

North West Centre of Excellence Good Practice Paper



Integrated Transport Units

September 2006

department for
education and skills
creating opportunity, releasing potential, achieving excellence

Department for
Transport



Centre of
Excellence

North West

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0 SUMMARY AND RECOMMENDATION

- 0.1 This good practice paper on integrated transport units is the first of a series published by the North West Centre of Excellence (NWCE) on different aspects of achieving efficiency in local transport.
- 0.2 An integrated transport unit (ITU) is a unit run by (or on behalf of) a local authority that brings together all passenger transport service planning, procurement and monitoring and management functions across a range of service areas. Having an ITU within a local authority should have efficiency advantages over other organisational options. Such advantages are becoming increasingly important as pressures become greater for improving efficiency (eg. stemming from the Gershon Review), containing costs and achieving best value in local authority service delivery.
- 0.3 There are five main areas where efficiency benefits can be realised in moving to an organisational model based on an integrated transport unit. These are:
- More focussed professional staff
 - More efficient staff utilisation
 - Better service planning and packaging of external contracts
 - Better in-house vehicle fleet utilisation
 - Greater flexibility to respond to changing policy scenarios
- 0.4 While there will be costs involved in moving to an ITU from a more dispersed organisational model (and it is considered that a lead time of one year should be allowed for planning, restructuring and bedding-in of the integrated unit), these costs should be significantly outweighed by the magnitude of potential efficiencies. Experience from local authorities who operate an ITU and from authorities that have recently assessed the business case for moving to such a unit suggests that annual efficiency benefits of the order of hundreds of thousands of pounds are achievable.
- 0.5 A number of issues need to be considered and addressed in moving to an ITU, in order to ensure a smooth transition and early delivery of efficiency benefits. These include:
- Staff issues
 - Training and education
 - Cultural development
 - IT system requirements
 - Business processes
 - Performance monitoring
- 0.6 Within the overall concept of an integrated transport unit, there are several variants that have been implemented or suggested in different local authorities around the country. Key issues for consideration are discussed in the final part of this paper and include:

- Whether the unit is operated internally or is outsourced (externalised)
- How a local authority passenger vehicle fleet fits with the ITU
- How and where an ITU fits within the local authority structure
- Client department relationships
- The relationship between public transport strategy and delivery

Recommendation

In the light of this investigation, the North West Centre of Excellence recommends that local authorities which continue to undertake their various passenger transport responsibilities in separate functional units should give serious consideration to the creation of an integrated transport unit as a means of improving efficiency with better service delivery and revenue cost savings.

The recommended model for an ITU is one which includes responsibility for passenger transport policy and strategy development and which is also responsible for management of the day-to-day operation of the in-house passenger transport fleet.

It should be noted that most County Councils in England and a number of unitary authorities have established passenger transport units. Most of these reflect integration of local bus and mainstream school transport functions, but in several cases organisation of social services and/or special needs education transport remains outside the unit, within those departments. In these authorities it is recommended that the functions of the transport units be re-examined with a view to achieving comprehensive integration.

1 INTRODUCTION

- 1.1 This good practice paper on integrated transport units has been prepared by Integrated Transport Planning Ltd (ITP) in partnership with the North West Centre of Excellence (NWCE). It is one of a series of good practice papers published by NWCE on different aspects of achieving efficiency in local transport. The paper draws on investigation and research work carried out by ITP for Nottinghamshire County Council and on consultations by ITP and NWCE with a number of local authorities who have experience of implementing and operating an integrated transport unit.
- 1.2 “Integrated transport unit” is a term that has been used in a number of slightly different ways by different people and bodies. For the purposes of this guide, an integrated transport unit (ITU) is a unit run by (or on behalf of) a local authority that brings together passenger transport service planning, procurement and monitoring and management functions across a range of service areas (eg. local bus services, mainstream school transport, special educational needs (SEN) school transport, social services transport etc). In some cases, an integrated transport unit may also include operation of a fleet for transport provision for some or all of these service areas and associated functions such as fleet management and maintenance.
- 1.3 The basic premise of this paper is that an integrated transport unit within a local authority has efficiency advantages and other benefits over other organisational options. Such units have been established and in some cases operated for several years by a number of local authorities, following the success of early adopters such as the counties of Cheshire and Devon.
- 1.4 The research for this paper focussed mainly on English County Councils. However the conclusions are considered to be equally applicable to non-metropolitan Unitary Authorities, which have a similar range of functions requiring passenger transport provision.
- 1.5 The situation in the major conurbations is somewhat different with local public transport being the responsibility of conurbation-wide authorities - Passenger Transport Authorities (PTAs) and Transport for London (TfL). The individual Metropolitan and London Borough Councils have social services and education functions with their significant transport responsibilities, which particularly focus on transport for children and adults with special needs. The analysis is therefore relevant to the Metropolitan authorities, and, for the Boroughs, the conclusions of this report can be applied to their aforementioned transport responsibilities.
- 1.6 There remains however issues around the relationship between the Borough and PTA/TfL overlapping responsibilities, especially in the areas of transport provision for passengers with special needs. This will be addressed in a separate project.

- 1.7 Following this introduction, section 2 provides a brief overview of background trends and pressures towards achieving greater efficiency in local transport. Section 3 then goes on to describe in more detail the integrated transport unit concept.
- 1.8 Section 4 of the paper gives guidance on the potential benefits and costs of moving to an integrated transport unit and section 5 discusses some of the issues associated with implementing such a unit. The good practice paper concludes with section 6, which contains discussion of different organisational variants on the ITU concept and consideration of the relationship between transport strategy and delivery within the ITU model.

2 BACKGROUND

- 2.1 Local authorities have a key role to play in planning, organisation and procurement of a range of passenger transport services. Some of these are aimed at the general public as a whole (for example, council-supported local bus services or mainstream school bus services) while others (for example, social services transport, dial-a-ride, community transport, special educational needs (SEN) transport etc) meet a particular need for specific sectors of the community. Some local authorities also act as a transport provider, operating vehicle fleets for certain services such as social services transport or school transport. Some of these have extended the deployment of their fleet vehicles to operate socially required local bus services and/or patient transport on behalf of NHS agencies.
- 2.2 In some local authorities, the responsibility for planning, organisation and procurement of passenger transport services is divided between a number of departments. This situation has some logic because some transport services facilitate the provision of other council services (for example, social services transport). However, there are increasing pressures for improving efficiency, containing costs and achieving best value in local authority service delivery. A number of local authorities have moved towards different models of service delivery (integrated transport units, in particular) in the field of passenger transport as a contribution to meeting these efficiency needs.
- 2.3 Some of the key drivers for local authorities seeking more efficient service solutions in the passenger transport field include the following:
- ❑ The Gershon Review of Public Sector Efficiency¹, published in 2004, has led to all public sector organisations (including local authorities) being tasked with finding efficiency savings across their operations. This includes both “cashable” and “non-cashable” savings (the latter reflecting increased quality or level of service or reduction in anticipated trends in cost growth).
 - ❑ For a number of years across the country there have been significant price rises on passenger transport contracts – well in excess of general inflation rates. For example, annual average price increases for local bus contracts with English county authorities renewed on a like-for-like basis ranged from 8.7% to 23.2% between 1998 and 2005². Corresponding figures for mainstream school transport contracts were between 6.3% and 18.1%. The reasons for such rises are partly associated with rising operating costs (fuel, insurance, drivers’ pay etc) and partly with a lack of competition in the marketplace in some areas. This trend makes maintenance of levels of passenger transport service to the community a difficult challenge for local authorities with constrained budgets.

¹ Releasing Resources to the Front Line. Independent Review of Public Sector Efficiency. Gershon, P. HMSO, 2004.

² Local Authority Bus Contracts – Price, Expenditure and Competition Survey 2005. Association of Transport Coordinating Officers, November 2005.

- ❑ The Department for Transport aims to achieve efficiency gains of £77 million by 2007-08 from local authority revenue spending and £45 million from capital expenditure on local transport. Local authorities are expected to determine where to make savings from across the services they provide, but the Department's view is that there is scope for savings from the cost of supported bus services, administration of concessionary bus fare schemes and local capital projects. Authorities are required to produce annual efficiency statements for central government and all authorities are also subject to Comprehensive Performance Assessments by the Audit Commission.
- ❑ The 2005 report by the National Audit Office and the Audit Commission³ on delivery of bus services in England found that, outside London, "there is significant potential to improve the cost-effectiveness of bus service procurement" and estimated that authorities could "achieve average savings equivalent to some 10 per cent of their support for operators" by adopting a more strategic approach to tendering and procurement of services.
- ❑ The 2001 Audit Commission Report "Going Places"⁴ on taking people to and from education, social services and healthcare and its earlier 1999 report "All Aboard"⁵ on local transport and travel outside London both leaned towards integration of transport services within local authorities as a way of achieving efficient service delivery.

³ Delivery Chain Analysis for Bus Services in England. Report by the National Audit Office and the Audit Commission. HMSO, December 2005.

⁴ Going Places: Taking People To and From Education, Social Services and Healthcare. Audit Commission, 2001.

⁵ All Aboard: A Review of Local Transport and Travel in Urban Areas Outside London. Audit Commission, 1999.

3 THE INTEGRATED TRANSPORT UNIT CONCEPT

- 3.1 A useful breakdown of roles within the process of delivering passenger transport services has been set out by the Audit Commission⁶. This identifies the following roles:
- Policy maker
 - Budget holder
 - Transport organiser
 - Transport provider
- 3.2 The core of the integrated transport unit (ITU) concept is that the organisation of all passenger transport services (ie. the transport organiser role) required to meet a local authority's policy objectives is undertaken within a single organisational unit rather than in a number of separate teams. Figure 3.1 shows a typical local authority organisational model for delivering passenger transport services without an integrated transport unit. There are many possible variants here (as experience across the UK shows), but the key feature is that different types of passenger transport service are dealt with separately. In some cases partial integration is achieved where, for instance, SEN and social services transport are organised together. Figure 3.2, by contrast, shows the ITU concept, with all transport organisation dealt with in one unit and significant simplification of relationships with transport providers.
- 3.3 In practice, there are a number of variants on the integrated transport unit concept in terms of the way it is implemented. For example, some local authorities have implemented an ITU that includes operation and management of an in-house fleet while others have included elements of transport policy and strategy development within the ITU as well as the pure transport organisation functions. These variants are considered further in section 6 of this guide.
- 3.4 In general, however, support functions and services for local bus services would be included within an ITU, because of the close relationship between those functions and the services themselves. These might include, for example, operational policy, planning of bus infrastructure (stops, shelters and stations) and dissemination of information and marketing of bus services.

⁶ Going Places (ibid)

Figure 3.1 Typical passenger transport service delivery without an ITU

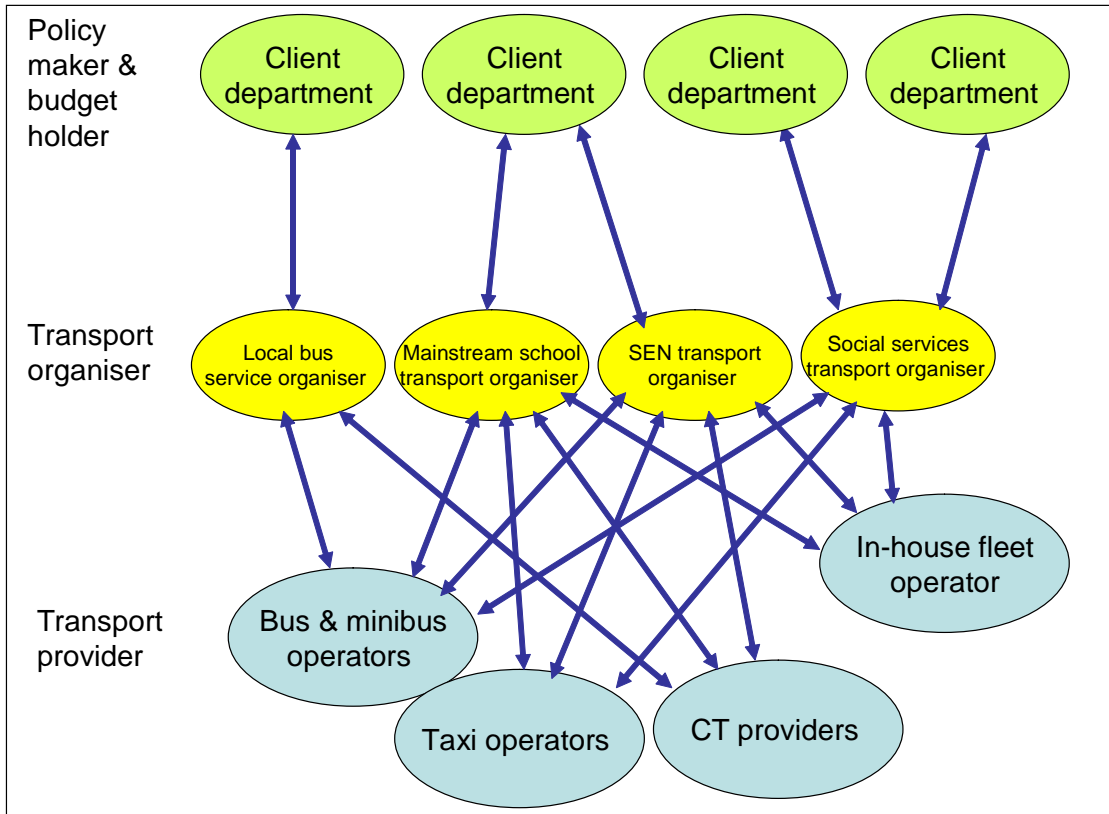
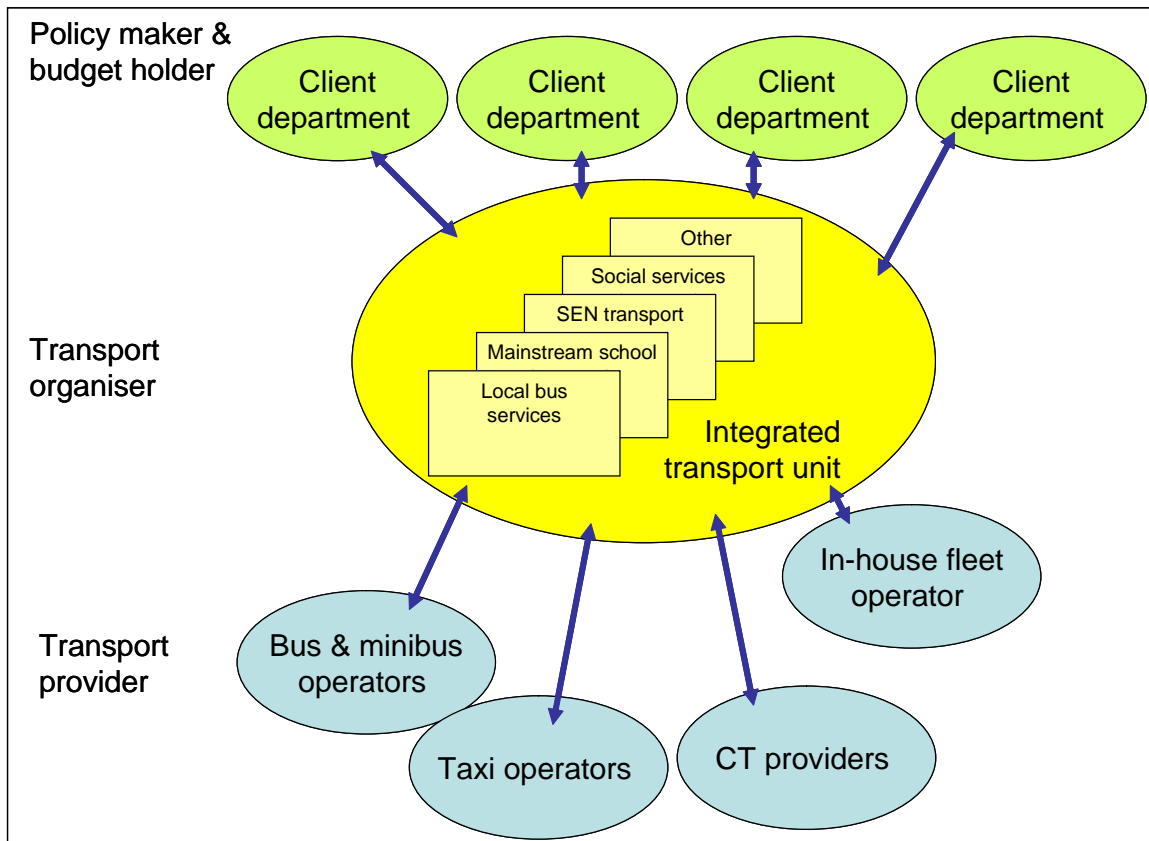


Figure 3.2 Typical passenger transport service delivery with an integrated transport unit



4 THE BENEFITS AND COSTS OF MOVING TO AN INTEGRATED UNIT

4.1 The business case for moving to an integrated transport unit depends principally on the balance of benefits and costs associated with establishing and operating such a unit. Clearly, these benefits and costs will vary significantly in magnitude depending on the existing situation and the local circumstances. However, the following subsections give indications of the benefits and cost elements that should arise, together with illustrative benefit figures from the experience of some local authorities. On this basis this document aims to provide clear direction to local authorities as regards the efficiency gains achievable through integrated operation.

Benefits

4.2 There are five main areas where efficiency benefits can be realised in moving to an organisational model based on an integrated transport unit from one where different passenger transport services are planned, organised and procured separately. These are:

- More focussed professional staff
- More efficient staff utilisation
- Better service planning and packaging of external contracts
- Better in-house vehicle fleet utilisation
- Greater flexibility

4.3 It needs to be recognised that efficiency benefits may take place against a rising trend in transport costs, as outlined in the “background” section to this document. As such, financial benefits may arise in the form of future cost avoidance rather than absolute spending reductions – allowing future passenger transport budget rises to be minimised to maintain current service levels or minimising service cuts necessary to fit future budget constraints.

More focussed professional staff

4.4 An integrated approach presents the opportunity to assemble a team of transport professionals with the skills and experience to address the range of issues around the movement of people. In many of the authorities not yet integrated for transport functions, organisation of social services transport or school transport can fall as a part-time responsibility of social services or education professionals or administrators.

4.5 The integrated unit also provides the opportunity to institute focused training and development with career structures for qualified transport professionals, which is beneficial in terms of recruitment and retention of quality staff.

More efficient staff utilisation

4.6 A significant benefit that can potentially arise from moving to an integrated transport unit is greater efficiency in the internal process of planning, organising and procuring transport services. Where different passenger transport services are dealt with separately there can often be inefficiency through duplication in different parts of a local authority. For example, a

local authority may have a number of staff teams procuring transport services through different procedures using different contract models, each underpinned by different administrative systems and financial management systems.

- 4.7 With an integrated transport unit, all these procedures can be streamlined and rationalised, reducing the amount of staff time devoted to administrative tasks through economies of scale. The outcome is therefore that staff resources can be freed for other core functions (such as review of existing contracts) or staff numbers can be reduced. A pre-requisite for full realisation of such staffing efficiencies is that integrated planning, procurement, management and administration procedures are required, together with a robust and integrated IT system to support this.
- 4.8 The magnitude of benefit achievable in this area clearly depends on the situation within the local authority before moving to an integrated unit – some authorities may have relatively little duplication of functions while with others there may be significant duplication. A recent study for Nottinghamshire County Council⁷ (where transport functions were only partially integrated) that included consultations with other authorities that had moved to an ITU estimated that up to 10% of staff time worth some £150,000 pa could be released to more productive tasks if a streamlined integrated unit without duplication of procurement and administrative functions was implemented in the County.

Better service planning and packaging of external contracts

- 4.9 Probably the most significant potential benefit area associated with moving to an integrated transport unit is more effective passenger transport service planning and packaging of external contracts. The potential advantages of an integrated transport unit are as follows:
- ❑ Operation of an integrated transport unit can reduce “silo thinking” about isolated parts of the passenger transport mix and encourage consideration of the whole range of transport needs in planning and procuring passenger transport services. This can reduce the number of contracts, mileage and journeys and reduce use of high cost options such as spot hire of transport services. Transport service requirements from different client departments can be bundled together to create a full day’s work for a vehicle and driver. This reduces risk for the operator, which means that it should encourage keen tender pricing.
 - ❑ An ITU provides a single point of contact for service providers and reduces the possibility for providers creating “internal competition” for their services between departments within the same local authority.
 - ❑ An ITU wields greater purchasing power through the single point of contact than separate procurement teams.
 - ❑ By bringing staff together within one larger team and reducing duplication, an ITU should give a better opportunity for continual and systematic review of transport provision to be undertaken. This is a vital component of maintaining efficiency and

⁷ Nottinghamshire Integrated Transport Centre Study – Final Report. Integrated Transport Planning Ltd for Nottinghamshire County Council, April 2006.

controlling costs that has been highlighted in a number of studies and reports. However, it often gets neglected due to lack of resource or due to no one person or group having an overview across all different transport services.

- ❑ Improved knowledge of the supply side of the market through sharing of information within the unit can help in packaging services within contracts to get the best value deal.

4.10 As with other benefit areas, the magnitude of benefits achievable depends on the starting point for moving to an integrated unit and is often difficult to quantify. However, the following examples illustrate the scale of benefits identified in different authorities:

- ❑ In Leicestershire, a review by consultants of the procurement of passenger transport services in the County⁸ (which until April 2006 was spread over a number of departmental teams) included a review of a sample of 17 SEN contracts. This suggested that better planning and packaging of transport contracts on these services could save £140,000 per year. Also in Leicestershire, dedicating just one person to the task of systematically reviewing selected other contracts led to further reported savings of £240,000 over two years. Leicestershire County Council subsequently took the decision to implement an ITU in April 2006 and as part of the business case for doing this estimated that the total benefits from improved planning, procurement and regular service reviews would be of the order of £700-900,000 per year.
- ❑ Norfolk County Council established an integrated transport unit in 1999. In 2003, Norfolk estimated that around £500,000 per year could be saved on SEN transport through regular and systematic review of SEN contracts within the framework of their ITU.
- ❑ Consultations with Worcestershire County Council officers as part of the Nottinghamshire NITC project yielded estimates that Worcestershire had realised a financial benefit of around £1 million over three years through better planning and procurement.
- ❑ Surrey County Council is in the process of implementing an integrated transport unit. The Council has undertaken extensive investigation of the potential benefits both through in-house investigations and through consultant studies. Within its business case for the ITU, the Council has set a target of maintaining passenger transport service levels at current cost, with improved planning and packaging of contracts making a major contribution to meeting this target. Given the inflationary trends in transport service costs in the County and nationwide, this represents a very significant year-on-year efficiency benefit.

4.11 Building on this research, the Integrated Transport Planning Ltd report for Nottinghamshire County Council (*op cit*) indicated a potential annual saving of £340,000 - £480,000 per year from improved efficiency in addition to the staffing saving referred to above (paragraph 4.8).

⁸ The Procurement of Passenger Transport Services – A Report to Leicestershire County Council. The TAS Partnership Ltd, October 2005.

On this basis the county council initiated the implementation of a fully integrated transport unit in August 2006.

Better in-house fleet utilisation

4.12 The fourth main potential benefit area associated with moving to an integrated transport unit is that better use can potentially be made of the in-house vehicle fleet. Where an organisational structure allocates vehicle fleets to a specific transport function (eg. a social services transport fleet) there may often be under-utilised resource within that fleet but no mechanism or incentive for staff responsible for that function to use that resource for other transport purposes. In contrast, if a passenger transport vehicle fleet can be brought together under an ITU, it can be used as a “corporate” resource for potential use for all passenger transport purposes. This can result in higher in-house fleet utilisation levels, leading to:

- Reduced need for external contracts (and consequent cost savings) and/or;
- Opportunity to pursue external contract opportunities using spare capacity that would help to defray costs.

4.13 A key factor for maximum exploitation of vehicle resources is adaptability of vehicles to meet a range of transport needs. In moving to an ITU with its own in-house fleet there would often be a need for ongoing review of the fleet and a gradual transition over time to a vehicle fleet that is more multi-functional in nature.

4.14 In-house vehicle fleet utilisation can also have a key role to play in providing a “market check”. This can help to keep transport costs down and to lever better vehicle and service standards – particularly where there is little competition in the commercial operator marketplace. As an example, Norfolk County Council found that use of an in-house fleet of buses to run 10% of school bus services in Norfolk as a “market check” saved the county £155,000 in 2003.

Greater flexibility

4.15 A final benefit area for an integrated unit is that it can give greater flexibility to meet new policy challenges. This is becoming increasingly important, given the rapid pace with which national, regional and local policy initiatives develop. An integrated unit with professionally focussed staff gives a powerful vehicle for responding to new challenges in transport organisation. The size of the entity enables staff efforts to be re-directed while existing services are maintained, or allows rapid transition to new practices or services without having to try to agree and coordinate changes across several teams.

Costs

4.16 As with any organisational change, there may be initial costs associated with setting up an integrated transport unit, which would need to be considered in a business case for an ITU. Key cost elements in moving to an alternative organisational model may include:

- Re-location costs (if staff need to be re-located to bring separate teams together)
 - Costs associated with removal to new premises and re-siting of IT systems

- Costs of any preparatory works at the new premises
- Costs of any transitional arrangements for re-located staff
- ❑ Staff training costs - during an ITU implementation phase, there will almost certainly be a need for significant staff training and education (see below) *
- ❑ Staff package costs – costs associated with any staff redundancies or early retirements where staff numbers are reduced
- ❑ IT costs – costs of any new integrated systems required to underpin the integrated transport unit *
- ❑ Change management support – while most of the ITU set-up and implementation process can normally be dealt with by local authority staff, experience in some authorities suggests that change management support from external consultants may be required to support achievement of tight project timescales
- ❑ Contingency – inclusion of a contingency sum within the implementation budget to cope with unforeseen events is strongly recommended.

However it might be argued for some of these (*) that they should be pursued, in any event, because of their efficiency potential and should not be seen as an extra cost of ITU set-up.

5 IMPLEMENTATION ISSUES

- 5.1 Implementation of an integrated transport unit requires consideration of a range of issues, as described in the following paragraphs. Experience among local authorities who have successfully implemented ITUs suggests that all these issues need to be carefully considered if the transition is to be a smooth and successful one, resulting in the unit delivering efficiency benefits from an early stage.

Staff issues

- 5.2 There are a number of staff-related issues associated with moving to an ITU - as there are with any significant organisational change.
- 5.3 One of the key risks is that uncertainty engendered by the prospect of change will affect staff morale and hence working efficiency during the transition period. To mitigate against this possibility, experience from a range of local authorities suggests that staff communication needs to be excellent from an early stage to reduce uncertainty and the possibility of rumour and misinformation spreading. This should ideally follow a structured communication plan running right through from initial consideration through formal consultation with trade unions or other workforce representatives and on to implementation. Once a decision is taken to implement an ITU, key staff roles need to be closely defined as early as possible, and individual staff need to be identified for those roles in order that they can be instrumental in the implementation process.
- 5.4 In the 2005-6 Nottinghamshire initiative, staff who could be affected by change were involved from the start in the initial study that looked at organisational options for the future - well before any decisions were made on the best way forward. This included one-to-one consultations with key staff members, staff workshops to discuss ideas and possibilities, and production of a monthly newsletter to keep people informed.
- 5.5 One of the positive messages for staff that can get lost if a climate of rumour is allowed to develop through poor communication is that there may be better opportunities for career development with an integrated unit. A larger team working together on transport organisation and provision across a range of service areas may have advantages over a situation where small staff teams work "in silos", where some staff may feel frustrated or rather "pigeon-holed".

Training and education

- 5.6 In implementing a new unit, careful attention needs to be paid to training staff to fulfil their new roles if a smooth and effective transition is to be achieved. Often members of a new ITU need to have a broader knowledge and understanding of the full range of passenger transport needs and services than might previously have been the case. Some training and education needs can be served through seminars and courses within the authority; some can be met through cooperative working with officers from other local authorities who

already have experience of operating an ITU; and some may require specialist external training.

Cultural development

- 5.7 Development of a new “culture” is an important but often overlooked aspect of moving to an integrated unit. This can help bring a common understanding and ethos among unit staff members who may come from very different backgrounds. It can also ensure that the strengths from different areas that are brought together within the unit are maintained and nurtured.
- 5.8 Discussion with personnel involved in Norfolk County Council’s move to an integrated unit suggested that staff workshops and team building exercises undertaken to develop a new, common culture across the unit had brought major benefits in clarifying roles and expectations and in bringing the staff members closer together and developing a better and more efficient working relationship. Staff morale was also felt to have improved. These activities were facilitated by specialist consultants with participation by all unit members.
- 5.9 The ‘culture’ impact is likely to extend to changed perception of the status of the transport function within the local authority “corporate body”. Potentially the ITU will emerge as a recognised unit of professional transport expertise, giving its functions a higher profile than with transport support activities scattered in separate departments.

IT system

- 5.10 An integrated and high quality IT system that can underpin the whole process of service planning, procurement, monitoring and review is a key component of an efficient and effective integrated transport unit. Some authorities considering an ITU may already have some or all of the components of such a system in place while for others moving to such a system may be a more significant step.
- 5.11 The presence in the current marketplace of modular software systems should make fulfilling IT system requirements easier than has previously been the case, and in itself presents an opportunity for significant efficiency improvements. However, it should still be recognised that specification, procurement and implementation of appropriate integrated IT systems is necessarily a time-consuming process. This may drive the implementation timescale for transition to a new structure. The operation of the IT system should be well tested and validated before it “goes live” as the basis for day-to-day operation, and staff need adequate training in its use.

Business processes

- 5.12 With a change to an integrated unit, business processes need to be developed or revised to meet the needs of the new operating environment at an early stage. These could include:
- A “mission statement” and objectives for the unit
 - Key performance indicators, taking account of the cross-sector nature of the unit
 - A performance monitoring and management framework

- Quality standards
- Integrated procurement procedures
- Financial management procedures
- Staff management procedures
- Links to policy and strategy teams

- 5.13 Internal relationships (both process and financial) with client departments within the local authority also need to be defined. Experience from local authorities who have been through setting up an integrated unit suggests that there still needs to be someone, in each of the client departments, who has a broad understanding of transport issues in order that they can interact with the integrated unit in an intelligent way. There would ideally be a primary contact person identified in each client department, although it is recognised that people with both policy and financial responsibilities need to participate in the relationship.
- 5.14 Nevertheless it must be stressed that a key benefit of establishing an ITU is to relieve the client departments of the need for detailed involvement in transport planning and procurement. Hence, provided that the right level of trust between ITU and client department is achieved, the expectation is that the client department representative will be able to confine the interface to regular liaison meetings at a strategic level to receive and be satisfied with performance and financial reports and to discuss policy issues as they arise.

Performance monitoring

- 5.15 After moving to an integrated unit, it is important that performance is monitored closely and regularly to ensure that the anticipated efficiencies are achieved or surpassed. This may include a basket of performance indicators covering different operational, service quality and financial aspects of performance. For example, one of the most useful financial performance indicators for passenger transport service provision is average cost per return person-trip.
- 5.16 Regular monitoring of these figures and benchmarking with other comparable local authorities (alongside quality and other performance indicators) is an important activity. This not only demonstrates to client departments the level of service being achieved but also assists in identifying opportunities for service improvements and potential savings.

6 ORGANISATIONAL VARIANTS AND OPERATIONAL ARRANGEMENTS

6.1 Within the overall concept of an integrated transport unit, there are many variants that have been implemented or suggested in different local authorities around the country. Some of the key variants are discussed in the following paragraphs.

Outsourcing an ITU

6.2 Outsourcing (ie. contracting a private sector organisation to run the unit on behalf of a local authority) is a possibility that local authorities may wish to consider when establishing an integrated transport unit. A key question for local authorities to ask when deciding whether outsourcing is the right solution for their needs is:

Will additional efficiency benefits accrue from an outsourcing arrangement (over and above those from an in-house ITU) that are greater in value than the additional costs that would be incurred in paying a profit-bearing fee to the external organisation?

6.3 Within this key question there may be a number of aspects to consider, such as:

- ❑ Will outsourcing encourage a culture change in poorly performing departments that might otherwise not be achieved by the creation of an internal ITU?
- ❑ Should an ITU be included within a much larger package of work that may have stronger arguments for outsourcing?
- ❑ Can an outsourcing arrangement give sufficient flexibility to respond to the many policy initiatives that come from national, regional and local government without incurring significant financial penalties?

6.4 There is clearly no “one-size fits all” answer in this area. For example, in Nottinghamshire’s recent investigation of organisational options, the clear conclusion was reached that outsourcing would not be as cost-effective as operating an in-house ITU. Here, it was felt that no additional efficiency benefits would be gained over an in-house arrangement, since in-house staff were experienced and capable of delivering an efficient ITU operation. It was also felt in Nottinghamshire that an in-house ITU gave greater flexibility to respond to policy initiatives.

6.5 On the other hand, an outsourced integrated transport unit has been operated by Capita on behalf of Blackburn and Darwen Council since 2001 (although social services transport organisation sits separately from the ITU). This arrangement was established as part of outsourcing a much larger package of local authority work for a 15 year period. Discussions with key players in Blackburn and Darwen on both the client and contractor side suggest that the arrangement works well, with goodwill, commitment and flexibility on all sides. Blackburn and Darwen is a relatively small council that was created as a unitary authority in 1998, and one of the perceived advantages of the outsourcing in this particular case is that the external contractor can call on additional staff resources as required to support the ITU, which would otherwise not be available within a relatively small local authority.

- 6.6 A similar approach, however, in Bedfordshire which outsourced most transport functions along with a range of other County Council activities, has been terminated because shortcomings in the contractual terms had resulted in an unsatisfactory experience for both parties. The arrangement was replaced by an in-house ITU at the end of 2005.
- 6.7 Some local authorities have partially outsourced their passenger transport organisation functions without going as far as setting up an outsourced ITU. For example, Somerset County Council and Surrey County Council both outsourced part of these functions before later taking them back in-house and establishing in-house ITUs.

Local authority passenger vehicle fleet

- 6.8 One area where a number of different approaches have been adopted by local authorities in implementing an integrated unit concerns the operation of an in-house passenger vehicle fleet. Such a fleet may be used to provide specialist transport services directly – for example, social services transport – but may also compete with external transport operators through tendering to provide other services such as school transport or supported local bus services.
- 6.9 One option is for an in-house fleet to be an integral part of the ITU. The perceived advantage of this arrangement from the perspective of those who have gone down this route is that the fleet operation tends to be very closely integrated with the transport service planning and organisation function. A clear picture of fleet operational costs allows day to day testing in value for money terms against contract prices. This arrangement allows a very responsive approach to fleet vehicle deployment, and high standards of vehicle design and in-house staff training mean that fleet vehicles provide a quality option, especially for transporting clients with more serious mobility/behavioural problems. As the fleet is not bidding alongside the external operators for tendered services, a regular audit of fleet operational costs should be put in place to counter any suggestion from the commercial sector of un-fair competition.
- 6.10 A second option is for the in-house fleet operation to be separated organisationally (say, in a fleet management unit) from the ITU. This has the advantage that it is easier to counter suggestions of un-fair competition from external operators for tendered school and local bus services. However, this needs to be traded off against the possibility of fleet operation and organisation for non-tendered services being less closely linked with the service planning process.
- 6.11 Norfolk County Council has gone a step further and established an “arms length” trading company called Norfolk County Services (NCS) which has the remit of managing and operating the whole vehicle fleet (not just passenger vehicles) for the county. NCS is a limited company wholly owned by the council, and operates on a commercial basis. It pays back a percentage of its turnover to the council each year and also refunds to the council fuel duty rebates received. NCS has the freedom to compete for work outside Norfolk and has done so successfully, as well as providing services to the council. However, such an arms-length company may need to offer additional services (as NCS does) to be of sufficient size to fully realise economies of scale.

- 6.12 The final option, of course, is to have no in-house fleet and procure all services from the external market. However, with rising transport costs and a lack of competition in some areas, this removes a very important capability of local authorities to provide a market check on contract prices and by doing so minimise service costs.
- 6.13 In accordance with the principle of an integrated professional approach to transport provision within local authorities, it is considered that the first option (paragraph 6.9) is the most satisfactory, with fleet management and operation being part of the integrated unit to make best use of the responsiveness and flexibility that in-house operation can offer, but continually tested in quality and cost terms alongside commercial alternatives.

Location of an ITU within the local authority structure

- 6.14 Most in-house integrated units that have been established to date sit within the local authority department that exercises the “transport authority” responsibilities on behalf of the authority. This may typically be the council’s Highways, Planning and Transportation, or Environment department. This is often largely because that department is responsible for transport strategy implementation and passenger transport support measures (eg. information provision and infrastructure) that need to interact closely with the passenger transport delivery function.
- 6.15 However, there is also an argument for establishing an ITU separate to the conventional “transport authority” department. This is that the ITU is organising passenger transport services on behalf of a number of client departments and a “neutral” position within the local authority helps ensure that all client departments get equal, excellent attention. Kent County Council is a prominent example where the ITU is not in the council’s Highway Services Department, but forms part of its Commercial Services Unit within the Chief Executive’s Department.
- 6.16 Wherever the ITU is located, safeguards need to be put in place to ensure that all client departments have a good relationship with the ITU and get excellent service to meet their needs. To further this several local authorities have established a “Transport Board” with representation from all client departments and possibly elected members. This Board can arbitrate in any disputes or disagreements between the client departments and the unit and approve any major changes in relation to policy. .

Client department relationships

- 6.17 In most circumstances with an ITU, the budget holders for transport services are the client departments. The main advantage of this is that alignment of budget-holding with policy responsibility makes those departments accountable for policy decisions that affect transport needs. This is in line with Audit Commission views. An ITU will therefore often operate on a “nil budget” basis, except for staff and other establishment costs.
- 6.18 With such an arrangement, partnership agreements (service level agreements) between the unit and the client departments are needed to define responsibilities and services, while budgets to provide the defined services are reviewed and agreed between the unit and the client departments on an annual basis. Costs incurred by the unit in organising the transport

services are then re-charged to the appropriate departmental budget. Close monitoring of the financial position and regular liaison with client departments is required – for example, through monthly meetings. This arrangement provides the opportunity to deal with real cost growth where necessary without impacting on other transport functions of the ITU.

- 6.19 As previously noted, experience from local authorities who have been through setting up an integrated unit suggests that there needs to be at least one person within each of the client departments who has sufficient understanding of the relationship between their service and the associated passenger transport requirements to act as an “intelligent client”. This helps smooth the client-unit relationship and ensures that the client departments get the transport services they need at the best price. With an ITU arrangement, there would ideally be a primary contact person identified in each client department, although it is recognised that people with both policy and financial responsibilities need to participate in the relationship.

The relationship between public transport strategy and delivery

- 6.20 One of the key areas to consider in establishing an integrated transport unit concerns the relationship between those responsible for public transport strategy and those responsible for organisation and delivery of passenger transport services. There needs to be a close two-way relationship between these areas in order to ensure that public transport strategy and the relevant parts of the Local Transport Plan are rooted in deliverable outcomes, and conversely that passenger transport services are planned and procured in line with the overall strategy and LTP.
- 6.21 Conceptually, public transport strategy development and implementation sits between transport policy development and passenger transport service delivery. One option is therefore for the public transport strategy function to sit within the integrated transport unit but maintain close liaison with others responsible for other aspects of transport strategy and policy who sit outside the unit. This should ensure the necessary close interaction between public transport strategy and passenger transport service delivery, and is the one adopted, for example, by Cheshire County Council who have one of the longest-established integrated transport units.
- 6.22 The alternative is for public transport strategy functions to sit outside the unit alongside other strategy and policy functions, but maintaining close liaison with the unit. This approach is the one adopted in Kent (for example) where the ITU is purely a transport organisation unit and policy and strategy are dealt with separately by Kent Highway Services. Maintaining close liaison is clearly more of a challenge for both teams in this situation, particularly (as in Kent) if the two teams are physically located in different places.
- 6.23 Even so, it is difficult to see how operational policy matters (like the statutory Bus and Information Strategies) can be developed effectively at a distance from the ITU, so that the first of these arrangements (paragraph 6.20) would seem the more satisfactory. It remains vital that the staff working on policy within ITU have a close relationship with the team responsible for Local Transport Plan production and accessibility planning. Equally it is important that the ITU manager has adequate influence and control on these wider transport policy matters.

7 ACKNOWLEDGEMENTS

- 7.1 This paper draws on discussions with officers from a number of local authorities across the country and on reports and information provided to the authors. This input is gratefully acknowledged.