Edge project.
20. Table 1 shows the guaranteed net financial improvement identified by the consultants to 2011/12 over and above MTFP savings already identified of £1,036,000.

Table 1 – Showing Guaranteed Improvements

	01/10/07 - 31/03/08	2008/09	2009/10	2010/11	2011/12	Total
	£	£	£	£	£	£
Guaranteed financial improvements	213,000	403,000	638,000	638,750	638,750	2,531,500
Plus cumulative guaranteed savings	0	0	143,000	0	0	143,000
Kendric Ash transformation charges	167,100	334,200	334,200	0	0	835,500
Management structure	0	0	0	100,000	100,000	200,000
Consultancy fees to date	73,000	0	0	0	0	73,000
Net Financial Improvements	(27,100)	68,800	446,800	538,750	538,750	1,566,000
Already identified as savings in the MTFP;						
Adult Social Care	70,000	70,000	70,000	70,000	70,000	350,000
Street Scene	0	30,000	50,000	50,000	50,000	180,000
Savings/(Deficit) in the MTFP	(97,100)	(31,200)	326,800	418,750	418,750	1,036,000

21. The fees associated with the partnership equates to £835,500 but as requested in the specification these fees are 100% at risk subject to both parties complying with contractual agreement and timescales within the contract. This arrangement is based on the principle that should the company fail to deliver the identified contractual financial improvements of £1,397,000, the Council will receive a rebate based on pound for pound up to the value of their fees for each period. There is no requirement for the Council to change any policy to achieve the financial improvements.

Legal Implications

22. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. The Council's Contract Procedure Rules allow an existing consortium such as the DOH framework to be used. The DOH framework has complied with European procurement rules. However, the Council's Contract Procedure Rules require that where only one tender returns a bid the Council must re-invite tenders. In this situation as an existing framework is being used, there is no merit in re-inviting tenders from those who have already declined to submit a tender. The alternative would be to significantly delay the project by putting the whole tender out to the open market, which would require a separate OJEU advertisement. The alternative is to waive standing orders and to accept the tender that has been received which enables the Council to proceed with the project without further delaying the savings involved.

Section 17 of the Crime and Disorder Act 1998

23. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

24. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

Conclusion

25. The Council has the opportunity to transform its operational transport services working in partnership to deliver contractual financial improvements of £1,397,000 during the 30-month partnership. Thereafter, the net financial improvement is anticipated to be £419,000.
26. As requested in the specification, the company are prepared to put 100% of their fees at risk against delivering the contractual financial improvements of £1,397,000 subject to both parties complying with the contractual agreement on a pound for pound basis up to the value of their overall fees. In addition should they fail to deliver 50% of the contractual financial improvements then the Council have the option to automatically terminate the contract.

Recommendation

27. The Council are recommended to:
- (a) suspend contract rule 4 and the requirement to invite further tenders and enter into a partnership;
 - (b) approve the additional budget to cover the deficit of £97,100 in 2007/08;
 - (c) note the projected savings to the MTFP by 2011/12 of £1,036,000.

Reasons

28. The recommendation is supported by the following reasons:-
- (a) To provide a fit for purpose operational Transport Unit for Darlington Borough Council.
 - (b) To deliver ongoing financial improvements.

Cliff Brown
Director of Community Services

Murray Rose
Director of Children's Services

Background Papers

No Background papers were used in the preparation of this report.

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