

Introduction

This report is the product of an in-depth investigation carried out by the Operational Transport Working Party that was initiated by Members, particularly those on the Social Services Scrutiny Committee, in order to investigate Leicester City Council's Operational Transport Service. This was in response to Members' frustrations and a concern over the effects of the 2004 'Transport Efficiency Review' on transport overspends by the Education and Social Services departments.

It was agreed early on that the Council's transport services could not effectively be scrutinised under existing arrangements, since the main responsibilities were divided between three departments with potentially four-scrutiny committees involved. It was therefore decided to look at the service in the round and develop a new approach to scrutinising a service. Hence, for the first time, in this Council, a cross scrutiny working party, consisting of the triumvirates of three scrutiny committees: Resources and Equal Opportunities, Education and Social Services committees, was convened.

The investigation took as its starting point the May 2004 Cabinet report 'Transport Efficiency Review' that approved the implementation of the proposals from the efficiency review and gave assurances that it would save the Council £0.97 million in 2004/05 and £1.5 million per annum from 2005/06 onwards. The investigation went on to look at the implementation of the recommendations and proposals arising out of the report and the setting up of an Operational Transport Project Team to address the problems with regards to rising costs and efficiency opportunities that were later identified by officers.

Due to the potential sensitivities surrounding this investigation, Members made a great deal of effort to create an environment where officers could feel comfortable in expressing their views. For this reason, Members chose to hold their meetings in private, though it was made clear that the findings would be made public. Members were also given access to reports, including Corporate Directors Board reports and tendering documents, which include matters that are confidential. These were marked 'confidential' and treated in the same way as Part B Agenda items for the Council's main committees.

The conclusions and recommendations in this report reflect the discussions that took place over the period of the investigation and the conclusions we as Members have reached based on that information. Now that the investigation is complete our colleagues and the public have the chance to judge our work, and whether our recommendations will help to bring about a change in Operational Transport Service or the way the Council undertakes its business.

Lastly, on behalf of the working party I would like to thank Members and officers for their cooperation in addressing the issues and providing the working party with the information needed to complete their work.

Councillor Rob Renold
Chair of the Operational Transport Working Party

Conclusions

During the investigation of the Council's Operational Transport Service a number of issues were covered. These included the lack of management information and the purchase of the transport software system 'Transys'. The investigation also looked at the role of Members and health and safety (in particular the Council's statutory obligation regarding Safeguarding Children and Adults) concerns. The key points are outlined below.

Management Information and Demand for Service

1. The working party was concerned to find such a lack of management information relating to the running and use of the Council's Operational Transport Service. They found that there was:
 - Little understanding of the number of users and their needs both prior to and since the 2004 efficiency review
 - No way of affirming the views of some officers that there had been an increase in demand for the service and whether this had contributed to the need for more vehicles than anticipated in the 17th May 2004 Cabinet report "Transport Efficiency Review"
 - A lack of ability to estimate the actual cost of moving the service from Sulgrave Road to Leycroft Road and the associated increase in refuelling/staff time that was estimated at £200k p.a., and
 - That the paucity of management information made it impossible to demonstrate any presumed savings had been offset by what was reported as the cost of increased service demand.
2. The City Council bus fleet was also a victim of the lack of management information and changes in the requirements/demands from Social Care and Health, leading to a failure to reduce the Council's bus fleet by 10% (8 buses). In fact, only one bus had been removed from service.
3. The commissioning departments were unable to provide solid evidence for the degree to which overspends, if any, were associated with an increase in usage or demand for the service.
4. The efficiency review report in May 2004 stated that the management information held by the service was '*completely inadequate*' and put forward what it saw as a suitable system to help with this, and the other needs of the service. However, though the proposed system was purchased, the need to develop an appropriate management information system was still seen as '*essential*' in February 2005 (Report – Revenue Budget Strategy 2005/06 to 2007/08) but now aligned more closely to the risk of failure in achieving the revised target. The working party accepted that this information had been reported to Members, but queried the level of emphasis that was placed on this crucial aspect of the report in briefings.
5. Members also noted that officers were presently aware of the lack of management information relating to the nature of the transport service.

While officers were actively looking at ways in which this could be addressed, no real progress had been made in the previous two years. There is still a fundamental lack of solid information as a basis for operational management control and budgetary control.

Transport Software System - Transys

6. Great importance was stressed on the Council having a fully functional transport system, improved management information, as well as an infrastructure for the service that was fit for purpose if dramatic improvements in the efficiency of the transport service were to be realised. As stated, the working group was concerned at the lack of management information and knowledge regarding the nature of the service, however, it was particularly disturbed with the manner in which the £35k transport software system 'Transys' was purchased.
7. Members were informed that at the time of the 2004 review there was a clear need for a new passenger transport software system that was capable of filling and routing the buses and taxis, interacting with finance and providing the requisite management information for Operational Transport and the commissioning departments.
8. Though 'Transys' was purchased within the Council's procedural and financial rules, i.e. all the right boxes were ticked; a number of issues surrounding its purchase concerned the working party. They concluded that the system was undoubtedly not 'fit for purpose' and that the poor purchase decision was due to a series of events starting with the May 2004 Cabinet Report:
 - At the outset when the system was first cited in the 2004 report its importance to the Council in achieving the stated savings was not suitably emphasised, thus the potential risk of the system not doing what was required was not flagged up,
 - The 2004 Cabinet report further placed pressure on officers to meet particular deadlines, which contributed to them making choices between a limited number of software options and purchasing an unsuitable system without the rigour its possible importance warranted,
 - The pressure of the agreed deadlines led to the procurement process being compressed through the use of 'waivers', the purchase of the system without a service specification and without officers seeing a demo of the routing system because the demo model had no GIS capability,
 - Assumptions were made that if you put information in to the system that it would analyse the data and provide one with the information they required, and
 - Following the purchase of the system there was a failure to adequately provide time and resources for its operation, e.g. training for staff in its use and operation due to the flat management structure of the service. It is widely understood in IT circles that costs of management time, training and data input for a new piece

of software can often exceed the cost of the software itself, which was not appreciated by officers concerned with Operational Transport.

May 2004 Cabinet Report

9. The working party concluded that the May 17th 2004 Cabinet report "Transport Efficiency Review" failed to adequately set out the risks associated with meeting the targets set out in it and that the term 'will save' in relation to the savings being realised was inappropriate. Risks were reported as being 'manageable', though some officers prior to the report going to Cabinet had suggested that the projections were 'ambitious'.
10. Furthermore, it was recognised at the time of the May 2004 report that further work would be required before the total savings could be finalised and the budget changes put into effect for 05/06. A further assessment was undertaken in the autumn of 2004, which resulted in senior officers reducing the projected savings from £1.5m to £1m with consequent changes to the budgets of both the education and social services departments.
11. These measures were, apparently, not formally reported neither to the Corporate Directors Board (CDB) nor to Cabinet and, therefore, should be considered as a serious breakdown in communication.
12. The working party also questioned why the consultant who undertook the transport efficiency review on behalf of the Director of Housing did not produce a report on his investigation. The May 2004 Cabinet report only provided suggested solutions to achieve the savings that the review was set up to identify, but did not provide an analysis on the problem.
13. The working group was informed that the consultants' review consisted mainly of discussions with the staff involved and a detailed exercise to determine the nature of the business and its relationship with its customers. The working group was also informed that there was limited data on the nature of the service and that this is still the case today.
14. Though it was known there could be possible changes to the requirements of the Social Care and Health Department at the time of the May 2004 report no account was taken of this, the consequent possible increase in demand for taxis then contributed to the overall efficiency savings not materialising. The proposed reduction in taxi use represented the largest percentage of the predicted savings and the working party was informed that work was currently being undertaken to reduce there use.

Safeguarding Children and Adults

15. The taxi re-procurement process resulted in some 24 companies being employed, yet there was no monitoring or review of the health and safety requirements for taxi firms between August 2004 (re-tendering of the taxi contract) and April 2005.
16. The working group was particularly disturbed to find that CRB checks with regards to taxis, staff and escorts were not regular monitored during this period. The working group were however informed that a system had been

instituted for City Council drivers and escorts in 2005 and was now routine, but that this was not a systematic feature of Operational Transport management with respect to taxi firms. When questions were asked about how regular checks are done to keep the monitoring "fresh", the answers have been unclear.

17. The working party concluded that CDB should have known about these problems and a paper out-lining the issues and the measures to be taken by officers to remedy the situation reported to Cabinet.

The Role of Members

18. The working group questioned the reasoning behind Members being kept in the dark regarding the problems associated with meeting the budgetary savings agreed at Cabinet in May 2004, or the revised figure of £1m. Officers first became aware of potential problems in November 2004 but Members were not formally briefed until August 2005. However, the working group was informed that pressures on the transport budget were reported to Members via routine "budgetary control reports" and adjustments were made to the projected savings of May 2004 reducing it from £1.5m to £1m in the 05/06 budget.
19. Though Members may have been kept informed via routine "budgetary control reports" (for example, reference was made to potential risk in the Revenue Budget Strategy that went to Full Council in February 2005), the working party were concerned that the serious problems in achieving the predicted savings were not emphasised clearly enough or early enough by officers. The working party felt that greater emphasis should have been given to an item which had previously been agreed at Cabinet to save the authority £1.5m and which potentially would not now deliver a revised target that was more than 33% less.
20. For example, even though the Council had purchased a £35k transport software system in August 2004 to help provide improved management information, the February 2005 report stated that it was essential to develop "an appropriate management information system" and aligned this to the risk of failure in achieving the revised target. There was recognition on the part of the working party that officers knew that Transys was not 'fit for purpose' and the importance of such a system to any savings ever materialising, yet Members were not made aware of this until recently.
21. The manner in which officers kept their respective scrutiny committees informed of budgetary concerns in their department was also of concern. The Social Care and Health Department informed the working party that they had kept their committee informed of the impact of the efficiency review. Though this was the case the Chair often found it difficult to get answers to secondary questions. Members of all Committees concerned felt that they had not been made aware in an effective manner of the serious lack of progress in achieving the expected savings.
22. 'Budgetary control reports' to scrutiny were often received as 'information' to be noted and the content often under-played. One such report to the social services scrutiny committee predicted an end of year overspend of

£600,000, but when pressed on this, officers finally suggested that the transport element of this overspend could be as high as £700,000.

23. The 2004 efficiency review involved important organisational changes and, as such, should have been regularly reviewed and monitored by the CDB and reported back to the Leader of the City Council and to Cabinet. We understand that, since August 2005, this is now the case.

Data and Software

24. Despite the fact that it has been clear for over a year that Transys is not 'fit for purpose', no progress has been made by officers in finding a more suitable software system until recently. It is only in the last couple of months that possible alternatives have been identified. Without a suitable software system it is most unlikely that effective control of Operational Transport can be achieved. This lack of progress is most unsatisfactory.
25. It is also a matter of concern that there has until recently been no progress on sorting out a variety of issues with processes and databases associated with the Operational Transport service. Without these items being sorted out no software system, however good, will be able to manage the service.

Infrastructure Changes

26. Due to problems in disaggregating costs relating to the overheads of running the service, e.g. the school postbag service, the Education & Lifelong Learning Department was found to be at a disadvantage in realising the full potential of any potential savings.
27. Problems with the Operational Transport Service flat management structure were raised with the working party. Members noted that changes would be required to provide sufficient management time to manage strategic issues including the implementation of new systems and structures required to deliver the predicted savings. Until recently there has been a serious lack of effective management able to make changes to Operational Transport that would provide management information and control and the predicted savings.

Other Issues

28. The working party found that the lack of both financial and human investment following the 2004 efficiency review, and previous reviews did not help in the achieving the results that were envisaged. There was also a desire amongst members for recommendations forthcoming from future reviews to be fully implemented or at least appropriate adjustments made where resources were identified as insufficient.
29. The effect of standardising the pay and conditions of Council drivers was not anticipated in the 2004 efficiency review and ended up costing the service a lot more than was foreseen.
30. Though the proposed reduction in taxi use represented the largest percentage of the predicted savings the working party was concerned to find that the cost had increased substantially following re-tendering and

that the assumptions regarding what would be required in terms of health & safety and future demand was way off the mark. Members would have expected that they would be informed when it became clear that the tenders showed an increase in costs in an area that was key to the expected savings.

31. Throughout the last two years responsibility for Operational Transport has passed through several officers and several reviews. This has contributed greatly to the lack of progress and the failure to make some £2.5 million of expected savings. It is a matter of concern to Members that insufficient management resources were applied to this significant problem over a substantial period of time. The working party was unimpressed by this state of affairs.
32. The future location of the service within the Council's management structure was discussed, though not in any detail, with the working party forming the view that it would be better to have the whole service located in and managed from one department.
33. Finally the working party noted the hard work that has gone into addressing the problems with the Council's Operational Transport Service, particularly the work undertaken in the past 12 months, including putting in place an Operational Transport Project Team. The team should be reporting in September 2006 on firm proposals for addressing the rising costs and efficiencies identified.
34. Members noted that the Operational Transport Project team had begun to unpick many of the issues surrounding the management and future efficiency of the service and had in place a team of officers working to Prince 2 project management principles. This includes a qualified work placement analyst whom the working party noted had contributed significantly to stage 1 of the project and who is currently discussing his future on the team.
35. The working party were informed that some of the areas being investigated include getting a clearer understanding of the user profile for the service, developing cost comparisons for both in-house and external transport provision and potential fuel saving initiatives.

Recommendations

The Operational Transport Working Party puts forward the following recommendations for consideration by the relevant scrutiny committees, Cabinet and Full Council.

It is recommended:

1. That in the future when Members are asked to endorse substantial savings to the Council's budget that they are provided with a balanced picture regarding the nature of any savings and the background to them.

This should include both the findings and recommendations from any reviews, the key areas of risks along with what action is being proposed to minimise their impact, the proposed monitoring and evaluation system for the savings and the inclusion of appropriate periodical updates to Members. Furthermore, such information should be couched in realistic terms, e.g. could, may, etc. save...

2. That where budgetary changes are made, following an organisational review, these changes and the reasons for such changes are formally reported to the CDB, Cabinet and Scrutiny.
3. That the Council takes greater care in the future when purchasing IT software, or any resource, especially when they are associated with major budgetary decisions.

In the case of software, comprehensive specifications agreed with users are required, and suppliers should be required to demonstrate that they meet the specification. If they cannot, an explanation of whether the package can be modified to meet the requirements should be provided, together with costs and timescales. Officers must ensure that software and other equipment does in fact deliver the performance that is required.

4. That the officers involved the Operational Transport Project Team outline how they intend to address the management information needs of the transport service and the weaknesses in its management structure when they present their proposals for the service in September 2006.

In particular, officers should carry out an exercise as in recommendation 3 as a matter of urgency to identify suitable software to provide the basis of the management and cost information and control that is fundamental to making effective progress.

5. That Cabinet receives a report from the Corporate Director of Regeneration and Culture concerning the Council's duties and responsibilities regarding 'Safeguarding Children and Adults' proposals for tightening up their systems for monitoring the enforcement of health & safety procedures for taxi firms and escorts so that this becomes a systematic feature of Operational Transport management and that consideration be given as to whether further training is required for officers.

6. That Cabinet considers placing the management and location of the operational transport service within one department.
7. That Cabinet ensures any recommendations coming out of the work by the Operational Transport Working Party, that are later endorsed, are fully implemented and appropriate adjustment made to take account of any shortfall in resources that are identified. In addition, Cabinet should take all necessary action to ensure the serious corporate failings outlined in this report are not repeated.