

**Report of Chief Officer Civic Enterprise Leeds**

**Report to** Director of Resources & Housing & Chief Financial Officer

**Date:** 30th May, 2019

**Subject:** Design & Cost Report for Passenger Services Trapeze System Replacement

**Capital Scheme Numbers: 33173**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Various	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

The Passenger Transport Service sits within Civic Enterprise Leeds and provides and coordinates the transport function for the Adults and Health (A&H) and Childrens and Families (C&F) directorates. The service has used a system supplied by Trapeze Group UK since 2005, the original contract expired in March 2015 and since then 2 waivers of Contract Procedure Rules (CPRs) have been agreed in order to explore possible replacement software and possible changes to the core business structure. The service generated a charge to both client directorates of just under £18m in 2018/19, with over two thirds of this charge going to C&F. This report seeks approval for the injection of the estimated capital scheme costs of £351.4k into the capital programme and authority to spend to procure, deliver and install a modern software solution that meets the needs of Passenger Transport over the next 10 years. The capital costs will be funded by borrowing which will be financed by the savings which the replacement system is anticipated to generate. Trapeze currently provides support across all areas of the business eg scheduling, client management function, financial control including contract management. The outline business case for the replacement system has previously been submitted to Finance Performance Group who have no objections to the scheme being injected into the capital programme.

The annual financing costs will be covered by the savings which the new system will allow the service to generate. The contract with the existing supplier of Trapeze is due to expire on 31st March 2020 and there is a requirement for the resulting solution to be in place and fully functioning by 1<sup>st</sup> April 2020.

Over the last few years and reflecting the national trends, there has been a huge increase in the demand for transport, particularly affecting C&F which is forecast to place an increasing financial pressure on the Authority going forward making it imperative that the service has the latest software in place to extract as much operational efficiencies as possible in order to mitigate against the anticipated financial pressure.

### **Recommendations**

The Chief Financial Officer is asked to:

- a) Inject a scheme into the 2019-20 capital programme for an estimated value of £351.4k funded by borrowing and

the Director of Resources and Housing is asked to:

- b) Give Authority to Spend of £351.4k from within the approved Capital Programme 2019-20.
- c) Authorise a procurement exercise for the replacement of the existing software system used for the management of Passenger Transport Services.

## **1 Purpose of this report**

- 1.1 This report seeks the injection and authority to spend approval for £351.4k capital financed by borrowing in order that CEL, working with colleagues in DIS may procure a replacement software solution for Passenger Services.
- 1.2 The proposal is to seek capital programme provision for the procurement of a replacement Trapeze IT system to provide more effective support across all areas of the business which will cover areas such as scheduling, client management function, financial control including contract management and to enable greater engagement for clients in the use of the service.

## **2 Main issues**

- 2.1 The Authority has a statutory responsibility to provide assistance with transport for children of compulsory school age who meet the criteria for assistance as defined in the Leeds Transport Policy. Transport provision for children who meet this criteria and have been assessed with a statement of Special Educational Needs and Disability (SEND) or an Education Health and Care Plan (EHCP) tend to require more resources to transport. In terms of demographic pressures on the service the number of children with SEND requiring transport has been growing over the past few years and is forecast to grow significantly over the coming years placing a huge burden on the Authority's financial resources.
- 2.2 Since 2015 the number of children with SEND in the City has increased significantly from 12,512 to 16,301 (in 2018/19) which is an increase of over 30% and this is projected to increase further to 17,513 – a further increase of 7.4% from 2018. In line with this is the increase in the number of children who have an EHCP as they have been assessed as having a greater need for support. There has also been a significant increase in the number of children with an EHCP from 2,044 in 2015 to 2,207 in 2018 and is projected to increase further to 2,402 in 2021. These 2 key sets of figures further translate into an increased demand in the total number of children with an EHCP being assessed as eligible for transport which, in turn, has been one of the key drivers for increasing transport costs over the years. In April 2015 the total number of children with an EHCP on transport was 1,094 and has increased to 1,397 in 2018 (28% increase) and is further projected to increase to 1,520 in 2021. All of these demographic factors correlate to increasing transport costs which makes it imperative that the Authority procures a new state of the art passenger transport system to help drive out efficiencies and to enable the service to implement cost avoidance measures where possible.
- 2.3 The Authority spends a significant amount on transporting adults and children to day centres, schools and colleges (just under £18m in 2018/19) with over two thirds of this expenditure accounted for by the C&F directorate. Against the backdrop of increasing demand and the consequential forecast for this to lead to significantly increasing financial pressure primarily on the C&F side, it becomes imperative that the Authority seeks to deploy a more modern software solution which will help to ensure that as much advantage as possible is taken from the technological improvements to deliver an efficient service and to provide a more modern customer experience.

- 2.4 The existing system (Trapeze) is almost 15 years old and with the contract due to expire on 31<sup>st</sup> March 2020 a replacement needs to be procured and installed by 1<sup>st</sup> April 2020. The service believes that the current system does not meet the increasing expectations of our service users and the implementation of a new system would enable greater self service and, as a result, generate savings in the back office function which would more than cover the annual financing costs of the borrowing plus the recurring revenue costs. The service is carried out using a combination of inhouse and privately contracted supply. In 2018/19 the service spent £8.2m on contracted supply with private sector providers.
- 2.5 Following a soft market testing exercise led by colleagues in Digital and Information Services (DIS), the capital costs of a replacement system have been estimated at £351.4k with ongoing revenue costs of £94.4k set against existing revenue budget provision of £70k (leaving a £24.4k potential funding gap) and projected savings in the back office support which a new system would enable savings totalling £77.2k in the first year (these back office savings increase to £133.3k from year 2 onwards).
- 2.6 The annual financing costs of borrowing £351.4k over 10 years amount to £40.3k which leaves sufficient savings even after taking the lower first year figure of £36.9k to pick up the anticipated £24.4k revenue funding gap. In parallel with the installation of a new IT system, Civic Enterprise Leeds senior management are planning, if necessary, on a restructure of the back office function to ensure that the staff savings are generated to finance the annual borrowing charges and increased revenue costs.

### **3 Corporate Considerations**

#### **3.1 Consultation and Engagement**

- 3.1.1 This scheme enables the Council to modernise the delivery of statutory transport services which, in turn, will better equip them to meet the increasing demand and cost pressures arising from the demographic changes highlighted above. The Executive Member for Resources and Housing has been consulted and is supportive of the proposals, colleagues in DIS have led on development of the detailed business case and will lead on the procurement.
- 3.1.2 Finance colleagues in the Finance Performance Group (FPG) have been consulted and support the introduction of a £351.4k scheme for the procurement of a replacement IT system funded by borrowing. FPG considered and provided support for the business case at their meeting of 18<sup>th</sup> February 2019.

#### **3.2 Equality and Diversity / Cohesion and Integration**

- 3.2.1 The recommendation within this report does not have any direct nor specific impact on any of the groups falling under equality legislation and the need to eliminate discrimination and promote equality.

#### **3.3 Council Policies and City Priorities**

3.3.1 Approving this report allows the service to contribute towards achieving the Best Council Plan, specifically around the sustainable infrastructure ambitions and strengthening our digital solutions.

3.3.2 Approving this report will also aid the Council in being able to deliver a balanced budget in future years. The increasing demand and, therefore, the increasing cost of transport is one of the biggest financial risks facing the Authority which makes it essential that a number of different initiatives are undertaken, including replacing a 15 year old ICT system so that the demand pressures can be effectively managed.

### 3.4 Resources and Value for Money

3.4.1 Any costs which will be incurred as a part of the procurement and subsequent system installation will be incurred in accordance with Contract Procedural Rules to ensure that value for money is obtained from the procurement exercise.

### 3.5 Capital Funding and Cash Flow

Funding Approval :	Capital Section Reference Number :-						
<b>Previous total Authority to Spend on this scheme</b>	<b>TOTAL</b>	<b>TO MARCH 2019</b>	<b>FORECAST</b>				
	<b>£000's</b>	<b>£000's</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023 on</b>
			<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Authority to Spend required for this Approval</b>	<b>TOTAL</b>	<b>TO MARCH 2019</b>	<b>FORECAST</b>				
	<b>£000's</b>	<b>£000's</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023 on</b>
			<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
LAND (1)	0.0						
CONSTRUCTION (3)	0.0						
FURN & EQPT (5)	351.4		351.4				
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
<b>TOTALS</b>	<b>351.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total overall Funding (As per latest Capital Programme)</b>	<b>TOTAL</b>	<b>TO MARCH 2019</b>	<b>FORECAST</b>				
	<b>£000's</b>	<b>£000's</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023 on</b>
			<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Unsupported Borrowing	351.4		351.4				
	0.0						
<b>Total Funding</b>	<b>351.4</b>	<b>0.0</b>	<b>351.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance / Shortfall =</b>	<b>0.0</b>	<b>0.0</b>	<b>351.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Scheme Number:**

**Title:** Passenger Services Trapeze System Replacement

### 3.6 Revenue Effects

3.6.1 The annual borrowing charges of £40,312 per annum and the ongoing revenue costs can be funded from a combination of the savings which a replacement system will enable and the existing revenue budget provision. The table below summarises the costs and planned savings from the scheme:

	<b>Yr1 £k</b>	<b>Yr2 £k</b>	<b>Yrs 3-10 £k</b>	<b>Total £k</b>
Costs:				
Financing Costs	40.3	40.3	322.4	403.0
Support & Maintenance Costs	94.4	94.4	755.2	944.0
<b>Total Costs</b>	<b>134.7</b>	<b>134.7</b>	<b>1,077.6</b>	<b>1,347.0</b>
Funded By:				
Existing Maintenance Budget	70.0	70.0	560.0	700.0
Staff Savings	77.2	133.3	1,066.4	1,276.9
<b>Total Savings</b>	<b>147.2</b>	<b>203.3</b>	<b>1,626.4</b>	<b>1,976.9</b>
<b>Net Savings</b>	<b>12.5</b>	<b>68.6</b>	<b>548.8</b>	<b>629.9</b>

### **3.7 Legal Implications, Access to Information and Call In**

- 3.7.1 The Chief Financial Officer has delegated authority to inject schemes into the capital programme up to the value of £0.5m where the schemes are funded by borrowing and the savings generated will cover the costs of borrowing.
- 3.7.2 The Director of Resources and Housing has delegated authority to approve Authority to Spend up to £500k.
- 3.7.3 This is a Key Decision and is eligible for call in.

### **3.8 Risk Management**

- 3.8.1 The business case has received support from the Finance Performance Group and work on the technical side has been led by colleagues in DIS. The procurement exercise will be conducted in line with Contract Procedure Rules to further mitigate against any risks.

## **4 Conclusions**

- 4.1 Approval of this report will enable the Authority to procure a modern transport system to allow efficiencies to be generated and place it in a better position to deal with the forecast demographic pressures on the horizon.

## **5 Recommendations**

- 5.1 The Chief Financial Officer is asked to:

- a) Inject a scheme into the 2019-20 capital programme for an estimated value of £351.4k funded by borrowing and

the Director of Resources and Housing is asked to:

- b) Give Authority to Spend of £351,400 from within the approved Capital Programme 2019-20.
- c) Authorise a procurement exercise for the replacement of the existing software system used for the management of Passenger Transport Services.

## **6 Background documents<sup>1</sup>**

7.1 None

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The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.