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ABERDEEN
CITY COUNCIL

<u>To</u>:   Councillor Laing, <u>Convener</u>; and Councillors Boulton, Flynn, Lumsden and Yuill.

Town House,
ABERDEEN, 26 September 2017

STRATEGIC TRANSFORMATION COMMITTEE

The Members of the **STRATEGIC TRANSFORMATION COMMITTEE** are requested to meet in **Committee Room 2 - Town House on** <u>**WEDNESDAY, 4 OCTOBER 2017 at 10.45 am**</u>.

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

COMMITTEE BUSINESS

1.1   <u>Minute of Previous Meeting - none</u>

1.2   <u>Committee Business Statement</u> (Pages 5 - 6)

1.3   <u>Committee Tracker</u>

2   <u>Transformation Portfolio Governance</u> (Pages 7 - 16)

MONITORING AND CONTROL

3   <u>Transformation Portfolio Budget Report - to follow</u>

REPORTS FROM BOARDS

COMMUNICATION AND ENGAGEMENT

Website Address: www.aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Roderick MacBeath on 01224 523054 or email rmacbeath@aberdeencity.gov.uk

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STRATEGIC TRANSFORMATION COMMITTEE

COMMITTEE BUSINESS STATEMENT

4 OCTOBER 2017

Please note that this statement contains a note of every report which has been instructed for submission to this Committee. All other actions which have been instructed by the Committee are not included, as they are deemed to be operational matters after the point of committee decision. Where a report instructed requires no decision to be made this will be reported in the Committee's information bulletin. Reports which are overdue are shaded.

No.	Minute Reference	Committee Decision	Update	Lead officer(s)/ Service(s)	Report Due	Report Expected (if known)
1.	Finance, Policy & Resources Committee – 20/09/16 Article 28	**Review of Bookings and Lettings Procedures in Schools and Learning Centres** The FP&R Committee agreed:- (1) to instruct officers, in partnership with Sport Aberdeen, to investigate the feasibility and implications of transferring responsibility for administering the bookings and lettings system from Sport Aberdeen to an appropriate team within Aberdeen City Council, and to report their findings and recommendations to Committee in September 2017; (2) to instruct officers, in partnership with Sport Aberdeen, to carry out a detailed analysis of the current charges for bookings and lettings of schools and learning centres, and to report to Committee in February 2017	This item was referred to the STC at the FP&R meeting of 20 September 2017.	Andrew Jones (ECS) Kay Diack (CHI)		

No.	Minute Reference	Committee Decision	Update	Lead officer(s)/ Service(s)	Report Due	Report Expected (if known)
		(now March 2017) with recommendations on any required changes to the scale of charges, to ensure the financial viability of the bookings and lettings system.				
2.	Finance Policy and Resources Committee – 29/06/17 Article 23	**Joint Venture Proposal with Hunchbuzz** The Committee agreed to (1) instruct the head of IT and Transformation to prepare a report on the IT transformation strategy for schools, highlighting how this project aligns with the overall IT strategy and timetable, reporting back to the next Finance Policy & Resource Committee on 20 September 2017; and (2)that officers arrange a workshop for members to showcase the project one hour before the next meeting of the Committee on 20 September 2017.	This item was referred to the STC at the FP&R meeting of 20 September 2017.	Zoe Evans (CG)		

ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	4th October 2017
REPORT TITLE	Transformation Portfolio Governance
LEAD OFFICER	Angela Scott
REPORT AUTHOR	Martin Murchie

1. PURPOSE OF REPORT:-

This report informs the Committee of the governance to be applied across the Transformation Portfolio.

2. RECOMMENDATION(S)

The Committee is asked to note the governance arrangements.

3. BACKGROUND/MAIN ISSUES / OTHER HEADINGS AS APPROPRIATE

3.1.1 An extensive governance structure has been put in place to manage the delivery of the Transformation Portfolio. This is a radically different model from any previously in place and the application of governance around it needs to be clear and well understood at all levels.

3.1.2 The Strategic Transformation Management Board considered, at their meeting on 1st September 2017, a "Transformation Portfolio Brief" which includes extensive details of the governance which will be applied. All Senior Responsible Owners, Programme Managers, Board Members, and others as required, must be familiar with the full detail of the "Transformation Portfolio Brief".

3.1.3 This paper presents a summary of the Transformation Portfolio Brief with additional material to amplify key messages.

3.2 Governance Structure

3.2.1 The governance structure is shown in Appendix A and is designed to:-

- manage and approve future service designs and the supporting business cases;

- ensure all portfolio work meets the design criteria and delivers the objectives laid out.

3.2.2 The structure is organised into a three tier hierarchy, consisting:

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- **Strategic Transformation Committee**: In summary, the Committee has delegated authority from Council:-
    - To control and allocate sums from the Transformation Fund for the implementation of the Target Operating Model;
    - To consider and make key decisions on business cases, proposals and cases for change to the Council's resources, including finance, people, staffing structures, systems and technology, and property.

- **Strategic Transformation Management Board**: Manages Transformation Activity; provides strategic direction to the Transformation Portfolio; monitors progress; and makes key decisions on business cases and proposals and cases for change; acting as the gatekeeper for all papers before they are submitted to the Strategic Transformation Committee.

- **Control Boards**: Ensure financial, technological and establishment control compliance; giving assurance to the Strategic Transformation Management Board that design, business cases and implementations adhere to designs; costs; realise benefits and meet outcomes.

- **Delivery Boards**: Support the Senior Responsible Owner to deliver the programme objectives and benefits, including the development and implementation of Target Operating Models and associated business cases, proposals and cases for change.

- **Design Authority:** Reviews the Business Models to verify they are individually and collectively aligned with the Target Operating Model design principles and will deliver the Council's Transformation Objectives.

- **Communications and Engagement Group:** Ensures stakeholders are engaged and informed of the Council's vision for change, its key objectives and programme activity by building effective channels to ensure communications and engagement reaches all tiers of the organisation.

3.2.3 Remits of the Strategic Transformation Committee and each Board are included in the "Transformation Portfolio Brief".

3.3 Programmes

3.3.1 There are seven Transformation Programmes:-

- Business Change
- Customer
- Workforce Change
- Commissioning
- Technology

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- Finance
- Governance

3.3.2 The objectives of each Transformation Programme are listed in Appendix B. Full Terms of Reference have also been prepared and will be considered at the first meeting of the respective Boards.

3.4 Programme Management

3.4.1 The Programme Management Office (PMO) will support the SROs, Programme Managers and Programme Boards leaving the programme team free to focus on the business of running the programme. Specifically the PMO will:-

- Information management – hold master copies of all programme information, generate all necessary quality and assurance management documentation, maintain, control and update programme documentation, establish and maintain the index to an electronic library of programme information;
- Quality control – establish consistent practices and standards adhering to the programme governance arrangements, including project planning, reporting, change control, maintain and updating RAID logs (Risks; Actions; Issues and Decisions);
- Planning – create and own the portfolio plan and assist with the development of programme and project plans;
- Tracking and reporting – track measurements, report progress against plans, risks and issues;
- Dependency management – analyse interfaces and critical dependences between programmes and projects and recommend appropriate actions;
- Resource management - forecasting, multi-project scheduling and planning to address project and resource interdependencies;
- Advice and guidance - provide consultancy-style services to programmes and project delivery teams;
- Health Checks - carry out health checks and advise on solutions during the lifetime of the programme/projects;
- General support – facilitate workshops and assist with agenda planning, co-ordination and report preparation;
- Training - project and programme manager development, mentoring and evaluation.

3.5 Monitoring and Control

Decision Making Authority

3.5.1 This governance model is a new approach for the Council and it is important that there is clarity on how authority is obtained for making the changes required to deliver the Transformation Portfolio.

3.5.2 Appendix C shows high level processes for decision making relating to:-

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- Transformation activity; and
- Business as usual activity.

3.5.3 To provide some further detail and context to these processes, amongst the key points are:-

- Approval for business models, business cases and proposals can only be made by the Strategic Transformation Committee;
- The Senior Responsible Owner will present the report to both the Control Boards, the Transformation Management Board and the Strategic Transformation Committee as necessary.

Planning, Monitoring and Reporting

3.5.4 Each programme has a Programme Plan containing tasks, based lined milestones, dependencies. Deviation from the Plan will be considered at weekly checkpoint meetings with decisions captured in the Portfolio Decision Log and the plans updated accordingly. The Programme Manager will update the programme plan weekly. The PMO will work with Programme Managers to assess plan build quality and develop and maintain the plans.

3.5.5 The PMO will assess the milestone completion rate against baseline values and, each week, run monitoring reports and produce a programme dashboard indicating progress against plan and dependency analysis. This, together with the RAID Log, will be discussed with the Programme Managers, reviewed at the weekly Transformation Portfolio Checkpoint Meeting and submitted by the PMO to the Programme Board meeting accompanied by a Programme Manager analysis/commentary.

3.5.6 At Portfolio level the PMO will collate a portfolio dashboard and RAID Log for submission to the Strategic Transformation Management Board and Committee.

3.5.7 Each Programme Manager will maintain a "Governance Calendar" which shows a forward plan for reporting to Delivery Boards; Control Boards; Strategic Transformation Management Board, and Strategic Transformation Committee.

Tolerances and Escalation

3.5.8 Tolerances will be set and agreed by the Strategic Transformation Committee and any tolerance will be delegated by the Chief Executive to the Senior Responsible Owner. Tolerances in terms of **Cost**; **Quality**; and **Time** will be proposed within each Full Business Case presented to the Committee. Any variation from the agreed tolerances will require a change control request to be made and reported to the Committee for approval.

3.5.9 Escalations will be managed within agreed tolerances, or if a project or programme manager feels there is a need to escalate an issue or risk. If a project issue or risk

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requires to be escalated the project manager or work package lead will notify the Programme Manager who will update the central Transformation Portfolio RAID logs and notify the SRO. If a programme risk requires to be escalated to portfolio level the Programme Manager will update the RAID logs and notify the PMO and the SRO.

4.   FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. Finance is, however, a key element of the governance arrangements of which this report provides details.

5.   LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

6.   MANAGEMENT OF RISK

Any significant risks will be identified and managed as appropriate.

7.   IMPACT SECTION

|		
Economy	-	None directly.
People	-	None directly.
Place	-	None directly.
Technology	-	None directly.

8.   BACKGROUND PAPERS

None.

9.   APPENDICES (if applicable)

Appendix A   -   Governance Structure Chart

Appendix B   -   Programme Objectives

Appendix C   -   Decision Making Processes

10. REPORT AUTHOR DETAILS

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1. Governance Structure Chart

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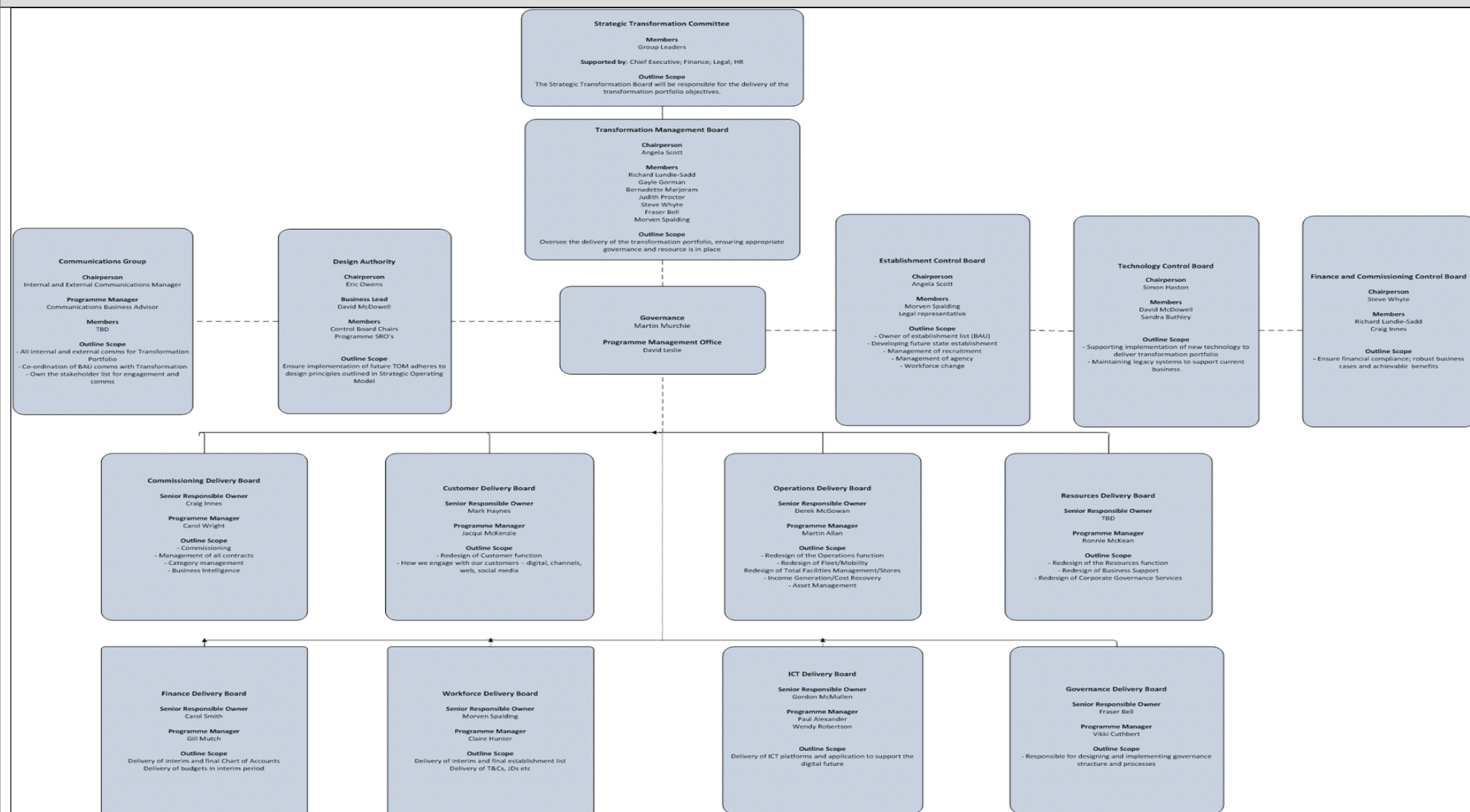
PROGRAMME OBJECTIVES

Business Change

Design the Business Model for the Operations function as part of the Council's Target Operating Model;

- Design and implement of a new Business Support function;
- Review and redesign the management of how the Council manages transport and fleet functions;
- Review and redesign Total Facilities Management including utilisation and need for Stores;
- Review of Asset Management;
- Review Income Generation and Cost Recovery.

Customer

- Redesigning customer engagement and ensuring the fulfilment of customer needs;
- Utilise customer insight and engagement to understand who our customers are and what they need, ensuring a customer-led approach;
- Adopting a focused approach to digital service provision;
- Designing and implementing the preventative and early interventions agenda;
- Adopting a locality based approach;
- Ensuring empowered, resilient and sustainable communities;
- Ensuring people are resilient, included and supported when in need;
- Developing robust partnerships with external organisations to fulfil customer needs.

Workforce Change

- Restructuring the organisation into the target operating model including:
  - Reorganisation of the workforce and redesign of job roles and responsibilities where required;
  - Redesign of job roles and responsibilities as determined by the Programmes within the Transformation Portfolio. This will include the redesign of the HR function and the adoption of a digital people management approach;
  - Management of the complete workforce transition process including the redeployment and VS/ER process;
  - Establishing the overall process for managing staff placed on redeployment including authorising movements through the process
- Developing the organisational culture and workforce behaviours, skills and competencies required to deliver the target operating model;
- Preparing and supporting the workforce through change;
- Reviewing current terms and conditions of employment including a new Fair Agreement;
- Ensuring capacity and capability is in place to deliver the programme plan committing resources as required.

Commissioning

- Design and implementation of a commissioning model for the Council; which will include
- Implementation of a robust category management approach as part of the procurement strategy;
- Implementation of a robust contract management approach

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- Build and design of a Business Intelligence Unit

Technology
- Deliver the Technology Roadmap and all associated projects;
- Co-ordinate IT resources for all other programmes;
- Consolidate IT activities across the Council and the develop a detailed Business Model;
- Design and develop an IT specification for the Strategic Partnership Model;
- Define outline requirements for core digital solutions, such as CRM and the Digital Platform, in advance of procurement activities commencing.

Finance
- Critically evaluate the 17/18 base budget and assess whether it reflects appropriately best use of resources to deliver for the organisation now and in the future;
- Conduct a deep dive on key spend areas across the Council in conjunction with Services;
- Deliver the interim and final chart of accounts for the new operating model;
- Introduce quarterly reporting;
- Implement faster close down (quarterly and year end);
- Coordinate finance support to all other boards;
- Monitor transformation spend/savings;
- Input into business case development;
- Model benefit realisation across the entire programme of transformation;
- Review of the capital programme to determine any capital investment currently earmarked that should be considered in relation to any transformation work stream.
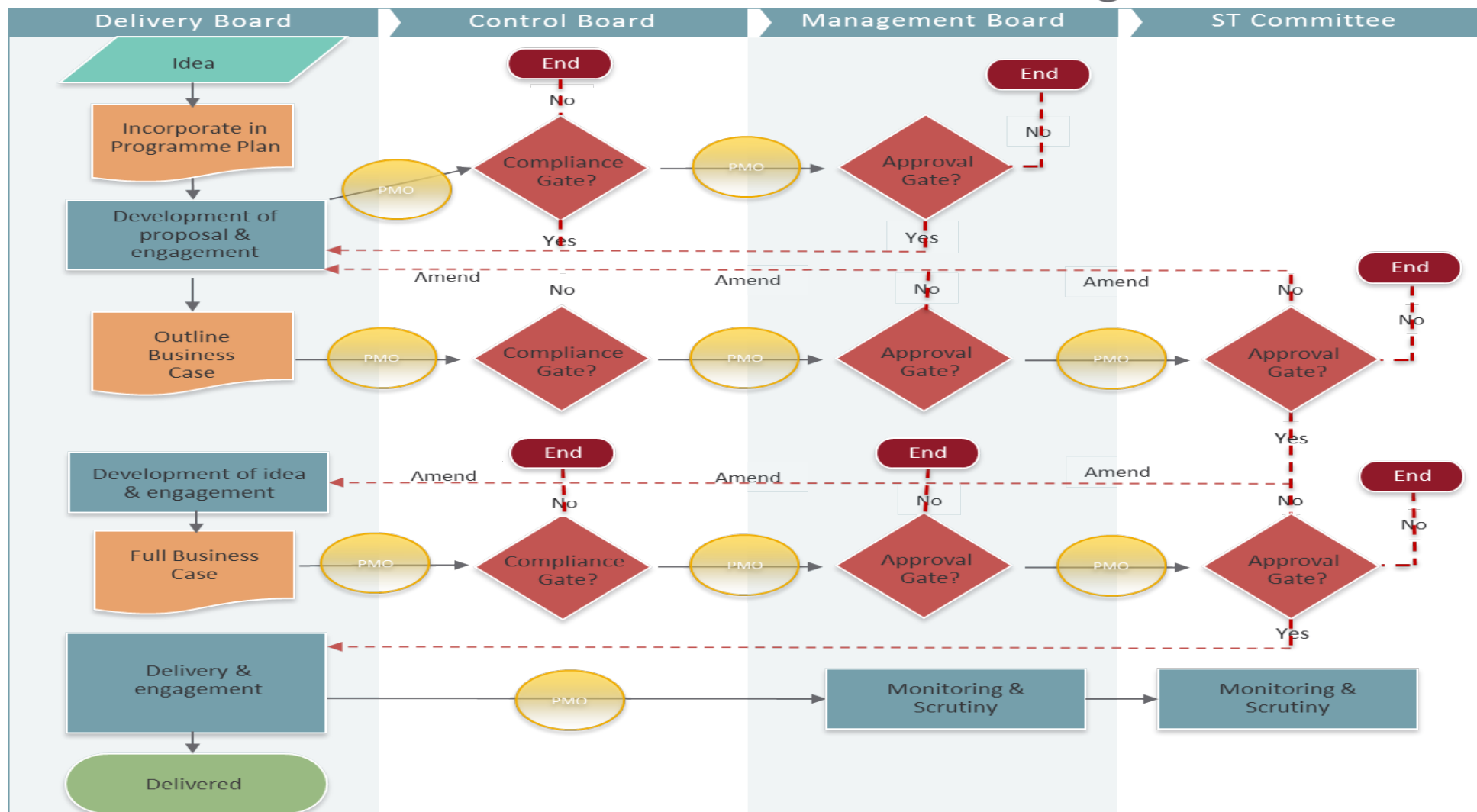
Governance

1. Revised Scheme of Governance to support Target Operating Model
   - Institutional Governance and Terms of Reference
   - Elected Member Remuneration
   - Committee Reporting Arrangements
   - Delegated Powers
   - Financial Regulations
   - Procurement Regulations
   - Committee Effectiveness Framework
   - Standing Orders
   - Member Officer Relations Protocol
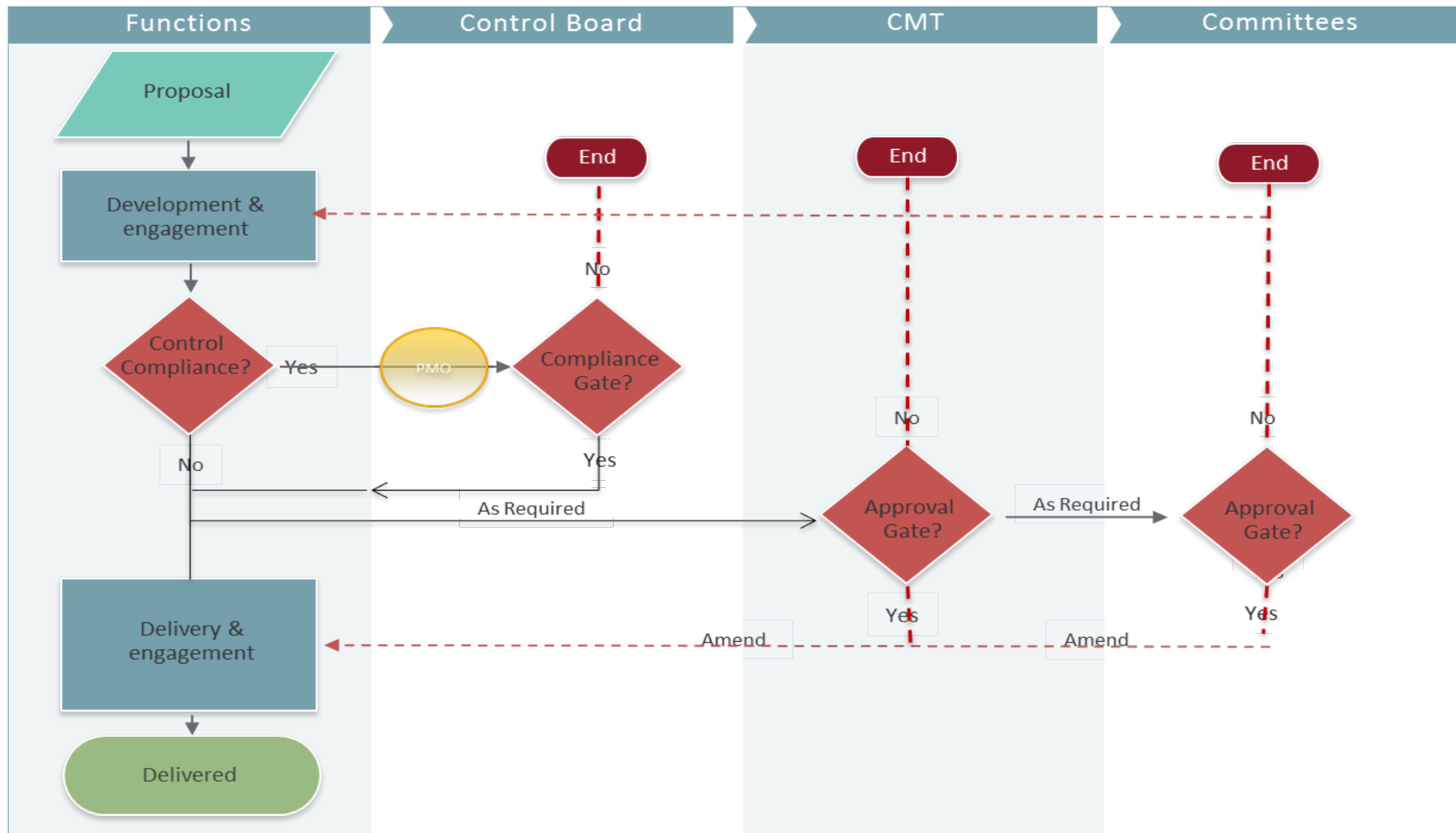   - Staff Governance Framework
   - Council Diary
   - Member Induction

2. Urban Governance – Civic Engagement

3. Digital Governance

8

Transformation Decision Making

9

Business As Usual Decision Making

Functions	Control Board	CMT	Committees

Proposal

Development & engagement

Control Compliance?

Yes → PMO → **Compliance Gate?**

No

Yes

As Required

End

No

Approval Gate?

No

As Required

Approval Gate?

End

No

End

No

Yes

Amend

Yes

Amend

Delivery & engagement

Delivered

Control Boards and Compliance Gates

Establishment Board   - Proposed changes which could impact on current and future staffing establishment

Finance & Commissioning Board   - Proposed changes to current and future commissioning and monitoring delivery of agreed savings

Technology Board   - Proposed changes which could impact on current and future digital infrastructure and resources

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ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	4 October 2017
REPORT TITLE	Digital Strategy Programme Update
LEAD OFFICER	Simon Haston
REPORT AUTHOR	Simon Haston

1. PURPOSE OF REPORT:-

The purpose of this report is to provide the committee with an update on the progress of the digital strategy programme.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

(a) Notes the progress of the Being Digital Strategy programme.
(b) Approve expenditure of up to of £100k from the transformation fund to run two pilot projects as explained in paragraph 3.9.

3. BACKGROUND

3.1 The Being Digital Strategy was approved on 29 September 2016. The digital world continues to transform the way we live our lives: the way we shop, socialise, travel and work. It has changed the way we look for information about public services, and has altered our expectations about how we can engage, access and influence services. Being Digital sets out to enable wider outcomes by creating a digital organisation.

3.2 The report set out a context, a core strategy, key themes, plans and targets. The report made specific reference to an IT strategy, but being digital is more than a technology strategy, as it will require a change in how we deliver services and how we interact with our customers.

3.3 The strategy set out a number of projects designed to improve the customer experience, improve staff experience and make better use of resources. For our customer experience, the strategy set out to deliver:

- A customer experience platform that would allow customers to interact with the Council digitally, enabling digital service delivery.

- A redesigned corporate website and a new content management system to make information easier to find and understand.

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- A master data management programme to understand, integrate and use our data better.

3.4 For our staff experience, the strategy set out to implement:

- A system to make it easier for staff to work remotely and through different resources.
- A collaboration suite to make online communication, document management and workflow easier.

3.5 The strategy also recognised the need to invest in our core infrastructure, reducing complexity, upgrading our networks, and reviewing and updating aging systems.

3.6 Since the being digital strategy was approved, significant progress has been made on a number of key projects. However, it is also acknowledged that in some areas progress needs to be much quicker. Moreover, the new target operating model will require the adoption of more emergent technologies, delivered at a quicker pace. One issue has been the capacity of staff to deal with business as usual, and transformation activities. In addition, the governance structures need to be better aligned to the wider business change to accelerate the pace of delivery.

3.7 In order to address these issues following the actions are recommended:

- The re-alignment of current resources to ensure a clear separation between business usual activities and transformation activities.

- A review of all existing projects to ensure alignment with target operating model.

- The introduction of a new change and portfolio framework to ensure consistency and transparency across all projects.

- Alignment of the being digital programme with the wider transformation governance through the establishment of IT Control Board and IT Delivery Board.

- The development of a new technical strategy to support the new target operation model.

- The procurement of a digital business partner to supplement current resource.

3.8 The key change projects are profiled in Appendix 1. These are critical to support the transformation programme and include:

- Customer experience platform.
- Content management system.
- Master data management.
- Your Desktop.
- Staff collaboration platform.
- Human capital management.
- Networks and connectivity upgrades.

3.9 It is proposed to run two digital pilots as a proof of concept for delivering wider digital services. This process will fast track digital development and test agile approaches. The first pilot will focus on delivering on a booking system that

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allows communities to book Council facilities, e.g. school letting as referred from the Finance, Policy and Resources committee.   The second pilot will look at booking and paying for Council services, e.g.skip hire. The cost of these pilots is estimated at £100k.

4.   **FINANCIAL IMPLICATIONS**

In March 2016 a series of disparate IT capital investments were brought under one theme of Technology and Digital. This totalled £4.5m over four years. This investment was then aligned to support the Being Digital strategy. All future spend will be approved through the new transformation programme governance processes.

5.   **LEGAL IMPLICATIONS**

There are no legal implications.

6.   **MANAGEMENT OF RISK**

The programme brings significant risk considering the dependency of the new target operating model on technology. Therefore all change projects will be managed through the new transformation governance arrangements and risk and issues will be reported through standard processes.

7.   **IMPACT SECTION**

Economy

There will be minimal impact on the economy.

People

The use of technology and digital solutions will have a significant impact on our how we deliver our services and how our customers engage with the Council.

Place

Technology is a key theme within the Local Outcomes Improvement plan. This sets out a number of aims including; improving connectivity across the city, better of use data, using community based applications and working with our partners to improve digital skills.

Technology

There is a significant impact on technology across the Council. Therefore the programme will link directly into the IT Delivery Board and the IT Control Board. In addition there will be communication across the entire transformation portfolio.

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8.   **BACKGROUND PAPERS**

Being Digital Strategy

9.   **APPENDICES**

Appendix 1: Programme Status

10.   **REPORT AUTHOR DETAILS**

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Appendix One – Key Digital Projects

Project	Strategic Value	Activities	Finish
Improving staff experience			
Customer Experience Platform	Cloud based platform that allows for digital services through eforms, integration, workflow. This allows citizens and businesses to transact with the Council through a number of online channels. This make doing business with us easier and more efficient. This includes setting up a single account for customers to contact us.	**Phase one: Digital services**	
		Waste services	Jan-18
		Recycling services	
		Roads services	
		Street lighting	
		Council Tax	
		Complaints and FOI requests	
		Single customer account	Nov-17
Content Management system	System to create main Council website look and feel, navigation and manage content. This will make it easier for customers and businesses to find the relevant information either through mobile or fixed devices without needing to contact us. The project has also rewritten over 1000 pages to make them more readable and clearer	Website procured and installed	Complete
		Content reduction programme (40% reduction)	Complete
		Migration and rewrite of pages	Complete
		Website redesigned	Complete
		Consultation process	Nov-17
Master Data Management	Programme to ensure that the Council masters its core data to provide a platform from which data can be shared and analysed. We can also use this data to identify customers across a number of service areas. so that you do not need to provide the same data many times.	As is assessment	Complete
		Data quality analysis	Complete
		To be model	Complete
		Technology design	Oct -17
		Procurement	Nov-17

Project	Strategic Value	Activities	Finish
Improving staff experience			
Human Capital Management	New payroll and human resources management system that will provide core information but will also provide better self service facilities for recruitment, absence management, time recording and other pay and HR related activities.	Requirement capture Procurement process Training Testing Migration	Complete Jan 18 Mar 18 May 18 Dec 18
Staff Collaboration tool	A new operating environment that allows staff to communicate with each other and other organisations. Also allow for document sharing, workflow programme manage tools and the new Council intranet.	Infrastructure build Pilot Corporate roll out	Complete Oct 17 June 18

Project	Strategic Value	Activities	Finish
Improving resources			
Modernising our infrastructure	Upgrading the Council networks, rationalising servers, enhanced security and upgrading connectivity such as Wifi coverage	Upgrade network New firewall Wifi in buildings Wifi in communities	Dec 17 Complete Complete Complete
Additional technical skills	Additional resources to work across all technical changes programme.	Supporting all new Technology developments.	Ongoing

ABERDEEN CITY COUNCIL

COMMITTEE   Strategic Transformation Committee

DATE   4 October 2017

REPORT TITLE   Procurement of Digital Partner

LEAD OFFICER   Simon Haston

REPORT AUTHOR   Simon Haston

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1.   PURPOSE OF REPORT:-

1.1   The purpose of this report is to seek committee approval for the approach to procuring a business digital partner.

2.   RECOMMENDATION(S)

2.1   It is recommended that the Committee:

a) Notes that procurement for the business digital partner is underway as per the timescales in appendix 1.

b) Delegates the appointment of a business digital partner to the Chief Executive.

3.   BACKGROUND

3.1   The Council's Target Operating Model Report set out three objectives to deliver:

- Up to £125 million of benefits realisation (or savings) over five years (2018/19 to 2022/23).
- The Council's digital strategy.
- The Council's Target Operating Model by 2020/21.

3.2   The Target Operating Model depends on accessing the digital business change and technology capability and capacity. The report recommended procuring a business digital partner to support this transition over a two year period. The business digital partner will be required to:

- Provide evidence of leading the migration of a traditional organisation to a digital organisation.

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- Demonstrate how your proposed approach will support the Council's agreed new target operating model.

- Provide examples of delivering digital solutions that have released savings.

- Define relevant programme and project delivery frameworks, methodologies, and their inclusion within wider (traditional) Council delivery frameworks.

- Provide evidence and experience of delivering a wider business change programme that addresses communications, skills and culture.

- Be able access to right skills and capability to support extensive digital transformation.

- Identifying and specifying new innovative, customer-centric digital services, specifying how the Council will use technology and information.

- Knowledgeable around relevant regulations and compliance constraints, e.g. GDPR.

- To act as an umbrella supplier and propose an approach to sourcing the right skills and capability from the market.

- To work with the organisation to develop a sustainable digital organisation.

- Knowledgeable and experienced in digital technologies. Cloud, Big Data, Integration, Business Intelligence (BI) /Machine Learning (ML) /Artificial Intelligence (AI).

3.3   It is recommended that the UK Government Procurement Framework – Crown Commercial Services - Digital Outcomes and Specialists 2 Framework is used in order to procure a business digital partner. This framework provides access to a wide market of suppliers and, as it is based on outcomes rather than specific requirements, gives the Council flexibility in how the supplier is used.

3.4   It provides clear templates for requirements, shortlisting and evaluation. **Appendix 1** provides details on timescales, selection criteria and process. The evaluation criteria will be based on three areas:

a) Technical competence: How well the supplier meets the technical requirements.

b) Cultural fit, for example how the supplier will work in your organisation

c) Price of the proposal.

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4.   **FINANCIAL IMPLICATIONS**

£4.5m has been allocated to fund the business digital partner over the next two years. The use of these funds will be on a call off basis and subject to approval through the new transformation programme governance structures.

5.   **LEGAL IMPLICATIONS**

The use of this procurement framework provides the Council with a flexible route to market engagement that is fully compliant with EU Procurement Law and the Council's Procurement Regulations.

6.   **MANAGEMENT OF RISK**

All significant change carries risks and it is essential that the Council has strong change management and governance arrangements in place to identify, assess and control risks in the relationship with the partner. The partnership will be managed through the existing transformation governance structures.

7.   **IMPACT SECTION**

Economy

The digital partner will act as an umbrella supplier and will be encouraged to use SMEs and engage with, if possible, local suppliers.

People

The digital partner will be a key enabler to transforming Council services to ensure that they are customer focussed and provide a number of channels through which customers can engage and do business with the Council.

Place

Technology is a theme within the Local Outcomes Improvement Plan and it is expected that the partner would bring additional expertise and resources to help deliver the LOIP technology aspirations.

Technology

The digital partner will be a key enabler to realising the ambitions of the Being Digital Strategy.

8.   **BACKGROUND PAPERS**

Council Target Operating Model - OCE/17/015

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9.   **APPENDICES**

Appendix 1: Procurement approach, selection criteria and timescales.

10.   **REPORT AUTHOR DETAILS**

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Appendix 1: Procurement Approach

Approach

It is recommended that the Crown Commercial Services Digital Outcomes and Specialists 2 framework is used to procure a business digital partner. Digital Outcomes and Specialists is a dynamic style framework with the specific aim of helping the public sector buy, design, build and deliver digital outcomes using an agile approach.

Process

	Activity	Estimated completion date.
1	Prepare requirements using online platform	Draft
2	Publish requirements	26th September 2017
3	Suppliers have one week to ask questions	3rd of October 2017
4	Suppliers apply	10th of October 2017
5	Request proposal form shortlisted suppliers	11th October 2017
7	Supplier provide full proposal	20th October 2017
8	Evaluation panel completes evaluation.	27th October 2017

Selection Criteria

The first stage is to shortlist suitable suppliers. This will be based on their technical capability to meet the following requirements:

- Provide evidence of leading the migration of a traditional organisation to a digital organisation.

- Demonstrate how your proposed approach will support the Council's agreed new target operating model.

- Provide examples of delivering digital solutions that have released savings.

- Define relevant programme and project delivery frameworks, methodologies, and their inclusion within wider (traditional) Council delivery frameworks.

- Provide evidence and experience of delivering a wider business change programme that addresses communications, skills and culture.

- Be able access to right skills and capability to support extensive digital transformation.

- Identifying and specifying new innovative, customer-centric digital services, specifying how the Council will use technology and information.

- Knowledgeable around relevant regulations and compliance constraints, e.g. GDPR.

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- To act as an umbrella supplier and propose an approach to sourcing the right skills and capability from the market.

- To work with and, where required, support training of the workforce to develop a sustainable digital organisation.

- Knowledgeable and experienced in digital technologies. Cloud, Big Data, Integration, Business Intelligence (BI) /Machine Learning (ML) /Artificial Intelligence (AI).

Once suppliers have been shortlisted they will be requested to submit a more detailed proposal and a presentation to the evaluation panel based on the above criteria. They will be asked to present a written proposal in the following format:

1. Digital solution suggested.
2. Approach and methodology.
3. How the approach or solution meets user need.
4. How the approach or solution meets your organisation's policy or goals.
5. How they've identified risks and dependencies and offered approaches to manage them.
6. Team structure.
7. Value for money.

The shortlisted supplier will also be scored against their cultural fit with the organisation, for example:

1. Challenge the status quo.
2. Work as a team with our organisation and other suppliers.
3. Share knowledge and experience with other team members.
4. Be flexible and agile in their approach.
5. Be transparent and collaborative when making decisions.

Evaluation Panel

The proposed selection panel will be drawn from senior officers with representation from across the transformation programme.

- Angela Scott (Chair of Transformation Management Board)
- Gayle Gorman (Director of Education and Children Services)
- Judith Proctor (Chief Officer, Health and Social Care Partnership)
- Derek McGowan (Sponsor of Business Change Programme)
- Eric Owens (Chair of Design Authority)
- Simon Haston (Chair of IT Control Board)
- Gordon McMullan (Chair of IT Delivery Board)
- Steve Whyte (Chair of Finance & Procurement Control Board)
- Craig Innes (Chair of Commissioning Delivery Board)
- Richard Lundie Sadd (Transformation Consultant)

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ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	4th October 2017
REPORT TITLE	Outline Business Case – Fleet Services and Mobility
LEAD OFFICER	Bernadette Marjoram
REPORT AUTHOR	Mark Reilly

1. PURPOSE OF REPORT:-

1.1 The purpose of this report is to present the Committee with an Outline Business Case for transformation of Fleet Services and Mobility and to seek approval to proceed to a Full Business case.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

a) Note the attached Outline Business Case and instruct officers to proceed to a Full Business Case, at an estimated cost of £150,000, for Fleet Services and Mobility.

3. BACKGROUND/MAIN ISSUES

3.1 An Outline Business Case for Fleet Services and Mobility is attached to this report. A clear priority and driver for change is the need to reduce the cost of service provision. The outline case for change seeks to identify opportunities for benefits realisation through both service improvement and alternative service delivery models, by covering:

- The as-is position and challenges faced;

- A progress snapshot on the existing Fleet Improvement Plan (FIP);

- Identification of business needs and key priorities to expedite;

- Potential service delivery models available for Fleet and Mobility while recognising the existing constraints;

- Recommended ways forward; and

- Key dependencies, risks and next steps required to progress to the next, more detailed, Full Business Case stage.

3.2 If the Committee agree to proceed, a Full Business Case will be developed and reported to the Committee requesting approval to pursue a recommended preferred option through to implementation.

4. FINANCIAL IMPLICATIONS

4.1 The estimated costs of developing a Full Business Case, should the Committee agree to it proceeding, are £150,000. This will be funded from the Transformation Fund.

4.2 The potential financial benefits of implementing the proposed changes to Fleet Services and Mobility are contained within the Outline Business Case and show potential savings of up to £1.5m from Fleet Services and Mobility.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 Risks identified in relation to specific assessed options are set out within the Outline Business Case. If approval is given to proceed to a Full Business Case the delivery risks will be assessed in detail and presented to Committee together with recommendations on preferred options.

7. IMPACT SECTION

7.1 An assessment of strategic alignment is included within the Outline Business Case and will be further refined during development of the Full Business Case.

8. BACKGROUND PAPERS

None

9. APPENDICES

Outline Business case – Fleet and Mobility Services

10. REPORT AUTHOR DETAILS

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Author	Heather Martin	Version	0.18

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Executive Summary

INTRODUCTION

Local government is experiencing significant ongoing demographic, financial, legislative and cultural pressure. This has led to current delivery models struggling to deliver the services which are expected and needed by communities and citizens. To adapt to these increases in demand and changing expectations of customers, at the same time as having a reduced financial budget to fund services, the Council will need to find a new way of operating and delivering services.

New operating models need to manage demand in a much more effective and intelligent way, as well as responding to customer preferences to increasingly access services using digital channels. Through more intelligent signposting and support, more online service provision, better provision of mobile services and better use of technology to help predict where services are best focussed Councils can become more effective in delivering outcomes as well as operate at a lower cost. To underpin this councils typically simplify and standardize their processes to enable resources to be used more efficiently.

The service review process will identify dependencies across different services areas which will be identified and managed. These could be significant and without effective management of them any benefits identified in both the OBC and FBC may not be realised.

The reviews will also highlight some common organisation level challenges such as; the need for upfront investment, changes to terms and conditions, changes to corporate processes - including performance management, budget management, financial accounting, and business support. These common themes should be addressed corporately and key groups such as the Trade Unions should be engaged at a programme level as part of the overall Transformation Programme. The stages encompassed in the service review process will include the development of a Strategic Case for Change and Outline Business Case - to explore a long list of options and to understand the scale of the opportunity, and then a Full Business Case - focused on the short list of options, confirming the opportunity scope and a preferred option.

Therefore, any service review will be undertaken in this context, and the options for service redesign explored will need to align to the key underlying principles of i) reducing demand through prevention and intelligent provision of information, ii) engaging and activating communities, and iii) harnessing digital channels to reduce the cost of delivery.

CASE FOR CHANGE

The Council wishes to understand whether there is a sufficiently compelling case for change to merit the investment of time and resources into the formal options appraisal that will be required to fully assess and implement a new service delivery strategy for Fleet – and Transport – Services. The purpose of this Outline Case document is to provide a strategic review and decision-making aid for the Council.

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Before progressing to detailed assessment, options appraisal and implementation (via Full Business Case) the Council must consider the Strategic Outline Business Case (this document) to deliver £500k-£750k per annum in the immediate short term, through in-house service optimisation, and £1.5m[1] savings over three years by future delivery of Fleet & Transport Services via new partnership model(s).

The dynamics of the interdependencies between Fleet Services and service users is such that the potential savings identified in this OBC are likely to be only delivered through changing the use of vehicle assets in those user services. Where initiatives are identified to be able to improve fleet utilisation in user services will reduce demand in Fleet Services. Reference has been made on the need to address corporate challenges to ensure that there is a sustainable business model for fleet services and mobility and subsequently to those user services that would need to be redesigned to deliver savings through better fleet utilisation. A number of initiatives have already been undertaken by Fleet Services to reduce direct costs e.g. tyre management and fuel usage. The FBC will consider these initiatives as part of the review to avoid double counting.

Baseline and scope

- Fleet Services, the specific focus of this review, includes the following services and activities: Responsibility for the Council's O' Licence compliance; vehicle and plant purchasing, hire, maintenance and disposal; MOTs and servicing; taxi checks; and fuel card management.
- The approximate annual cost of Fleet Services to the Council is:

Revenue[2] Spend 2016/17	£m
Staff costs	2.000
Fleet Management Services Costs	0.211
Vehicle Hire	0.800
Diesel	1.500
Stores to Jobs	1.253
Tyres	0.173
Vehicle Insurance	0.695
Road Tax	0.122
Vehicle Licences	0.130
Total Revenue Expenditure	**6.884**

Capital Spend 2016/17	£m
Vehicle Purchase – incl. Hydrogen	4.200
Plant Purchase	0.630

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[1] Estimated cumulative total savings over three years, after the estimated investment costs required to deliver these benefits.

[2] See Appendix A for Gross and Net Revenue and Capital budget summary.

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Total Capital Expenditure	4.830

- Transport Services were not included at the outset of this Outline Case review – however, a clear and early recommendation is that the full assessment and options appraisal at the next (Full Outline Business Case) stage must include Fleet *and Transport* Services as part of the baseline, as this will provide more scope to address and manage the underlying drivers of cost to the Council.

The drivers of cost and scale of the opportunity

- Demand from the "frontline" services is the biggest cause and least manageable aspect of Fleet Service costs from the Service's own perspective, because those frontline services responsible for operating the vehicles are not accountable for the costs.
- From a Council perspective, this demand is addressable and must be managed in a much more strategic (and less tactical) way, for example by:
  - Setting up a "Transport Desk", so that fleet and transport demands from across the Council are visible and can be managed as a whole category;
  - Decommissioning – or partnering with another organisation to deliver – activity that is not "core business" for the Council;
  - Decommissioning any Hydrogen fleet – particularly in light of the Council's commitment to the "Switched on Fleets" initiative funded by Scottish Government.

The way forward

- Doing nothing is not an option for Aberdeen – a strategic change in Fleet and Transport Service configuration or delivery model needs to be pursued to enable the Council to make significant cost savings, and operational improvements.
- It is clear that, as a first step, internal service optimisation of Fleet Services must be pursued by the Council, as the inefficiencies identified are contributing to higher cost services – with potential benefits from optimisation of £500k to £750k (or more) available as a result of a more aggressive approach to cost reduction. For example: double-shifting waste vehicles could enable the fleet to be reduced by 30-50%[3]; similarly there is considerable scope to reduce the Council's van fleet by improving vehicle availability through improved workshop efficiency and maintenance scheduling[4];

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[3] From the current level of 57 vehicles – at a savings rate on vehicle maintenance only of £30k per vehicle.

[4] The current level of 40% of unplanned maintenance could be significantly reduced – which would enable the core fleet to be reduced; likewise, the very high level of spare vehicles (20%) and long term hires could be significantly reduced. At a standing cost of £5k per van per annum, there is therefore potential to reduce costs significantly.

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and improved use of technology[5] – essential to enable accurate monitoring of vehicle utilisation – should secure significant additional savings.

- **However**, the Council should concurrently complete a full Outline Business Case for Fleet *and Transport* Services, and further develop this strategic Outline Case by assessing and market testing external / partnership provision against an "internal comparator", as these step-change options – in addition to the expanded Transport scope – should see additional benefits to the £1.5m highlighted below:

Investment and return

- From the high level options appraisal – for Fleet Services only – undertaken at this stage by the Cross-Service Review team established by the Council, anticipated levels of investment and savings could be in the region of:

Potential savings from Service Optimisation

- Service Optimisation – at this stage considered for Fleet Services only – could deliver savings in the region of £500k-£700k or more, as outlined above. Having completed the internal Service Optimisation, the Council should then additionally pursue delivery model savings as follows:

Potential Savings from external partnership model

Estimated Revenue Impact (£m)	Year 1	Total over 3 years
Investment costs	(0.250)	(0.250)
Savings for Fleet Services	0.600	1.800
Savings for Transport Services	To be determined through Full business case	To be determined through Full business case
Net Savings	0.350	1.550
Savings as a % of Baseline Spend[6]	5.1%	7.5%

- *The values above exclude the impact of including Transport Services – which, if included at OBC stage, should result in an increased savings potential, without significantly impacting the estimated investment costs (as these largely relate to external complex procurement advice).*

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[5] In other councils, this use of technology was estimated to achieve savings of £250k to £500k through improved fleet management

[6] As a % of current baseline spend – i.e. not adjusted for Service Optimisation savings

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- *This is just one of the seven potential options explored at a high level by the Council's Cross-Service Review team – though estimated values have not yet been identified for a number of the options. See pages 30-42 for a detailed summary of the seven options considered.*

Next steps

The Council must now decide whether it agrees that the Case for Change (as summarised above, and detailed in the remainder of this strategic Outline Case document) **merits pursuit of the following recommended next steps**:

1. September 2017: Proceed to Full Outline Business Case stage, which will further develop this strategic Outline Case by assessing and market testing external / partnership provision against an "internal comparator" and "do nothing" options. These assessments will include:
   - The Economic Case – Value for Money
   - The Financial Case – Affordability
   - The Commercial Case – Strategy for Delivery
   - The Management Case – Delivery Programme
2. September 2017: Provide resource, plus corporate and executive sponsorship, to enable establishment of a clear Business Case;
3. March 2017 Review the Full Outline Business Case, and decide whether it agrees to support pursuit of the recommended preferred option through to the implementation (Final Business Case) stage.

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BACKGROUND AND CONTEXT

Aberdeen City Council is fundamentally reviewing how it delivers services and functions. This is captured in its Strategic Business plan 2017/18, 'Tier 2: Delivering Performance Improvement - Operational Change'. This includes exploring alternative delivery models for key functional areas, including Fleet. The following Outline Case considers not only alternative delivery models, but also the more "immediate" service improvement changes that can be made to deliver tangible benefits – with a view to expanding on both of these themes of opportunity during the next detailed stages of design and implementation.

ACC wishes to enhance Fleet and Transport-related service performance in the following areas:

- Governance and Performance Management Framework;

- Financial Management Framework;

- Procurement Model;

- Quality Assurance;

- Asset Management Strategy and Service Engagement;

- Workshop Operating Model;

- Safe and Healthy Workplace;

- Maximising the Use of Technology;

- Improving Staff Experience; and

- Commercialisation and Maximising the Use of Resources.

A particular priority and driver for change is the need to reduce the cost of service provision. This outline case for change therefore seeks to identify opportunities for benefits realisation through both Service Improvement, as well as potential alternative service delivery models, by covering:

- The as-is position and challenges faced by Fleet Management Service

- A progress snapshot on the existing Fleet Improvement Plan (FIP)

- Identification of business needs and key priorities to expedite

- Potential service delivery models available to Fleet while recognising the existing constraints

- Recommended ways forward

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- Key dependencies, risks and next steps required to progress to the next, more detailed, Business Case stage.

CURRENT SITUATION

Key Observations:

A review of the data that relates to: financial performance; fleet maintenance and availabilities; fleet replacement programme; system requirements and interviews with key customers to Fleet (i.e. Waste, Road, Environment, Building Service and Public Transport), has helped to establish the "as-is" position of Fleet. Some of the key observations include:

- Customer satisfaction has improved since the introduction of FIP

- Accident rate and vehicle compliance rate have improved

- The new "consolidated budget" structure implemented in 2012 means that those responsible for operating the vehicles are not accountable for the related costs, which makes Fleet efficiency improvements difficult.

- The existing cost structure, management system and reporting structure do not allow the true cost of the service to be established.

- The implementation of Telematics and Tranman system have been problematic. As a result, accurate and relevant cost data is missing that is needed to support decision making processes.

- The implementation of new workshop operating hours (24/7) has been challenging due to the union's resistance. This is despite the encouraging efficiency improvement made during the trial period.

- There is significant scope for improving vehicle utilisation and therefore reducing spares, particularly in some Services (such as Waste and Public Transport) that have 20% spare capacity

Fleet Improvement Programme (FIP) progress

It has been recognised that significant improvement has been made since FIP started, particularly around health & safety and vehicle compliance, however, progress on performance has been challenging which has led to some of the observations noted above.

Key Recommendations:

It has been agreed by the Enterprising Council Programme Board that the scope of the review will be expanded to harness efficiency and synergy across other Services. In order to reduce the cost of provision

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while maintaining a good level of service to the customers, it is recommended that the Council should have a two prong approach. This would include:

- Addressing the demand issues from the Services

- Improving efficiency of Fleet service

Given that Fleet is a key enabler of various Services, demand issues have to be dealt with from Service and more broadly from Corporate level. Some of the priorities include:

- Engage with Corporate to change the existing "consolidated budget" structure to hold the various service users (customers) accountable for expenditure on the fleet

- Corporate to lead the engagement with the union to establish new employment T&Cs for workshop employees in order to embed the new 24/7 workshop operating hours. Dependent on outcome of this engagement, Council would need to consider other modes of service delivery

- Services to engage with Fleet to forecast their needs of the vehicles using vehicle usage data

- Obtain Corporate Support

On the other hand, there are efficiency opportunities which Fleet can address within the service. They are:

- Review the cost structure urgently to establish the true cost of service provision

- Expedite system requirement analysis to identify key performance data for the system to provide

- Embed telematics and a fit-for-purpose Fleet Management System to provide relevant MI to support decision making process

- Reducing spares and improve vehicles utilisation through significant use of technology and more importantly, the buy-in from all stakeholders

Delivery Model

Both data and customer interviews suggest that the Fleet operation is inefficient. As such, the Council is not yet at the stage of achieving best value from outsourcing to a private sector operator. To tender the current service and operating model, would be passing on the problems and the opportunity for bidders to realise the benefits of efficiency improvements. It is recommended that the Council pursues the **Modified in-house/status quo** first before embarking to explore other delivery models.

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SCOPE OF SERVICES

Further to the decision taken to expand the Fleet Service Delivery Model review scope to include a broader "Transport" scope – this report reflects on the provide greater opportunities for savings and efficiencies, as well as the steps that will be required to deliver these.

NEXT STEPS

In order to achieve the Council's objective in reducing the cost of service provision, there are some key steps to progress the above recommendations. These are summarised as below.

- Obtain corporate support and appropriate resource to address issues pertinent to demand and efficiency outlined in the Business Case

- Establish the Fleet Improvement Programme as a corporate programme with the relevant governance and resolve outstanding issues

- Resolve outstanding HR issues which are preventing appointment of preferred candidates to Workshop Manager and Workshop Supervisor vacancies

- Review the design and delivery of Waste and Recycling, Roads, Environment and Building Services and identify how this may impact on vehicle utilisation

- Develop and implement a corporate transport strategy.

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Making the Case for Change

STRATEGIC CONTEXT

The Council is facing increasing financial pressures and changing customer demand: it needs to achieve more with fewer resources. The Council is fundamentally reviewing how it delivers services and functions, looking at a number of cross-cutting functional areas and identifying whether there are better solutions available based upon customer service quality, cost and service resilience. Fleet has been identified as one of the initial areas for review.

SPENDING OBJECTIVES, EXISTING ARRANGEMENTS AND BUSINESS NEEDS

The Council has invested in a wide-ranging fleet of vehicles and plant to enable it to deliver a variety of its statutory and non-statutory services. The fleet consists of different assets, including buses and Heavy Goods Vehicles, specialist vehicles (e.g. gritters, road sweepers, white liners, JCBs) vans, cars, and plant (including grass cutters, trailers, generators, etc.) The purchase, maintenance and management of this fleet together with its running costs represent a significant spend area to the Council totalling £6.8m of revenue budget and £4.8m of capital budget in 2016/17. The total value of moveable Fleet assets for insurance purposes is £22.25m.

The existing finance structure of the organisation means that the Service lines (for example Road, Building Services etc) do not pay for the regular maintenance (except for unfair tear and wear), and Fleet draws a fixed maintenance budget from central allocation. Therefore, those responsible for operating the vehicles are not accountable for the related costs. The workshop maintenance data from the last 6 months suggests that the unplanned maintenance constitutes to almost 45% of the total maintenance jobs. There is a risk that the lack of accountability indirectly leads to the inappropriate use of vehicles.

Responsibility for the management and utilisation of the Council's Fleet is split across different services within the Council. The Fleet Management Service is responsible for the correct administration of the fleet and its records, procurement and maintenance of vehicles and plant, and provision of guidance to line managers and drivers of vehicles in terms of proper and legal driving, inspection and care of vehicles. The Service also procures and disposes of vehicles and is responsible for the management of fuel cards. Fleet managers are personally culpable for compliance with the Operator licence.

The Fleet Management Service (FMS) is the holder of the Council's Goods Vehicle Operator Licence (O' Licence) and is responsible for meeting the statutory requirements associated with this.

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The core service elements of FMS are:

- Compliance to maintain O' Licence

- Vehicle purchasing, hire, maintenance and disposal

- Vehicle commissioning and decommissioning (insurance, warranty, road tax, administration, etc.)

- Plant purchasing, hire, maintenance and disposal

- MOTs

- Servicing:

    o 8-weekly for buses and O' Licence vehicles

    o 8-weekly for road-going plant

    o Annually for vans

- Taxi checks for licensing purposes

- Fuel card management

- Performance reporting

- Training (CPC, etc.)

- Performance management

These services are provided to front line Council services including Waste and Recycling Service; Environment Services; Roads Services; Building Services; Facilities; Public Transport Unit; and Education and Children Services. There are also a few other internal service users who tend to use a small number of vans e.g. IT. External customers include the general public and community / third sector organisations. The service is a registered MOT test centre and in addition approximately 4,000 Taxi Checks are carried out by FMS per annum for the Licencing Service.

The Fleet Management Service is based at Kittybrewster Depot. The senior management team comprises the Fleet Manager, Compliance Manager, Workshop Manager and Business Support Manager. There are 28 Craft workers (including Chargehands, Mechanics and Apprentices) employed within the workshop, and six workers providing administrative support. The Compliance Manager is supported by two Compliance Assistants (51 FTE). Recruitment is challenging and the service-critical roles of Workshop Manager and Supervisor have been vacant for over 12 months despite two rounds of recruitment.

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Front line council services are responsible for managing their drivers and the utilisation of their vehicles and this forms a significant part of a number of roles within the Council. Budgetary responsibility for Fleet across the Council is aligned as shown in Table 1, below.

Table 1 – Budget Structure

	FMS	Service
Vehicle and plant purchase	✓	
Vehicle hire		✓
Vehicle and plant maintenance	✓	
Diesel/Fuel		✓
Vehicle Insurance	✓	
Road Tax	✓	
Vehicle Licences	✓	
Unfair Wear and Tear		✓

Fleet and Plant Assets

The Council has the following physical Fleet assets.

Fleet Management Services:

- Vehicle workshop at Kittybrewster Depot

- Vehicle parking site, Great Northern Road (scheduled for release June 2017 for Berryden Corridor)

- 94 Operator's Licence vehicles

- 12 LGV vehicles/gritters/sweepers

- 313 vans/tippers/flatbeds/pickups

- 69 welfare vehicles and minibuses

- 6 cars

- 1 Limo

- 288 mobile plant

- 113 plant accessories

- 631 hand plant

Economic Development:

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- Hydrogen fuel station at Kittybrewster Depot

- Hydrogen fuel station at Cove

- 10 Hydrogen buses

***Building Services*:**

- 93 vans (long-term hires)

***Waste and Recycling Service*:**

- Vehicle workshop at Altens East Waste and Recycling Depot

Information Technology

The fleet management system available to FMS is Tranman which is widely used across many local authorities within the UK. Although the system has been in place for five years, its implementation and integration was poor. As a result, Tranman does not hold the relevant information to effectively support efficient operations or produce relevant management information to support progress and improvement. For example, key vehicle maintenance data such as warranty from dealership is not recorded in the system. It is also heavily bespoke which has made ongoing administration of the system challenging and expensive. The lack of integration directly introduces inefficiencies and the lack of reporting capability undermines the ability of the Council to manage the fleet proactively. While integration is an issue it remained unclear whether the poor performance from Tranman lies with a poorly designed implementation process, as such users were not aware of its functionality and therefore not able to extract relevant data or the poor performance was due to fundamental shortfall of the software. Fleet would need to carry out lessons learnt to establish the root cause of this before considering the purchasing of new system. Otherwise, there is a risk of repeating the same mistake.

Budget Structure and Income Generation

The current budget structure does not allow FMS to effectively track the cost of vehicles/plant maintenance. As FMS is drawing from the centrally controlled budget to cover the cost of maintenance for all vehicles and plant, there is a risk that the allocated budget is not sufficient to cover the actual cost of maintenance.

The FMS budget is based on some income being 'generated' from other services. The Council charges taxi operators fees for both a taxi licence and a taxi driver licence and FMS conducts the associated six-monthly taxi tests. Licensing income does not show as an income line. There is currently a limit of 1079 taxi licences

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within Aberdeen City and the Council charges £215 per taxi/private hire car for the annual taxi licence renewal. Approximately four thousand taxi tests are performed each year by FMS and part of the licence fees collected are fed into the FMS budget. These fund 2FTE staff in the workshop and 1FTE in the administration team.

Another area where income is generated to fund FMS is through unfair wear and tear. Core service users have an allocation within their budget for unfair wear and tear which it is then assumed will be paid to FMS for all instances that fall within this category. As unfair wear and tear can only be considered as unplanned or on ad-hoc basis, there is no guarantee that FMS could draw the full wear and tear budget allocation from the service users. FMS has found that if there is a shortfall of work that it can recharge as unfair wear and tear, this causes a budget pressure for FMS.

Another area of income generation is the application of a 10% administration fee which is added to all vehicle hire re-charges arranged through FMS – this makes FMS less competitive to the Services than if the end users arranged their own hires directly. This increases the risk of hidden fleets of hire vehicles which FMS has no awareness of e.g. 93 long-term van hires by Building

Fuel

The bulk of the Council's fleet is fuelled by diesel with drivers utilising fuel cards to refuel at Shell garages. FMS is responsible for the management of fuel cards and recharges the diesel costs to the services. In 2016 FMS identified an opportunity to save approximately £100K per annum from 2018/19 onwards on diesel costs by bunkering fuel. It has been agreed that fuel bunkers will be installed at Kittybrewster Fleet Depot and Altens East by the end of 2017. Alternative fuels are also being explored as part of FMS' commitment to cutting carbon emissions. This includes the introduction of electric, hydrogen, and diesel hybrid vans. The potential opportunity to trial a hydrogen fuel cell refuse collection vehicle (RCV) is also being actively pursued.

Fleet Utilisation

Vehicles and plants are currently managed and utilised by many Services across the Council although there are six primary users:

- Waste and Recycling Service (57 Refuse Collection Vehicles (RCVs) and 9 vans; 2 pieces of plant)

- Roads Services (43 O'licence vehicles and 34 light fleet/vans; 251 pieces of plant)

- Environment Services (5 O'licence vehicles and 72 vans; 651 pieces of plant)

- Building Services (141 owned vans and 93 long-term hire vans; 49 pieces of plant)

- Public Transport Unit (25 minibuses)

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- Education and Children's Services (17 minibuses and 52 items of plant)

Some Services have a significant volume of spares at their disposal. Both the Waste and Recycling Service and the Public Transport Unit have 20% - 25% of their fleet as spares. Reasons for this include:

- Delay in communication planned maintenance or MOT testing to Services which results in an inability to hire replacement vehicles at short notice, particularly for the Public Transport Unit.

- Inconsistent vehicle availability – this is impacted by a combination of workshop efficiency and vehicle accidents.

- Challenges of hiring replacement vehicles particularly for specialist vehicles in Waste and Road.

Some steps have been taken to reduce the size of the fleet including:

- Environment Services has removed almost all plant spares from its fleet.

- Environment Services is trialling telematics in conjunction with FMS to improve utilisation.

- As part of the new services introduced by the Waste and Recycling Service in March 2017, RCV standardisation has been implemented where possible and a small reduction in Fleet has been achieved through review of routes.

- Waste and Recycling Service is reviewing operating hours and potential shift working patterns which will increase vehicle utilisation – this forms part of the ongoing programme of service changes.

There remains significant opportunities to increase fleet utilisation, primarily through the introduction of different ways of working within the end-user Services. The success of any changes will be dependent on improved vehicle availability and the provisioning of servicing and maintenance out of core business hours.

Operational Performance

The fleet work shop has a working pattern of 06:00 – 14:00 and 14:00 – 22:00 Monday to Friday. During the last 6 months, an average of 300 service or repair jobs were carried out every month. A high proportion of the total jobs (close to 40%) were classified as unplanned maintenance. This high proportion of unplanned maintenance could be due to the age of the fleet or as a result of the drivers' behaviour, or both. It is unclear what constitutes to this high proportion of unplanned maintenance. This high proportion of unplanned maintenance could disrupt the planned regular maintenance and MOT testing. The vehicles service data collected in the last 6 months shows that between 5-10% of all the vehicles serviced in the workshop have a

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turnaround time of more than 3 days. One of the contributing factors to this could be the interruption from unplanned maintenance work which in-turn is affecting the availability of the vehicles.

The existing workshop operating hours do not necessarily synchronise with the vehicles/plants core working hours. This together with the lack of visibility on performance of the workshop (no efficiency-linked SLA has been monitored by Fleet), means that the Services have limited confidence on Fleet to provide an efficient maintenance regime to suit their needs. As a result, there is constant pressure from the Services to have spare fleet while their vehicles are serviced.

Due to limitation on the existing reporting system and budgetary structure, there is a lack of visibility on the actual maintenance cost spent on all vehicles/plants. As the maintenance cost is centrally allocated, and not re-charged back to the Service, it is therefore critical to establish the true cost of this service provision. The limitation on reporting system may also give rise to the problem of unreliable and outdated data being used in any cost/benefit analysis. This would significantly impact any strategic decision making process. For example, Fleet has used an average figure of £37/hour as an internal workshop charge out rate. This rate appears to be considerably lower than the market average. It is not clear when was this rate been last reviewed and updated and how extensive has this been used elsewhere.

EXISTING PROGRAMME OF IMPROVEMENT

Since 2014, there has been an ongoing programme of improvement works which has focused on FMS. External Fleet consultants reviewed FMS and developed an extensive programme of improvements. Significant progress has been made on improving compliance, improving depot facilities, establishing an FMS budget, reducing unfair wear and tear, implementing a new workshop operating model and increasing workshop efficiency, reducing the size and age of the Fleet, and increasing vehicle availability.

The programme has started delivering its second tranche and the different elements of this are set out in Table 2.

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Table 2 – Fleet Improvement Programme Summary

Workstream	Description	Progress	RAG	Comments
Governance and Performance Management Framework	Review and/or identification of all requirements around performance, including areas for performance monitoring, performance metrics, development of a reporting framework and associated performance governance.	Vehicle compliance internal audit carried out in Sept 2016 which highlighted good progress. Performance metrics developed and reported on regularly to Committee.		Performance is steadily improving. Available metrics are limited by the setup of the management system and the inaccuracy of some data within it. This management information needs to flow from telematics and Tranman and identify driver performance as well as vehicle performance. The Fleet Manager has developed Excel spreadsheets where practical which are effective although inefficient.
Financial Management Framework	Review of all financial areas including whole life costing for all assets (every vehicle); identification of budget and development of governance framework for financial processes.	New financial procedures have been updated. The first run at whole-life costings has been completed. A review of overheads is in progress.		It has been recommended that the whole-life costing exercise be run again. Once this is established, the cost element should be regularly benchmarked to understand if costs are in line with good practice. Many aspects of this workstream are on hold due to its dependency on Maximising the Use of Technology.
Procurement Model	Review current procurement model and develop options for future procurement model, including options for vehicle standardisation.	A Fleet Replacement Programme is in place up to years 2023-24 with budget in place for all vehicles and plant. Opportunities		Fleet Manager is currently exploring options around different procurement models including: - Hire and external

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Workstream	Description	Progress	RAG	Comments
		to maximise savings by conducting shared procurements with other local authorities are being explored with the Category Manager. Contracts with key suppliers are being re-negotiated.	■	maintenance of seasonal plant • Hire or lease, and external maintenance of small plant • Disposal/sale of light van fleet and implement a leasing model for all vans. • Renegotiation of tyre contract complete • Lease with/without maintenance for all vehicles (it may be more cost effective to outsource all routine servicing of fleet and keep specialist equipment maintenance in-house)
Quality Assurance	Review and improve processes to develop a quality management plan/strategy within Fleet; Implement the new processes; Attain ISO9001 and workshop accreditation.	Key processes have been reviewed, particularly in relation to the workshop. This project is currently on hold.	■	Dependency on Maximising the Use of Technology workstream. Significant resource will be required to achieve ISO accreditation. Given the resource intensiveness of achieving ISO accreditation, it is important

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Workstream	Description	Progress	RAG	Comments
				to understand what value ISO9001 brings to the Council, unless it enables other 3rd party work to be won from major customers. Otherwise the cost may not be recoverable.
Asset Management Strategy and Service Engagement	Develop asset management strategy for all assets, including vehicle/plant disposal and implement SLAs.	Work is ongoing to divide the fleet into 4 parts: "O" Licence vehicles and minibuses, Vans and small fleet, Mobile Plant and small hand plant. Fleet Workshop improvements were completed January 2017. Hire Management has been looked at and an authorisation sheet put in place prior to additional hire. SLA's to be defined and put in place.		Service feedback has improved although progress on developing SLAs for each Service is slow due to resource constraints. Current budget model makes asset management challenging – FMS were unaware of Building Service's fleet of long-term hires. (The Service continues to hire vehicles due to refusal of business case to purchase.)
Workshop Operating Model	Identify and review all current operating processes to enable improvements to be incorporated in the design for a future operating model. Include stock control processes.	Restructure of Fleet Workshop is complete and recruitment ongoing. After successfully trialling 24 hour operation with agency staff, aiming to implement 24/7 operation which will improve vehicle availability. Stores are operating well with significant reductions in stock year on year.		Significant challenges around implementing the desired operating model due to union resistance around the change of existing T&Cs of employment. Workshop Manager and one Supervisor role have been vacant for over 6 months. Fleet Manager has been managing the Workshop in addition to their own role which has stretched resource capacity.

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Workstream	Description	Progress	RAG	Comments
				Given the significant challenge from the union, the Council should take a longer term view to see if it wants Fleet to offer vehicle maintenance as a core service offering in which case it should be worked on a commercial basis i.e. 24/7, or can the service be provided more cost effectively by 3rd party supplier. In order to make an informed decision on this, Fleet would need accurate management information and should link to whole life vehicle costing.
Safe and Healthy Workplace	Ensure safe working practices are in place and being followed.	Health and Safety showing ongoing improvements in all areas. Safe systems and risk assessments currently being updated and reviewed. Weekly inspections carried out in the workshop and vehicle cleaning regime is in place.		This workstream is progressing well.
Maximising the Use of Technology	Identify areas where technology could improve efficiency and deliver savings. Fleet Management System	Tranman does not fulfil the requirements of an efficient and asset based fleet management system. It does not fully integrate with the Council's financial		More limited trial of telematics than anticipated. Building Services van users are unwilling to have telematics switched on and this has not been successfully resolved. Trial currently ongoing in ten

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Workstream	Description	Progress	RAG	Comments
	Identify the functionality required in a fleet management system, develop options including status quo, establish costs for each option and draft business case. Agree development of current system or purchase of new system. Telematics Investigate options for telematics, identify associated benefits and develop business case if appropriate.	systems which limits available management information and budget reports. In January 2017 CH&I Committee approved a trial of a telematics system in a small number of vans. A limited trial is ongoing due to challenge from the Services and the unions.	RED	vans of Environment Services. Fleet Management System has not been progressed for almost 12 months. This is due to lack of available resource to complete requirements analysis. Alongside requirement capturing, Fleet would also need to make sure the processes in place are robust before implementing new technology. The lack of progress with this workstream is having a severe impact on the overall programme.
Improving Staff Experience	Identify roles, responsibilities and associated skills. Undertake a training needs analysis to develop training and development opportunities. Implement a staff engagement plan.	A skills assessment has been carried out for workshop staff and training identified and progressed in many areas including vehicle inspection (14 mechanics), First Aid, Fire Marshall training, and taxi testing. Staff surveys have been carried out, information system fitted in the employee canteen and monthly meetings	AMBER	The relationship between the senior management team and the unions is proving to be challenging.

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Workstream	Description	Progress	RAG	Comments
		with workshop staff are being held. Staff suggestion box is in place.		
Commercialisation and Maximising the Use of Resources	Identify opportunities for commercialisation. Capability to carry out 24 hour operation and source in external customer work such as other health, fire services. Future ATF which is a large MOT testing station. Carry out training such as CPC Certification to external bodies - basically use the facility to its full potential.	This is on hold at present. Dependent on Workshop Operating Model project and outcome of service review being conducted as part of Enterprising Council Programme.		This is a plausible approach, however it is critical for Fleet to resolve efficiency-related issues and establish a reliable baseline cost, before embarking on commercialisation and bringing in external work.

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There are a number of challenging constraints which have made delivering the programme, and maximising the efficiency and effectiveness of the workshop difficult to achieve. These include:

- Unwillingness of vehicle users to have telematics switched on in their vehicles – negotiations between FMS with unions and relevant service managers have to date been unsuccessful in resolving this. This severely curtails the ability of the Council to optimise Fleet utilisation.

- The review of the current technology provision within FMS has delayed considerably due to insufficient business analyst resource available to conduct requirements analysis.

- Trial of 24/7 workshop operation was highly successful and increased vehicle availability significantly – current staff terms and conditions do not enable implementation of this model

- Recruitment to Workshop Manager vacancy has been challenging – post has been vacant for over 12 months together with another Supervisor post. This has put the FMS management team under increased pressure and severely over-stretched it.

- Lack of dedicated project management resource for each of the identified projects.

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Exploring the Way Forward

BUSINESS NEED

The Council provides its services in a competitive market and providing continuous improvement is challenging. This is exacerbated by widespread budgetary pressures that all local authorities currently face and are expected to continue to face in the future.

Fleet requirements are service- and demand-led. Initial engagement with both staff and customers of FMS have identified a number of challenges the Council is continuing to face around the management and provisioning of its Fleet. In summary these are:

- Lack of corporate Fleet strategy.

- Budgetary responsibility not aligned with vehicle utilisation responsibilities.

- Vehicle availability is poor and is pushing up the demand for costly vehicle hires and unnecessary spares.

- Vehicle hires and lack of local suppliers for RCVs, minibuses, etc.

- Specialist nature of some fleet presents challenges around servicing and maintenance.

- Staff terms and conditions restrict introduction of a commercial operating model and make recruitment challenging – the posts of Workshop Manager and Supervisor have been vacant for over 12 months, reducing the effectiveness and efficiency of the current operation.

- Low productivity levels within the workshop.

- Relationship with unions and the need for more collaborative working.

- Poor financial information and clarity as to what the costs of the Council's Fleet are.

- 40% of Building Services Fleet are 'permanent hires' at a revenue cost of £400K p/a.

- Kittybrewster Fleet Depot is located on the opposite side of the City from its key customers and providers of the Council's statutory services (Waste and Recycling, and Roads Maintenance).

There are particular challenges around vehicle utilisation including:

- Large number of vehicle spares (20% for some services).

- Many vehicles used max. of 8 hours p/day/25% avg. utilisation over whole life.

- Vehicles and plant being serviced/maintained during core business hours.

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- Future strategy regarding working practices – present challenges around ongoing maintenance and servicing limit the Council's capacity to maintain and service vehicles outside core business hours.

Although significant improvement has been made since the Fleet Improvement Programme (FIP) started, particularly around health & safety and vehicle compliance, progress on productivity and efficiency have been challenging. Given the budgetary and resource constraint, it is important the Council revisit the FIP, prioritise and resolve some of the issues. A summary of these priority areas and rationale behind their importance have been summarised in Table 3, below.

Table 3 – Priority Areas

#	Workstream	Why this is important
1.	**Improve utilisation of vehicles**	This is the ultimate aim in fleet management where the objective is to deliver a high quality service and achieve operational efficiency. Sometimes Services can become so focused on service quality that inefficiencies can creep in such as carrying too high a level of spare fleet, which incurs significant cost.
		To achieve this may require: a significant shift in mindset that results in a change to the traditional ways of working; significant use of technology; and most importantly, the buy in from all stakeholders. For example:
		• Maintenance work should be carried out during hours when vehicles are not required to be on the road, thereby removing or significantly reducing the need for spare fleet.
		• Waste vehicles could be reduced in number and those remaining could pursue alternative working systems."
		Ultimately a "lean" approach to fleet management requires the operation of the minimum number of vehicles to transport the maximum amount of goods (or people).
2.	**Workshop operating model**	Workshops, if not managed on a commercial basis can be a source of significant financial loss, without organisations realising it. Like any assets, workshops need to be operated for the absolute maximum amount of time it is possible to do so. They need to cater for the needs of their customers and not the other way round. This means that commercial workshops often provide routine servicing during the hours when vehicles are not required to be on the road. This is much more of a collaborative relationship than once was the case when workshops worked day shifts and nothing more.
		The results from the trial run of a 24/7 model at the workshop were

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		encouraging. This would need further embedding, buy-in from the union, and consequently changes to the existing employees' T&Cs.
		The cost base needs to be clearly understood to establish a realistic charge out rate (both internal and external), and once this has been established, the main objective would be to maximise workload from both internal and external customers.
		If the union's resistance remained significant and there is no appetite to run workshops on a commercial basis, the Council should consider alternative provision of the vehicle maintenance service. For example allow routine maintenance to be carried out by 3rd party suppliers while only specialist works are performed in-house. This is consistent with what other police forces and public sector bodies do. This could affect the role of the workshop going forward.
3.	**Maximising the use of technology**	The use of technology is absolutely critical in improving the Fleet performance, particularly around capturing and extraction of relevant data to support the decision making process.
		Implementation of telematics across all vehicles should be embedded as soon as possible. This alongside with implementing a fit for purpose Transport Management System (TMS) would facilitate route planning (particularly useful for dynamic on-demand service in Buildings Service and Road Service), maintenance planning, cost estimating and satellite tracking.
		Carrying out lessons learnt regarding the poor performance of Tranman is essential to establish the root cause of this before considering the purchasing of new system. Otherwise, there is a risk of repeating the same mistake.
		The Council should expedite system requirements analysis to identify what performance data it requires to improve the performance.
4.	**Cost structure and accountability for performance**	The new "consolidated budget" structure implemented in 2012 removes the majority of the vehicles maintenance budget in all Services (with the exception of the unfair wear and tear which still sits in each Service), means that those responsible for operating the vehicles are not accountable for the related costs, which makes Fleet efficiency improvements difficult.
		The Council would need to reconsider the appropriateness of this decision. The various service users (customers) need to be accountable for expenditure on fleet, so that they can closely manage driver performance, which in-turn would have significant impact on the demand and therefore

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cost of the vehicle maintenance.

The ability to establish the true cost of vehicle maintenance is critical to ensure that the centrally allocated budget is sufficient to cover existing services provided to the customers.

The cost structure needs to be urgently reviewed before any decision is taken on service and repair remaining in-house or being outsourced to one of a number of commercial model options.

The Council currently purchases almost all of its vehicles and plant which can provide whole life savings against the costs of long-term leasing. This model has not been reviewed recently and purchasing fleet limits the Council's flexibility to respond quickly to changing business needs and the commercial market.

It has been recognised that prior to agreeing the necessary spend there is the need to review the model of Fleet provision and utilisation across the Council, and consider different models of delivery. There are a number of perceived advantages of alternative delivery models, including:

- Improved service quality

- Sustainability of service provision

- Increased access to other funding streams

- Ability to react quickly to user needs and market forces

- Maximise income growth

- Improved financial performance

- Independence and ability to diversify

- Less bureaucracy

- Greater speed of decision-making

Reviewing the models of service provision allows these perceived advantages to be explored across a range of options and against appraisal criteria that reflect the Council's overall aims and objectives. These draft critical success factors that any proposed model would need to meet are:

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Quality	The option will deliver the set quality standard agreed with stakeholders and has the ability to adapt to changing service needs.
Operational Efficiencies	The option presents a clear opportunity for driving operational efficiencies.
Commerciality	The option provides enhanced long-term commercial viability for services.
Achievability	The option can deliver the identified benefits/outcomes within the agreed timescales
Accountability, governance and strategic alignment	The option provides the Council with a degree of transparency, flexibility and comfort over the ongoing delivery of the services and the Council's interest in the services.
Resources and investment	The option provides for the effective utilisation of resources and investment to allow for the successful delivery of the services in sustainable manner. This includes staff and managerial resources working together to realise the governing organisation's goals and objectives.
Risk management	The option provides opportunity to manage the relevant risks associated to service delivery.

OUTCOMES TO BE ACHIEVED

The following outcomes were considered in the evaluation of options:

- Reduced annual revenue costs

- Reduced annual capital costs

- Compliance maintained

- Increased vehicle utilisation

- Increased vehicle availability

- Reduced carbon emissions

- Increased opportunities for staff

- Fleet flexible to meet changing business needs

- Increased income generation

METHODOLOGY

A review team has been established incorporating a cross-service group of senior officers representing the following areas:

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- Fleet Management Services (Head of Service and Service Manager)

- Building Services (Service Manager)

- Education and Children's Services (Service Manager)

- Environmental Services (Service Manager)

- Public Transport Unit

- Roads Services (Service Manager)

- Waste and Recycling Services (Waste Collections Services Manager)

- Finance (Business Partner)

- Commercial and Procurement Shared Services (Category Manager)

Initial baseline information was gathered for Fleet Management Services covering budget, assets, structure, service delivery, performance, processes, technology, strategy and income generation. Face-to-face interviews were then held with representatives from each of the key stakeholder services. Following analysis of the information gathered, options for future delivery of FMS were developed and an initial options appraisal carried out by the review team. This process involved the following:

- Identifying a long list of delivery options

- Developing appraisal criteria based on Council objectives

- Undertaking scoring process and identifying the short-listed options for delivery

Seven possible options were identified comprising:

- Status quo

- Enhanced status quo/Modified In-house

- Outsource to a private operator

- Joint venture with public provider

- Joint venture with private provider

- Partnership/shared service with another local authority

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- Wholly owned company

An outline exploration of each model has been conducted and the Fleet Services Manager has undertaken some initial market analysis around joint venture opportunities with the private sector for the potential of adopting a leasing model for plant.

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OPTIONS APPRAISAL

Option 1 – Status Quo	
Description	The existing arrangements would remain the same. The Council would continue to provide the fleet management services as part of its current remit with future budgetary savings requiring to be made.
Commercialisation Opportunities	Growth would be dependent on a variety of factors including market opportunities, competition, competitiveness of the Council, and entrepreneurial acumen of staff.
Implementation Time	Immediate.
Indicative Contract Period	Not applicable.
Impact Upon Staff Employment Status	No change to employment status.
Organisation Governance	Current governance and democratic accountability arrangements would continue
Client Management	Separate client function within Council structure would not be required.
Expected Costs	£60K 2017/18 (fuel bunkering – anticipated to be revenue neutral)
Expected Savings	£100K p/a 2018/19 onwards already agreed (fuel bunkering)
Risks Specific to this Option	Unsustainable – required savings will not be realised without significantly reducing current service levels
Advantages & Disadvantages	Workshop operation will continue as- is reducing vehicle availability Vehicle utilisation will continue to be limited Lack of realistic income generation opportunities Not commercially viable End service users will be impacted by continued inefficiencies and limited vehicle availability
Viability	Unsustainable – required savings and/or income generation will not be realised.

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Option 2 – Enhanced Status Quo/Modified In-House	
Description	The Council would continue to provide the fleet management services as part of its current remit, with the Fleet Improvement Programme being implemented and future budgetary savings requiring to be made. This would include:
	implementation of telematics
	implementation of a fit-for purpose fleet management system
	establishment of a 24/7 workshop with the bulk of work being completed on a back shift and during the night
Commercialisation Opportunities	Growth would be dependent on a variety of factors including market opportunities, competition, competitiveness of the Council, and entrepreneurial acumen of staff.
Implementation Time	Based on the ongoing Fleet Improvement Programme, changes would be implemented on a phased basis.
	Telematics: 3 – 6 months
	Fleet Management System: 12 – 18 months
	24/7 Workshop: 9 – 12 months
	Procurement: 3 – 9 months
Indicative Contract Period	Not applicable. Performance would be reviewed regularly and may be tested against market competitors.
Impact Upon Staff Employment Status	No change to employment status.
Organisation Governance	Current governance and democratic accountability arrangements would continue
Client Management	Separate client function within Council structure would not be required.
Expected Costs	£8K p/a telematics
	£70K 2017/18 (fleet management system)
	£x – aim would be for this to be revenue neutral/achieved within current or reduced budget (24/7 workshop operation)
Expected Savings (30% optimism bias applied)	£15K p/a 17/18 onwards (telematics)
	£30K p/a 18/19 onwards (IT system)
	£500K p/a Capital (reduced Fleet size due to increased vehicle availability)
	Other savings to be costed
Risks Specific to this Option	Ongoing staff and union resistance e.g. telematics
	Available revenue budget
	Labour market
	Current staff skills and capabilities
	Staff terms and conditions are not changed
Advantages & Disadvantages	In-house control

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	No requirement to make a profit
	Night shift working has been trialled and was successful in significantly increasing vehicle availability.
Viability	Time required to fully implement is estimated to be 18 months to 2 years.

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Option 3 – Outsource service to a private sector operator	
Description	Service would be provided by a private sector operator.
Commercialisation Opportunities	Private sector would be incentivised to maximise income/profits. Profits/losses would be retained by the private sector operator although a profit sharing mechanism could be built into the contract.
Implementation Time	18 – 24 months assuming that a competitive dialogue or new negotiated procurement would be required.
Indicative Contract Period	5 – 10 years minimum dependent on the investment requirements of the service.
Impact Upon Staff Employment Status	Council staff would transfer under TUPE to the private sector operator.
Organisation Governance	Services would be delivered in accordance with contract specification. The Council's level of control would be dependent on the contractual arrangement.
Client Management	A Client Team would be required to manage a contract awarded to an external organisation.
Expected Costs	£250K procurement costs (inc. specialist legal and financial advice)
Expected Savings (30% optimism bias applied)	£600K p/a (from joint market analysis exercise completed with Aberdeenshire Council in 2011).
Risks Specific to this Option	Current budget has been reduced since 2011 which may impact on scale of savings available. Savings may not be realised and consequently budget pressure may not be reduced over coming years Increased recharge costs of unfair wear and tear, and mileage Vehicle management Compliance risk Removal of existing property asset would reduce significantly the likelihood of providing service in-house in future Unforeseen costs if contract is not appropriately specified or well-managed. Union resistance to this model which may increase implementation timescales significantly There may not be sufficient political appetite for this model. There may be staff resistance to this model which would delay realisation of benefits Limited market appetite for this option
Advantages & Disadvantages	Time required to implement is estimated to be 18 months to 2 years. Limited commercial opportunities Service requirements would need to be carefully scoped Improved efficiencies and reduction of vehicle downtime/increased

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	vehicle availability
	Long-term commitment/contract (5 – 10 years)
	Could either be outsourcing of entire fleet or servicing and maintenance only
	Opportunities may exist for enhancements to terms and conditions, working practices and development.
	Less flexibility and responsiveness to changes in service requirements compared with in-house provision. Changes to service delivery levels would have to be achieved through contractual or funding leverage mechanisms. Business plan reviews, continuous improvement and value engineering could also be used.
Viability	Strong contract management would be required

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Option 4 – Establish a public joint venture	
Description	Could apply to all Fleet or plant/ light fleet/ heavy fleet sections separately
Commercialisation Opportunities	The company could trade up to 20% of the value of the 'passported' work. The joint venture company could trade across its part owners portfolio and profits/losses would be shared according to the shareholders agreement.
Implementation Time	9 – 12 months would be required to set up a public-public joint venture and agree the responsibilities and liabilities of the joint venture partners.
Indicative Contract Period	7 – 10 years minimum, dependent on the specific investment requirements of each service.
Impact Upon Staff Employment Status	Council staff would transfer under TUPE to the joint venture.
Organisation Governance	Services would be delivered in accordance with the contract specification. The Council would have representatives on the joint venture company board. Governance arrangements would need to be sufficient to enable the Council to have joint control over the company to comply with 'Teckal' criteria. The level of control would be reduced compared to the in-house model.
Client Management	With the Council being a partner to the joint venture, a relatively high level of trust would exist. It would therefore be anticipated that a relatively 'thin' client management would be required, although larger than for a wholly owned company. Some Council Officers and/or members would also have Company Board responsibilities.
Expected Costs	£250K implementation/transition costs
Expected Savings (30% optimism bias applied)	TBD/benchmarked with other public joint ventures
Risks Specific to this Option	May increase revenue costs Vehicle utilisation would need to be maximised by services Internal workshop may not be sufficiently efficient/effective Union resistance to this model which may increase implementation timescales significantly There may not be sufficient political appetite for this model. There may be staff resistance to this model which would delay realisation of benefits Limited market appetite for this option Saving may primarily be capital
Advantages & Disadvantages	Flexibility to meet future service fleet requirements i.e. increase/decrease fleet size Telematics and fleet management system would be provided as part of contract.

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	Commercial opportunities to generate income
	Opportunity to implement 24/7 working
	Commercial opportunities would be theoretically greater than for a wholly owned company.
	The Council's joint venture would benefit from its part owners portfolio and experience.
	Opportunities may exist for enhancements to terms and conditions, working practices and development.
	Governance arrangements would need to be sufficient to enable the Council to have joint control over the company to comply with 'Teckal' criteria.
	Less flexibility and responsiveness to changes in service requirements compared with in-house provision. The interests of the joint venture partners would need to be equally considered by the Board.
	The level of control would be reduced compared to the in-house model.
	Arms-length and shared.
Viability	18 – 24 months to implement
	Required changes would need to be planned during the implementation period so that benefits could start to be realised in Year 1.

Option 5 – Establish a private joint venture	
Description	The Council would have the power to trade through a company as part of a public/private joint venture.
Commercialisation Opportunities	The Council would have the power to trade through a company as part of a public/private joint venture. The company would not be limited on how much it could trade which would increase commercialisation opportunities. Profits/losses would be shared as per the shareholders agreement.
Implementation Time	18 – 24 months would be required to procure a private sector joint venture partner, negotiate the responsibilities and liabilities of the joint venture partners and establish a corporate joint venture.
Indicative Contract Period	7 – 10 years minimum, dependent on the specific investment requirements of each service.
Impact Upon Staff Employment Status	Council staff would transfer under TUPE.
Organisation Governance	Services would be delivered in accordance with the contract specification. The Council would have representatives on the joint venture company board. Governance arrangements would need to provide certain controls as well as the joint venture contract. The level of control would be reduced compared to the in-house model.
Client Management	With the Council being a partner to the joint venture, a relatively high level of trust would exist. It would therefore be anticipated that a relatively 'thin' client management would be required, although larger than for a wholly owned company. Some Council Officers and/or members would also have Company Board responsibilities.
Expected Costs	£250K procurement costs £100K implementation costs
Expected Savings **(30% optimism bias applied)**	One-off capital payment of £1.6M for purchase of light van fleet – based on market analysis. Further information awaited on model for purchasing whole fleet. £140K p/a on vehicles hires (inc. 30% optimism bias)

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Risks Specific to this Option	May increase revenue costs due to vehicle costs being moved from capital account to revenue account.
	Vehicle utilisation would need to be maximised by services otherwise revenue costs would increase.
	Internal workshop may not be sufficiently efficient/effective to provide servicing and maintenance to standard required by joint venture partner.
	Union resistance to this model which may increase implementation timescales significantly
	There may not be sufficient political appetite for this model.
	There may be staff resistance to this model which would delay realisation of benefits
	Governance arrangements would need to be sufficient to enable the Council to have joint control over the company to comply with 'Teckal' criteria.
Advantages & Disadvantages	Flexibility to meet future service fleet requirements i.e. increase/decrease fleet size
	Telematics and fleet management system could be provided as part of the contract with the joint venture partners.
	Savings may primarily be capital if joint venture partners purchase the Council's fleet and lease it back to the Council.
	Share expertise.
	Opportunity to implement 24/7 working from Year 1.
	The Council would benefit from private sector trading experience.
	Commercial opportunities would be theoretically greater than for a wholly owned company – the Council's joint venture would benefit from its part owners portfolio and experience.
	Opportunities may exist for enhancements to terms and conditions, working practices and development.
	Less flexibility and responsiveness to changes in service requirements

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	compared with in-house provision. The interests of the joint venture partners would need to be equally considered by the Board. The level of control would be reduced compared to the in-house model. Arms-length and shared.
Viability	18 – 24 months to implement Required changes would need to be planned during the implementation period so that benefits could start to be realised in Year 1.

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Option 6 – Establish partnership with other local authority	
Description	Shared services with other LA e.g. Aberdeenshire and/or The Highland Council
Commercialisation Opportunities	Growth would be dependent on a variety of factors including market opportunities, competition, competitiveness of the Council, and entrepreneurial acumen of staff.
Implementation Time	12 – 18 months
Indicative Contract Period	5 – 10 years
Impact Upon Staff Employment Status	
Organisation Governance	Current governance and democratic accountability arrangements would continue for each local authority
Client Management	With the Council being a partner, a relatively high level of trust would exist.
Expected Costs	TBD
Expected Savings **(30% optimism bias applied)**	TBD
Risks Specific to this Option	Conflicting priorities Different strategic requirements Geographically challenging Political appetite from both organisations Governance of shared service may be challenging Willingness/appetite required from both parties Different fleet specification across both LAs Different contracts and gradings across the two LAs
Advantages & Disadvantages	Greater willingness to collaborate

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	Increased share/utilisation of fleet and its assets
	Collaborative procurement opportunities
	Shared expertise
	Potential to reduce fleet and achieve increased efficiencies
	Potential for shared services/widening scope e.g. vehicle maintenance, bin collection, grass cutting, gritting, etc.
Viability	Could look at part of Shire for example – shared depot in right area

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Option 7 – Transfer to a new wholly owned company	
Description	Establish a company wholly owned by the Council. Transfer the responsibility for Fleet would be transferred to the wholly owned company.
Commercialisation Opportunities	The company could trade up to 20% of the value of the 'passported' work without causing the company to lose the right to do 'passported' work. The company structure would allow for the implementation of more dynamic corporate governance arrangements, at arms-length from the Council.
Implementation Time	9 – 12 months would be required to set up a wholly-owned company and start service delivery.
Indicative Contract Period	7 – 10 years minimum dependent on the specific investment requirements of each service.
Organisation Governance	Services would be delivered in accordance with contract specification. The Council would own the company and have representatives on the Board. The Board would have the responsibility of operation and control of the company. Service delivery requirements could be flexed subject to contractual arrangements between the Council and the company. Required changes would be agreed between the Council and the company as part of the annual business planning process. Some Council Officers and/or elected members would also have Board responsibilities.
Client Management	A high level of trust would exist due to the Council being the company owner. Only a 'thin' client management function would be required.
Impact Upon Staff Employment Status	Council staff would transfer under TUPE
Expected Costs	£150K - £250K setup costs
Expected Savings **(30% optimism bias applied)**	£500K initially
Risks Specific to this Option	Anticipated income not realised/generated Union resistance to this model which may increase implementation

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	timescales significantly
	There may not be sufficient political appetite for this model.
	There may be staff resistance to this model which would delay realisation of benefits
	Local market appetite for services
	Local labour market
Advantages & Disadvantages	All profit would benefit the Council as the company's only shareholder.
	Service delivery requirements could be flexed subject to contractual arrangements between the Council and the company.
	Would need to have a wider scope and incorporate other services
	Potential for flexibility around terms and conditions
	Greater autonomy/flexibility as a commercial entity
	More flexible governance
	Potential for income generation
	More commercial opportunities – e.g. have specialist engineers on-site at a significantly reduced cost in exchange for enabling them to use the premises
	More opportunity for tighter management of fleet
	Increase efficiencies and corresponding savings
	Increase vehicle availability through 24/7 operation
	Options to sub-contract elements of service(s) remain
Viability	Required service changes would need to be planned during the implementation period so that benefits could start to be realised from Year 1.
	The Council's previous arms-length organisations have enjoyed limited success – there is a risk that previous mistakes are repeated.

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OPTIONS APPRAISAL RESULTS AGAINST CRITICAL SUCCESS FACTORS

The critical success factors outlined previously were used in the appraisal process and the scores are contained in the table below. Detailed financial and market analysis will need to be conducted for the short-listed options together with benchmarking costs of the service with a private provider prior to a recommendation being presented in the next, more detailed, Business Case.

The indicative results at this stage are summarised in the following table, with scoring applied as follows:

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Table 4 – Initial Options Appraisal by Review Team (6 Participants)

Objectives	Options Scoring Against Objectives						
	1	2	3	4	5	6	7
The option will deliver the set quality standard agreed with stakeholders and has the ability to adapt to changing service needs.	4	10	11	10	10	7	9
The option presents a clear opportunity for driving operational efficiencies.	3	10	8	10	11	6	11
The option provides enhanced long-term commercial viability for services.	0	7	7	10	9	7	10
The option can deliver the identified benefits/outcomes within the agreed timescales	7	11	6	8	8	7	9
The option provides the Council with a degree of transparency, flexibility and comfort over the ongoing delivery of the services and the Council's interest in the services.	7	11	7	10	9	11	10
The option provides for the effective utilisation of resources and investment to allow for the successful delivery of the services in sustainable manner. This includes staff and managerial resources working together to realise the governing organisation's goals and objectives.	5	9	7	9	10	8	11
The option provides opportunity to manage the relevant risks associated to service delivery.	9	9	7	10	9	7	7
Total	35	67	53	67	66	55	61
Ranking	7	1	6	1	3	5	4

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POTENTIAL SCOPE OF SERVICES

It has been agreed by the Enterprising Council Programme Board that the scope of the review will be expanded to harness efficiency and synergy across other Services. There are four options for scope which are outlined in Table 5 below together with a SWOT analysis for each. The scope of the review needs to include Service users of Fleet in order to maximise utilisation and associated savings, and minimise the risk of costs being merely transferred to another part of the budget such as grey fleet. The strong consensus within the review team was that a review of FMS in isolation would be of limited benefit and would not recognise the service's primary role as an enabler dependent on its customer's business models. It is therefore recommended that the review be re-named 'Transport' and that the scope be extended to include:

Fleet Management Services

- Procurement model(s)

- Maintenance and servicing schedules

- Workshop efficiency and productivity

- Hire control

- Fuel control

- Income realised and scope for improvement

- Contracts of parts and consumables

- Suitability of facilities

Fleet Utilisation

- Overall size and makeup of current fleet

- Routines for sizing the fleet and removing redundant fleet

- Renewal of fleet and overall vehicle lifecycles

- Fleet utilisation

Education and Children's Services Transport

- Value achieved from externally provided transport

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- Route allocation, shared journeys

- Resource utilisation, management, services provided inc. taxi and coach hire

- Quality of provision and provider management and control

Public Transport Unit

- Utilisation of internal transport provision and resources

- Opportunities to move demand profiles to maximise utilisation and integrate service into holistic provision

- Driver and escort management, contracts, utilisation

- Ad-hoc taxi transport

Grey Fleet (staff travel and fleet)

- Travel and subsistence claims

- Review of pool car provision and utilisation

- Travel and subsistence policy including control, compliance and management

Several of the end user services have also identified the need for each of them to be reviewed and future delivery models considered in order to maximise savings in tandem with FMS.   It is proposed that the Transport Review's strong dependencies on the following be mapped and closely managed, but that these areas of work do not fall within the scope of the review.

Public Infrastructure and Environment Service Transformation – initial work has started and is being led by the services

- Waste and Recycling Service (Service Lead – Peter Lawrence)

- Roads Services (Service Lead – Mike Cheyne; this may link in with the Total Facilities Management Redesign)

- Environment Services (Service Lead – Steven Shaw; this may link in with the Total Facilities Management Redesign)

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Building Services

Building Services (Service Lead – Graham Williamson; falls within scope of Total Facilities Management Redesign)
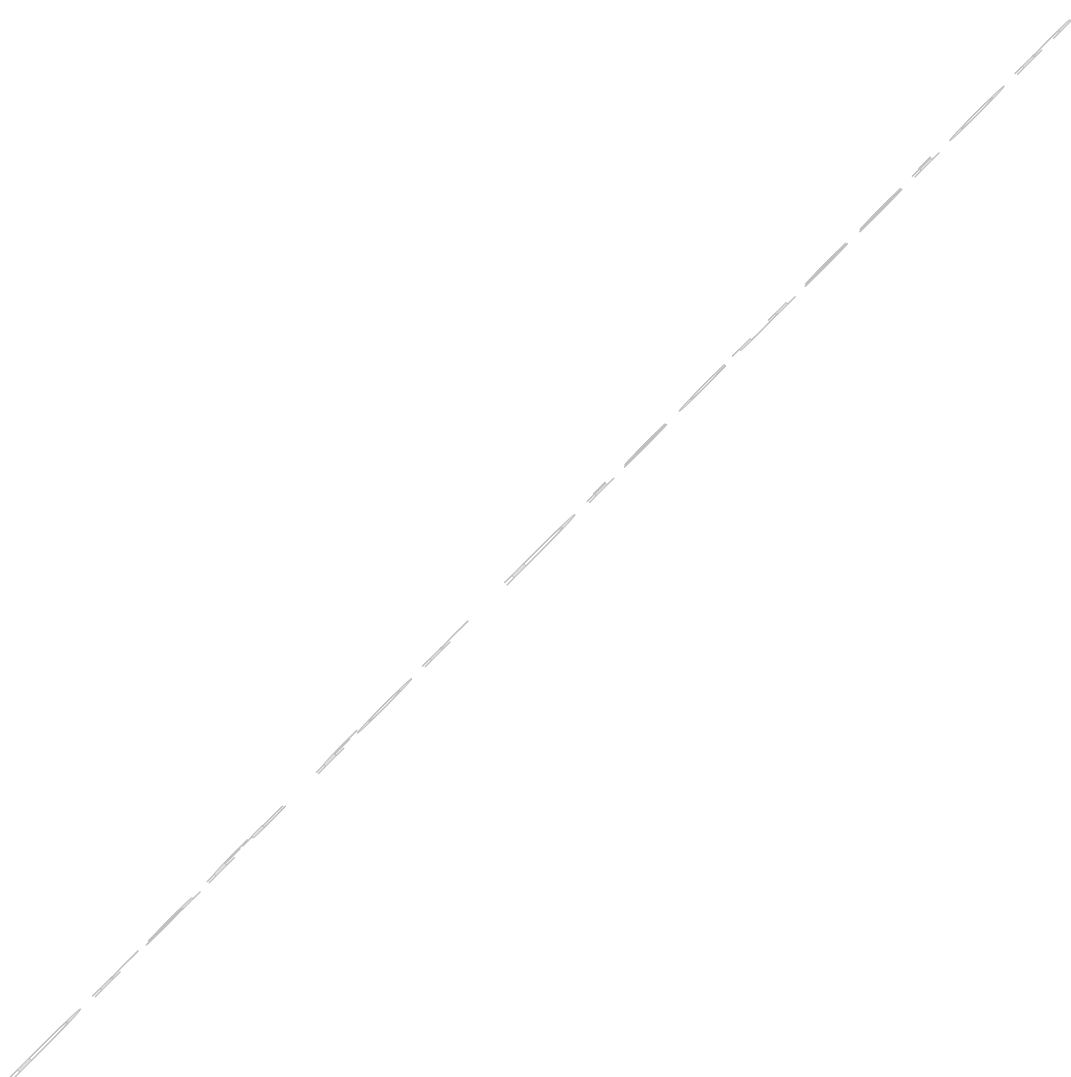
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Table 5 – Scope Options – SWOT analysis

Scope Option	Fleet Management Services	Fleet Management Services and Grey Fleet	Public Infrastructure and Environment Services and Grey Fleet	Public Infrastructure and Environment Services, Building Services, Grey Fleet, Public Transport Unit and Education and Children's Services
Description	Fleet Management Services including assets and organisation	Fleet Management Services and grey fleet including travel and subsistence claims, car club use, etc.	Fleet Management Services, Waste and Recycling, Roads Services, Environment Services and grey fleet	Fleet Management Services, Waste and Recycling, Roads Services, Environment Services, Building Services, Public Transport Unit and grey fleet
Strengths	Realistic and achievable	Realistic and achievable	Realistic and achievable Demand/service-led rather than provider-led	Demand/service-led rather than provider-led Corporate approach to fleet utilisation
Weaknesses	Lacks corporate oversight Limited scope for savings Unable to influence vehicle utilisation (Service-led)	Lacks corporate oversight Limited scope for savings Unable to influence vehicle utilisation (Service-led)	May not incorporate all key dependencies	Unlikely to be achievable due to size of scope unless broken down into smaller

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Opportunities	Increase vehicle availability Revenue savings: £600K p/a Capital savings: £600K p/a	Increase vehicle availability Link in with digital strategy to reduce staff travel/grey fleet costs	Remove silos Greater scope to maximise savings (100% - 200%) Increase vehicle utilisation Terms and conditions	Greater scope to maximise savings Increase vehicle utilisation Terms and conditions Remove silos
Threats	Terms and conditions Costs may be transferred to grey fleet rather than saved Savings may be double/triple-counted due to budget structure Capital savings may come at cost of revenue savings	Terms and conditions Savings may be double/triple-counted due to budget structure Capital savings may come at cost of revenue savings	Political appetite Market appetite Local labour market	Political appetite Market appetite Local labour market Competing priorities across services

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Based on the results of the Scope SWOT analysis, it is recommended that a corporate programme of work be undertaken on the Council's use of transport and mobility solutions focusing on:

- Fleet Management Services and implementation of the Fleet Improvement Programme

- Fleet utilisation and associated re-design of the primary Service users of Fleet; specifically Waste and Recycling, Roads, Environment, and Building Services

- Coach, minibus and taxi utilisation, specifically focusing on Education and Children's Services and the Public Transport Unit

- Grey Fleet

This will provide greater opportunities for realising savings and driving efficiencies. It will also provide a less "silo-ed" approach and ensure the utilisation of vehicles is addressed as part of this review.

Fleet Management Services

An initial options appraisal identified the following as the top scoring models:

1. Modified in-house/status quo

2. Public joint venture

3. Private joint venture

4. Wholly owned company

Both data and customer interviews suggest that Fleet operation is inefficient (for example, the vehicles service data collected in the last 6 months shows that between 5-10% of all the vehicles serviced in the workshop have a turnaround time of more than 3 days). As such, the Council is not yet at the stage of achieving best value from outsourcing to a private sector operator. To tender the current service and operating model would be passing on the problems and the opportunity for bidders to realise the benefits of efficiency improvements. It is recommended that the Council resolves the priority areas outlined in the earlier section and pursues the Modified in-house/status quo model first before exploring other delivery models.

The Council has aspiration of commercialising Fleet services in the long run. While this is plausible, it would involve significant step change from its current operating model to improve its productivity so that it is on par with the private sector.

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In order for FMS to be commercially viable in the future, the following three steps would need to be completed.

1. **Efficiency and Competitiveness**

   o   Regularly review and improve performance to make the service efficient

   o   Understand the true cost of service provision and improve the resource management to make the service competitive

2. **Insourcing**

   o   Demonstrate service offers value for money

   o   Try to win back externally contracted work

3. **External Work**

   o   Develop a business plan

   o   Start competing for external business

In order to achieve the required efficiency and competitiveness, the four options identified all incorporate the following recommendations:

- Increase vehicle availability whether through 24/7 workshop operation, utilisation of leasing model, or other means

- Increase use of technology/provision of fit-for-purpose fleet management system

- Implement telematics to enable maximisation of vehicle utilisation

- Develop and implement corporate transport strategy

- Implement commercial budget structure

- Change staff terms and conditions to enable more flexibility around working patterns to meet business needs

Savings could be maximised changing the model of provision for light fleet, maximising vehicle utilisation and availability across the Council, introducing shift working and provision of a 24/7 maintenance and repairs service for Council vehicles. Much of the above incorporates work that has been started as part of the Fleet Improvement Programme and it is recommended that this programme becomes a corporate programme and is merged with this review. This will remove the risk of duplication and provide the opportunity to corporately

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address the issues that the programme is currently experiencing, and expand the range of benefits that the programme will deliver.

In addition to the above, the Council should not lose sight of tactical solutions which can be implemented in various Services to help improve vehicle utilisation. These were discussed during the interviews with Services' representative. They are summarised as below.

Fleet Utilisation and Public Infrastructure and Environment Service Transformation

The re-design of end-user services would form an important part of increasing utilisation including exploration of the following options:

- Introducing shift working for Waste and Recycling crews e.g. 10hr shifts and/or double-shifting of vehicles

- Reducing the frequency of collections from fortnightly to three-weekly

- Stopping the collection of garden waste or alternatively charging for this service

- Minimising the introduction of bulk bins to only those areas where there is an absolute requirement (bulk bins require more frequent collections than kerbside bins)

- Sharing the utilisation of certain roads vehicles with other local authorities e.g. whiteliners, etc.

- Greater utilisation of Skype/Lync etc. in lieu of face-to-face meetings to reduce grey fleet costs

- Utilising technology to reduce grey fleet costs e.g. electronic claims processing requiring postcode input/automated calculation of mileage to mitigate risk of staff overestimating distances travelled

- Maximising the efficiency and productivity of the Fleet workshop to enable it to do more commercial work e.g. MOTs for the public, etc.

Public Transport Unit and Education and Children's Services Transport

Other areas of significant spend on transport within the Council include the hire of taxis and coaches. Over £3M was spent on these cost codes in 2016/17 and it is proposed that a separate review of the use of taxis, coaches and minibuses be undertaken to identify potential savings opportunities.

Other Considerations

Staff terms and conditions have been identified by front-line services as being the primary constraint to transforming service delivery. It is anticipated that a review of these will be required whether as part of this review or the wider transformation programme.

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DEPENDENCIES

The following need to be highlighted and explored in more detail, so that they can be appropriately managed or mitigated during the next, more detailed, stage of work:

- Corporate level support on changes to "consolidated budget" structure

- Corporate led negotiation with union

- Service Transformation – Public Infrastructure and Environment Services

- Operational Excellence Programme and Digital Strategy

- Ongoing budget savings

- Service Reviews – Stores and Total Facilities Management

- Corporate Support and Resources Available for Fleet Improvement Programme

RISKS

The following need to be highlighted and explored in more detail, so that they can be appropriately managed or mitigated during the next, more detailed, stage of work:

- Savings are not realised due to being accounted for twice across different projects and programmes

- Whilst capital savings are achieved, revenue costs increase as a result of different Fleet provisioning model

- Savings are not realised due to costs being transferred e.g. from Fleet to grey fleet

- Income generation opportunities are not realised due to inefficient ways of working

- Current staff terms and conditions limit realisation of commercial opportunities

- Lack of market appetite for preferred way forward

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Next Steps

In order to achieve the Council's objective in reducing the cost of service provision, there are some key steps to progress the above recommendations. These are summarised as below.

- Obtain corporate support and appropriate resource to address issues pertinent to demand and efficiency outlined in the Business Case

- Establish the Fleet Improvement Programme as a corporate programme with the relevant governance and resolve outstanding issues

- Resolve outstanding HR issues which are preventing appointment of preferred candidates to Workshop Manager and Workshop Supervisor vacancies

- Review the design and delivery of Waste and Recycling, Roads, Environment and Building Services and identify how this may impact on vehicle utilisation

- Develop and implement a corporate transport strategy

In addition to this, below is a list of potential activities to be included as part of the implementation plan in progressing through the next, more detailed, business case stage:

Fleet Management Services

- Merge review of FMS with Fleet Improvement Programme

- Review governance and establish as a corporate-led programme rather than a Service-led one. It is proposed that this corporate-led programme would either report into the wider Transformation Portfolio or CMT.

- Review project management resource requirements

- Complete requirements analysis for fleet management system (6 - 8 weeks)

- Implement telematics trial within Building Services as per Committee approval (1-2 weeks)

- Review of workshop operating procedures (4-6 weeks)

- Further develop short-listed options for Fleet Management Services, including conducting further market analysis for joint venture and private sector models and detailed financial analysis and lessons Learned from other local authorities including:

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- o Oxford City Council – modified in-house
- o Nottingham County Council – public joint venture
- o London Borough of Barnet and/or Birmingham – private joint venture
- o Tayside Contracts – public venture
- o Stirling Council – outsourced model
- o Cormac – wholly owned private company
- Develop Economic Case (options appraisal)
- Develop Commercial Case
- Develop Financial Case
- Develop Management Case (implementation process)

Public Transport Unit, Education and Children's Services Transport, and Grey Fleet

- Establish review of Public Transport Unit, and Education and Children's Services Transport
- Baseline Grey Fleet utilisation and establish review

Public Infrastructure and Environment Service Transformation

- Baseline Waste and Recycling, Roads and Environment Services
- Review Service Transformation Plans (Waste and Recycling, Roads, Environment)
- Develop options and proposed way forward including proposed future service levels/quality for Waste and Recycling, Roads and Environment Services (some may fall within scope of other service redesigns e.g. Total Facilities Management)

Appendix A: Breakdown of Fleet Costs

TABLE 5 – ANNUAL FLEET SPEND 2016/17

	Revenue £'000	Capital £'000	Total '£000
Income	(124)	(500)	
Staff Costs	2,000		
Fleet Management Services Costs	211		
Vehicle Hire	800		
Vehicle Purchase (inc. hydrogen)		4,200	
Plant Purchase		630	
Diesel	1,500		
Stores to Jobs	1,253		
Tyres	173		
Vehicle Insurance	695		
Road Tax	122		
Vehicle Licences	130		
Total Expenditure	6,884	4,830	11,714
Net Expenditure	6,760	4,330	11,090

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ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	4th October 2017
REPORT TITLE	Outline Business case – Facilities Management (including Stores Service)
LEAD OFFICER	Bernadette Marjoram
REPORT AUTHOR	John Quinn

1. PURPOSE OF REPORT:-

1.1 The purpose of this report is to present the Committee with an Outline Business Case for transformation of Facilities Management (including Stores Service) and to seek approval to proceed to a Full Business case.

2. RECOMMENDATION(S)

2.1 It is recommended that the Committee:

a) Note the attached Outline Business Case and instruct officers to proceed to a Full Business Case, at an estimated cost of £150,000, for Facilities Management (including Stores Service).

3. BACKGROUND/MAIN ISSUES

3.1 An Outline Business Case for Facilities Management (including Stores Service) is attached to this report. The Outline Business Case examines whether the case for change merits investment into the formal options appraisal required to fully assess and implement a new service delivery strategy for Facilities Management (FM), including Stores Services.

3.2 If the Committee agree to proceed, a Full Business Case will be developed and reported to the Committee requesting approval to pursue a recommended preferred option through to implementation.

4. FINANCIAL IMPLICATIONS

4.1 The estimated costs of developing a Full Business Case, should the Committee agree to it proceeding, are £150,000. This will be met from the Transformation Fund.

4.2   The potential estimated financial implications / savings from implementing the proposed changes to Facilities Management are contained within the Outline Business Case. These range from £3m to £7m in year one to between £10m to £24m over three years.

5.   LEGAL IMPLICATIONS

5.1   There are no direct legal implications arising from the recommendations of this report.

6.   MANAGEMENT OF RISK

6.1   Risks identified in relation to specific assessed options are set out within the Outline Business Case. If approval is given to proceed to a Full Business Case the delivery risks will be assessed in detail and presented to Committee together with recommendations on preferred options.

7.   IMPACT SECTION

7.1   An assessment of strategic alignment is included within the Outline Business Case and will be further refined during development of the Full Business Case.

8.   BACKGROUND PAPERS

None

9.   APPENDICES

Outline Business case – Facilities Management (Including Stores)

10.   REPORT AUTHOR DETAILS

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Executive Summary

CASE FOR CHANGE

The Council wishes to understand whether there is a sufficiently compelling case for change to merit the investment of time and resources into the formal options appraisal that will be required to fully assess and implement a new service delivery strategy for Facilities Management (FM), including Stores Services. The purpose of this Outline Case document is to provide a strategic review and decision-making aid for the Council.

Before progressing to detailed assessment and options appraisal (including market testing, via Full Business Case) and then to implementation (either internal optimisation or external provision) the Council must consider the strategic Outline Case (this document) to deliver up to £24m[1] savings over three years by future delivery of FM via a Total FM delivery model (either in partnership with external providers or through internal service redesign).

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[1] Estimated cumulative total savings over three years, after the estimated investment costs required to deliver these benefits.

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Baseline and scope

- FM (including Stores Services) Services include: Soft FM (Cleaning, Catering, Janitorial, Building management, Facilities admin, Mail distribution, School crossing patrols); Hard FM (Building Services including building repairs and maintenance, Refurbishments, Hard FM management (non-housing), Stores); and FM Contracts (Specialist Works).

- The approximate annual revenue costs of these FM services to the Council are as follows:

Revenue[2] Spend (£m)	HRA [3]	General Fund	Total – i.e. incl. HRA spend
Total Hard FM, excluding Stores	22	5.2	27.2
Total Soft FM	-	15	15
Total Stores (excludes roads element of stores)	-	3.9	3.9
Total Addressable Hard, Soft & Stores	**22**	**24.1**	**46.1**

- The initial baseline data suggests addressable expenditure is approximately £46m, however this will be dependent on the final agreement of services considered within scope of this review:
  - A clear and early recommendation, therefore, is that the full assessment and options appraisal at the next (Full Business Case) stage must determine the extent of the relationship between the FM functions and the HRA.
  - The Scope must also be assessed and determined via the next (Full Business Case) stage to exclude or include the following "potential" services: Grounds Maintenance, Roads & Lighting, Reception/Helpdesk Services, Energy Management (though not the utilities costs themselves), Car Parks, Asset/Estate Management, FM contract (3Rs New School Project, NHS Healthcare Village, and Window Cleaning) management team, and Waste Strategy & Collection.

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[2] As far as can be ascertained from the analysis completed at this stage, these figures exclude Capital, and represent Revenue spend only. Please see pages [19-20] of this document for further details.

[3] Estimated HRA/General Fund spend figures, based on current available data.

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The drivers of cost and scale of the opportunity

- Based on the assessment of the services that are clearly in scope – and within the c.£46m envelope outlined above – the key base current drivers of opportunity and cost are :
  - o Core Council requirements – the current scale of FM opportunity is limited to core services for the Council with minor service provision for other private/public sectors. The latter has increased and the services have an established infrastructure to develop further opportunities.
  - o Labour costs - The majority of the Council (and HRA's) FM and Stores spend is on labour costs – which can opens up opportunities for efficiency and effectiveness in staff resourcing and deployment, and the exploration of partnership delivery models.

The way forward

- Recent statistics produced by CIPFA have identified that approximately half of Councils in England and Wales have driven significant savings of between 10% - 30% by considering alternative ways to deliver FM services;
- Doing nothing is not an option for Aberdeen – a strategic change in service configuration or to its delivery model is required to enable the Council to make significant cost savings and operational improvements, as well as to potentially enable services to generate new revenues streams from external sources.
- "Total FM" as a solution has emerged as a preferred options at this stage (either delivered through an internally optimised service or in partnership with external providers) as the indicative benefits outlined below suggest:

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Investment and return

- From the high level options appraisals undertaken at this stage, anticipated levels of investment and savings from either a TFM or Joint Venture arrangement could be in the region of:

Estimated Revenue Impact (£m)	Year 1	Total over 3 years		Year 1	Total over 3 years
	TFM / Strategic Partnership			Joint Venture	
Investment costs	(0.5)	(0.5)		(0.7+)	(0.7+)
Savings	3.7 to 8.3	11.1 to 24.9		3.7 to 8.3	11.1 to 24.9
Net	3.2 to 7.8	10.6 to 24.4		3.0 to 7.6	10.4 to 24.2
Savings as a % of Baseline Spend	6.9% to 16.9%	7.7% to 17.6%		6.5% to 16.5%	7.5% to 17.5%

- The benefits outlined above are the benchmark range based on industry knowledge applied to Aberdeen's current baseline, and can be used as the target for both internal optimisation and externalisation.

Next steps

The Council must now decide whether it agrees that the Case for Change (as summarised above, and detailed in the remainder of this strategic Outline Case document) **merits pursuit of the following recommended next steps**:

1. October/ November 2017: Proceed to Full Business Case stage, which will further develop this strategic Outline Case by assessing and market testing external / partnership provision against a "internal optimisation" and "do nothing" options. These assessments will include:
   o The Economic Case – Value for Money
   o The Financial Case – Affordability
   o The Commercial Case – Strategy for Delivery
   o The Management Case – Delivery Programme
2. October/ November 2017: Provide resource, plus corporate and executive sponsorship, to establish the Full Business Case. The provision of sufficient resource is crucial to delivering the OBC due to the level of analysis and rigour that is required at this stage and the activities that need to take place.

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3. March 2018[4] Review the Full Business Case, and decide whether the Council wishes to support a recommendation of a preferred option to implement the Final Business Case.

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[4] Actual date to be confirmed – will depend on (e.g.) availability of resource to support detailed analysis, market testing and development of business case.

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BACKGROUND AND CONTEXT

Aberdeen City Council is fundamentally reviewing how it delivers services and functions. This is captured in its Strategic Business plan 2017/18, 'Tier 2: Delivering Performance Improvement - Operational Change'. This involves exploring alternative delivery models for key functional areas, including Facilities Management and Stores.

The key spending objectives have been defined as:

- To significantly reduce the baseline cost of those services within scope ("economy")

- To enable greater revenue generation in respect of those services within scope through enabling certain services to be available to the external market ("economy")

- To consider replacing elements of the existing service ("re-procurement")

- Any change to delivery solution must not be detrimental to the quality of existing services ("effectiveness")

The improvement of "business as usual", as distinct from real transformational change, is not considered sufficient to meet the financial objectives of the Council. Hence this Outline Case is in support of assessing different delivery models and options for the provision of these services to the Council and related parties, such as schools, who currently receive such services from the Council.

CURRENT SITUATION

The Council's current portfolio of property includes:

- 22,000 houses

- 324 public buildings (e.g. schools, community education centres, parks)

- 350 commercial investment properties (e.g. offices, retail premises and buildings owned by the council)

- 10 locations for Stores (Stores are an enabling function within the Council to ensure the provision of goods and services at the point of need they are required for service delivery)

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The vast majority of the estate in scope relates to housing assets and therefore the majority of the FM service provision (and associated spend) is in connection with housing. The table below maps out FM service provision against building type.

	Housing	Public building – schools	Public building – other	Commercial investment property
Hard FM:				
Buildings Repairs and Maintenance (including maintenance relating to statutory obligations)	✓	✓ (statutory only)	✓	✓ (statutory only)
Refurbishments (minor projects)	✓			
Hard FM management (non-housing)		✓	✓	
Specialist Work (subcontracted work)	✓	✓	✓	✓
Stores	✓	✓	✓	✓
Soft FM:				
Cleaning	✓ (Voids and response cleaning)	✓	✓	
Catering		✓	✓ (ACC canteen and meeting room hospitality)	
Janitorial		✓		
Building Management (handyman, security, car parks)			✓	
Facilities Admin		✓	✓	
Distribution of mail		✓	✓	
Schools Crossing Patrols		✓		

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The detail of the existing arrangements for the delivery of the Hard and Soft FM services in scope are complex, but can broadly be described as being predominantly delivered in-house by approx. 1,380 staff (inclusive of management and supervision). However, discrete areas are outsourced (Hard FM: Specialist Works)

For the purposes of this outline case, addressable spend in 2016/17 was £46.1m of which £27.2m (59%) related to Hard FM, £15.0m (33%) related to Soft FM and £3.9m (8%) related to Stores. (Scope showing differences understood to be between Hard FM and Soft FM is outlined below) Corresponding revenue was £35.4m in 2016.17 and is primarily driven from internal recharges with over 50% coming from HRA. Further work is required to determine how savings are treated in relation to HRA.

The current delivery model has various strengths but also a number of issues and inadequacies. The Council has been engaged in conducting service reviews to investigate, although this is on-going and further analysis is needed to build a more informed picture on the performance of the current delivery model and to create a baseline position.

Over the last few years, FM services have undergone a number of more strategic service reviews too where the Council has explored the ways to change the delivery FM and FM related services but recommended outcomes do not always appear to have been implemented.

SCOPE OF SERVICES

FM services confirmed as being within scope comprise:

- Soft FM (Cleaning, Catering, Janitorial, Building management, Facilities admin, Mail distribution, School crossing patrols)

- Hard FM (Building Services including building repairs and maintenance, Refurbishments, Hard FM management (non-housing), Stores)

- FM Contracts (Specialist Works)

However, as mentioned earlier, whilst to maximise opportunities for potential savings, the Council may take a much wider view on the definition of services within scope in the development if this business case to include other related services, at this stage it considers the following services to be excluded from that process -

Energy/Utilities, Waste Recycling, Capital Construction, Architectural, Engineering and Construction Support and Consultancy Services.

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EXPLORING THE WAY FORWARD

A long list of 12 potential delivery models was developed and an analysis of benefits, opportunities, costs and risks carried out on each to help inform the creation of a short list. The result is summarised below:

	Service Delivery Model	Include on the short list?
1	In-house	No
2	Current Delivery/Enhanced Status Quo	Yes
3	Arm's Length Trading Company/WOC/Mutual	Yes
4	Single Source and In-house mix	No
5	Single Source Outsourcing	No
6	Shared Services Group	No
7	Managing Agent	No
8	Bundled FM	Yes
9	Managing Contractor	No
10	TFM/Strategic Partnership	Yes
11	Joint Venture	Yes
12	Total Property Outsource	No

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The five recommended short listed options have then been assessed further by evaluating each of the Council's spending objectives and Critical Success Factors. The table below captures the findings from the evaluation exercise:

- "Meets" is denoted by a tick

- "May meet" is denoted by a question mark

- "Does not meet" is denoted by a cross

	2	3	8	10	11
	Current delivery/ Enhanced Status Quo	Arm's Length Trading Company/ WOC/ Mutual	Bundled FM	TFM/ Strategic partnership	Joint Venture
Critical success factors					
Business need: operational efficiencies	?	✓	✓	✓	✓
Business need: greater commerciality	?	?	?	✓	✓
Strategic fit	✓	?	✓	✓	✓
Availability/ Customer satisfaction	✓	✓	✓	✓	✓
Ease of implementation	✓	✓	✓	✓	?
Accountability and governance	✓	✓	?	?	✓
Resources and investment	?	?	?	?	?
Risk management	?	?	?	?	?

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SHORT-LISTED OPTIONS

It is therefore recommended that the five options short listed be presented for further consideration at the next, more detailed, full business case stage.

The table below sets out an initial high level assessment of potential savings from adopting each option, together with a current estimate of any anticipated costs. These will need testing as part of the next stage and can only be indicative at this stage:

- Anticipated costs of implementation: include high level estimates to cover typical costs including advisory and legal fees

- Anticipated savings: the percentage ranges used in this analysis are marginally lower than typical benchmark ranges in order to reflect:

    - The level of services already outsourced (Specialist Works within Hard FM and Mail within Soft FM); arguably there is lower further savings on areas already outsourced

    - Views on the varying levels of material costs as a proportion of total costs; the higher the proportion of materials, the less opportunity for savings whereas the higher proportion of costs such as labour, the greater the scope for potential savings.

    - Labour cost savings could potentially be significant, driven by changing ways of working, increasing the productivity of staff and from deploying staff resources in a more intelligent way.

        - Changing ways of working typically includes more robust management of absence, changes to working such as 5 in 7 day working.

        - Increasing staff productivity can be done from better monitoring and management of individual productivity/output, more training and from using technology to drive productivity gains e.g. cordless backpack vacuum cleaners and use of microfiber cloths and mops in cleaning.

        - Ways of deploying staff resources more intelligently include makes us of scheduling systems and trackers for managing engineering tasks.

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The net effect of productivity gains is to require a smaller workforce which can then be achieved through a mixture of redundancy, redeployment and natural wastage.

Table showing initial high level assessment of potential savings from adopting each option

	2 **Current delivery/ Enhanced Status Quo**	**3** **Arm's Length Trading Company/WO C/Mutual**	**8** **Bundled FM**	**10** **TFM/Strategic partnership**	**11** **Joint Venture**
Anticipated costs of implementation	£150k	£350k	£500k + (due to multiple contracts)	£500k	£700k +
Anticipated gross savings p.a. *	1%-3% Estimated as £0.5m - £1.4m	2%-4% Estimated as £0.9m - £1.8m	4%-10%. Estimated as £1.8m - £4.6m	8%-18%. Estimated as £3.7m - £8.3m	8%-18%. Estimated as £3.7m - £8.3m

- *Note: the savings above are for each option on a standalone basis and are not incremental savings on top of baseline option 2 savings*
- *Furthermore, if services in scope change, then this will also impact the level of potential savings, and similarly as the definition broadens to take in services not previously outsourced, there should be scope for greater savings*
- **The estimate of savings percentages are based on PwC's experience of similar transformations and are applied to the current baseline of £46.1m excluding indexation. We have taken a prudent approach, factoring in labour/materials composition of costs, existence of sub contracts, etc. Following soft market testing, the top ranges of savings estimates may increase.*

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For Option 11 Joint Venture, there is opportunity to generate trading income. This has been prudently excluded from the analysis given evidence from other UK local authorities of historic performance and the challenges associated with achieving trading income projections. However, it could be considered as an upside as part of the next, more detailed, business case. Typical benchmarks suggest a share of profit generated from revenue [i.e. for every £5m of traded revenue we anticipate a margin of 6% (£300k), with the Council receiving 50% of this (£150k)].

Looking towards the upper end of the ranges for potential cost savings, this indicates that depending on the chosen delivery option, it could be possible to achieve savings in the region of £8.3m before any incremental revenue is taken into account.

NEXT STEPS

As part of the next, more detailed, full business case, key steps will include:

1. Confirming stakeholder group and ensure engagement with

2. Producing full strategic analysis

3. Establishing baseline data

4. Confirm scope of services

5. Market Analysis including engagement with potential Suppliers and Partners (this can take a number of forms from informal market soundings through to more formal processes)

6. Undertaking financial analysis and identifying and assessing potential income opportunities

7. Full Financial Modelling and Analysis:

8. Developing recommended Options

9. Develop Commercial, Financial and Management Cases

10. Implement short term service improvement solutions since there will be a lead time to complete further, more detailed, business cases – and any resulting procurement processes

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11. Develop timetable (initial indicative timeline suggests 18-24 months to implementation provided baseline data is available)

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Making the Case for Change

STRATEGIC CONTEXT

Aberdeen City Council's Strategic Business Plan (2017/18) sets out the overarching strategic context and direction of travel for the Council in an environment of economic, demographic and technological change taking place in the wider economy.

Demand for public services is changing as well as increasing, and the Council is facing increasing financial pressures and changing customer demand. As reflected in the 2017/18 budget, the Council faces a budget shortfall of £125m over the next five years and therefore needs to achieve more with fewer resources.

Hence Aberdeen City Council is fundamentally reviewing how it delivers services and functions – this is captured in Tier 2 of its strategy, 'Tier 2: Delivering Performance Improvement - Operational Change'. This involves exploring alternative delivery models for key functional areas, including Fleet services and transport, Facilities Management and Stores. In addition, Aberdeen City Council is pursuing its Operational Excellence and Enterprising Council agenda, which is seeking to deliver savings and service improvement opportunities through transformational change across a number of work streams. The work streams include: Service Reviews (including this piece of work), Third Party Spend, HR, Business Support, and Digital Transformation.

This Outline Case is, therefore, in support of the above and considers Facilities Management (FM) and Stores. The purpose of this document is to assess different delivery models and options for the provision of these services to the Council and related parties, such as schools, who currently receive such services from the Council.

The overall goal is to deliver the most profound level of change and meet the enterprising objectives of the Council. To achieve this, the future state of the services will need to meet the following objectives:

- Reduce Costs

- Exploit the skills of the existing resources

- Align with the Strategic Plan

The improvement of "business as usual", as distinct from real transformational change, is not considered sufficient to meet the financial objectives of the Council – market analysis indicates that cost savings through service improvements are generally within the range of 1% to 5%, whereas the Council requires significant

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savings in excess of this. A review of case studies from successful projects elsewhere suggests that there may be alternative delivery models for the services in question which might deliver the level of change and savings envisaged.

In addition to the "Tier 2: Delivering Performance Improvement - Operational Change" element of ACC's Strategic Plan 2017/18, any changes to the delivery model must also be consistent with a number of other policies and initiatives including:

- Local Outcome Improvement Plan 2016-26

- Land and Property Assets Service Improvement Plan 1/4/17-31/3/18

- Public Infrastructure and Environment Services Improvement Plan 1/4/17-31/3/18

- Communities and Housing Service Improvement Plan 1/4/17-31/3/20

- Education and Children's Services Improvement Plan 2017/18

- Aberdeen City Health and Social Care Partnership Strategy 2016-2019

SPENDING OBJECTIVES, EXISTING ARRANGEMENTS AND BUSINESS NEEDS

A robust case for change requires a thorough understanding of what the organisation is seeking to achieve (the spending objectives), what is currently happening (existing arrangements) and the present problems and future service gaps (business needs).

Spending objectives

The key spending objectives have been defined as:

- To significantly reduce the baseline cost of those services within scope ("economy")

- To enable greater revenue generation in respect of those services within scope through enabling certain services to be available to the external market ("economy")

- To consider replacing elements of the existing service ("re-procurement")

- Any change to delivery solution must not be detrimental to the quality of existing services ("effectiveness")

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Existing Arrangements

This section sets out the existing arrangements for the provision of the Facilities Management services (including Stores) under consideration, in terms of the facilities in receipt of the services, the services in scope, the current delivery model and the existing position on spend.

a. Facilities in receipt of the services

The Council's current portfolio of property includes:

- 22,000 houses

- 324 public buildings (e.g. schools, community education centres, parks)

- 350 commercial investment properties (e.g. offices, retail premises and buildings owned by the council)

- 10 locations for Stores

The vast majority of the estate in scope relates to housing assets and therefore the majority of the FM service provision (and associated spend) is in connection with housing.

Of the public buildings, schools constitute around 18% of these (58 buildings), with community education centres being the next most common building type (47 buildings). Other common facility types include parks, playing fields, libraries, public conveniences, etc. Council headquarters and Stores would also be part of this category.

Stores are an enabling function within the Council to ensure the provision of goods and services at the point of need they are required for service delivery.

b. Services in scope

The Council provides a wide range of FM and FM related services to users across the above facilities. At this stage, the Council has identified which of these services should definitely be included in the scope of this work but in order to maximise the potential savings opportunity, it has also identified services which could potentially be included in the scope.

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The services that are definitely within in scope are set out below and are described using the Council's terminology. We understand that some of this terminology should be changed to reflect more widely recognised market terminology at an appropriate point in the future). At this point, the services are categorised at a high level for simplicity and broadly divided into the categories of Hard and Soft FM. However, there are nuances to each service and the detail of this will be explored in this document.

Hard FM:

1. Buildings Repairs and Maintenance (including maintenance relating to statutory obligations)
2. Refurbishments (minor projects)
3. Hard FM management (non-housing related)
4. Specialist Work (subcontracted work, e.g. lift maintenance)
5. Stores (storing building materials, road and lighting materials, fleet spares, corporate records and aids for daily living (occupational therapy equipment)

Soft FM:

1. Cleaning
2. Catering
3. Janitorial
4. Building Management – this involves:
   - 'Handyman' type service for Council Headquarters buildings only
   - Security service (ID Badge production, access control system administration and CCTV system monitoring) for Council Headquarters buildings only
   - Provision of car parking attendants at 3 public car parks.
5. Facilities Admin – this includes provision of a single point of contact for Corporate Office building users to report issues and provide support to delivery all Soft FM services (includes phone operatives, performance management support, assigning FM calls, ensuring follow up and performance monitoring).
6. Distribution of mail
7. Schools Crossing Patrols

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The table below maps out FM service provision against building type, again at a high level for simplicity. At the next business case stage, a detailed matrix mapping out individual facilities against the specific service would be produced.

	Housing	Public building – schools	Public building – other	Commercial investment property
Hard FM:				
1. **Buildings Repairs and Maintenance (including maintenance relating to statutory obligations)**	✓	✓ (statutory only)	✓	✓ (statutory only)
2. **Refurbishments (minor projects)**	✓			
3. **Hard FM management (non-housing)**		✓	✓	
4. **Specialist Work (subcontracted work)**	✓	✓	✓	✓
5. **Stores**	✓	✓	✓	✓
Soft FM:				
1. **Cleaning**	✓ (Voids and response cleaning)	✓	✓	

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		Housing	Public building – schools	Public building – other	Commercial investment property
2.	Catering		✓	✓ (Council canteen and meeting room hospitality)	
3.	Janitorial		✓		
4.	Building Management			✓	
5.	Facilities Admin		✓	✓	
6.	Distribution of mail		✓	✓	
7.	Schools Crossing Patrols		✓		

c. **Current delivery model of services in scope**

The detail of the existing arrangements for the delivery of the hard and soft FM services in scope are complex, but can broadly be described as being predominantly delivered in-house by approx. 1,380 staff (inclusive of management and supervision).

Hard and soft FM services are delivered primarily out of the Land and Property Assets department which is part of the Council's 'Communities, Housing and Infrastructure' Directorate (See Appendix A for organogram).

There is also some responsibility for FM held in one other directorate – 'Public Infrastructure and Environment'. This handles grounds maintenance which is not in scope and also some elements of the minor works type services.

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Main features of Hard FM delivery model:

- Hard FM is delivered by the Building Services team (approximately 518 staff) and the Hard FM Management team (4 staff) which sit in the Land and Property Assets department.

- The Building Services team manage and physically carry out the hard FM work. The bulk of this team's workload relates to housing assets but it also serves public buildings and commercial investment properties.

- The Hard FM Management team's work relates to the management of non-housing work only.

- The Building Services team is set up as an internal contractor, with a trading account. Any work performed is recharged back to the relevant Council area – i.e. revenue is recovered via recharges to the respective property budget holder (Hard FM Management, Housing, and Schools).

- Housing related Hard FM is funded from housing capital and the HRA Budget (approximately £22m p.a.). This budget is ring-fenced through legislation. This work accounts for 70% of Building Services revenue.

- Non-housing related Hard FM is funded by a budget held by the Hard FM Management team (approximately £4m p.a.).

- Commercial properties Hard FM budget is held by Asset Management (approximately £500k p.a.). Any works carried out through the Hard FM Management team is charged directly to this budget.

- A number of specialist works are delivered via subcontractors, e.g. Gas Central Heating Maintenance, Rope Access and Electrical Maintenance, which are tendered with support of the Commercial & Procurement Services Team.

- In order to provide buffer stock, the Council has to invest capital and working capital to provide assets and staff resources to maintain a Stores operation.

Main features of Soft FM delivery model:

- Soft FM is managed and delivered by the Soft FM team (approximately 866 staff) in the Land and Property Assets department.

- Unlike Hard FM, Soft FM is set up as a 'General Service' meaning that it holds and delivers the budget for services required across the Council's estate.

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Current spend

The table below sets out an estimation of 'spend in scope' based on actual 2016/17 expenditure. The categories reported as part of the Council's financial information do not necessarily directly reflect the categories of the FM services in scope. In the allotted time available it has not been possible to calculate an exact figure on spend. However based on the analysis below, baseline spend is estimated to be approximately £46.1m. Approximately 59% of this is Hard FM (£27.2m), 33% is Soft FM (£15.0m) and 8% is Stores (£3.9m).

	2016/17 Actual Expenditure
Hard FM	
D01202 - Response - Building Services	£10,395,508
D01203 - Voids - Building Services	£5,248,984
D01208 - Housing - Gas & Adaptations	£4,933,715
D01206 - M&A - Building Services	£4,299,667
D01204 - Internal Work - Non Housing	£2,563,596
D01205 - Housing Capital - Other	£1,994,689
D01209 - H&S - Building Services	£134,248
Subtotal	**£29,570,407**
- Less elements of utilities and rates included in the above	*(£76,970)*
- Less Building Services element of Stores included above but being shown separately below	*(£3,870,000)*
- Plus subcontracts relating to non-housing work not included in Buildings Services	*£1,600,000*
Total Hard FM, excluding Stores	**£27,223,437**

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Soft FM	
Catering	£6,346,848
Cleaning	£5,040,500
Janitorial Services	£2,362,819
FM Admin (incl. Building Management & Distribution services)	£1,155,042
School Crossing Patrollers	£119,301
Total Soft FM	**£15,024,510**
Total Stores (excludes roads element of stores)	**£3,870,000**
Total Addressable Hard, Soft & Stores	**£46,117,947**

Note that several adjustments and assumptions have been made in order to arrive at this estimate. These are as follows:

1. *All subcontracts included (Hard FM: Specialist Works).*

2. *Stores has been treated as follows: The Building Services element of £3.8m is already included in the Hard FM figure of £29m – this has been shown on a separate line for clarity. The Road element of the Stores cost has been excluded – this is circa £500k of spend of which £400k relates to the purchasing of stock for roads which is out of scope. This leaves staff and premises costs of £100k which is considered relatively immaterial at this stage and is therefore excluded here but will be considered in more detail as part of the next stage.*

3. *The figures reflect revenue and some capital spend, however major capital projects are excluded. (Note the line item 'Housing Capital – Other': As high value or complex capital works are out of scope of this*

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work, it is assumed that this relates to 'minor works' types of jobs which would be in scope. One recommendation of this outline case is that the definition of capital works be further defined in terms of value of spend and complexity.)

FM services generate revenue, the majority of which comes from internal charging. The total revenue for FM Services in 2016/17 is £35.4m. It is assumed that traded revenue from 3rd parties is low and largely consists of revenue from events and sales of school meals:

	2016/17 Revenue (internal recharges and third party income)	%	Notes
Hard FM	£30,601,283	87%	The majority of this revenue is internal recharges on the housing maintenance work.
Soft FM	£4,760,039	13%	The majority of this revenue appears to relate to sales to schools (i.e. revenue from schools catering).
Total	£35,361,321		

More than 50% of this revenue comes from HRA £18.8m in 2016/17); a question therefore arises as to whether the financial impact of any future cost savings in this area is captured within FM budgets or effectively it just means that less is recharged from the HRA as revenue to FM.

Business needs

The current delivery model has various strengths but also a number of issues and inadequacies. The Council has been engaged in conducting service reviews to investigate, although this is on-going and further analysis is therefore needed to build a more informed picture on the performance of the current delivery model.

The table below summarises what has been documented to date this (see Appendix B for more detail on performance):

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	Strengths	Issues	Comments/ areas for improvement
Soft FM:			
Cleaning	• Performance appears to be good. Based in APSE Performance Network, ACC performed within the top quartile, 4th of 15 within the group (productivity) • High levels of customer satisfaction (based on Staff response for Public Buildings and Schools) • Generating external revenue opportunities	• No SLAs in place to measure performance • Staff constraints (lack of staff) • Example of unsuccessful tendering due to lack of commercial skills • Some internal opportunities are being offered to the external market	• Opportunity to improve cost efficiency. • Introduce SLAs to better measure performance. • Opportunity to generate further revenue streams from external focus
Catering (schools)	• Food served is of good quality ('Food for Life Served Here' Silver Award) • Medium to high levels of customer satisfaction • Performance appears to be good as	• No SLAs in place to measure performance. • Performance below average on uptake of free meals • No outside revenue opportunities	• Introduce SLAs to better measure performance • Opportunity for external revenue generation

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	Strengths	Issues	Comments/ areas for improvement
	evidenced by APSE Performance Network data; ACC generally perform above family group benchmarks across KPIs in productivity and cost performance.	identified	
Other soft FM	• Service efficiencies have been implemented on 'As IS' as far as possible (Service Managers confirming they are delivering as lean as can be to provide the current level of service)	• No SLAs in place to measure performance (Janitorial SLA under development).	• Mail: Opportunity to reduce cost by replacing the mail with Hybrid Mail (reduction of mail transport).

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Hard FM:			
Housing	• Good levels of tenant satisfaction in terms of repairs and maintenance service and standard of home when moving in (relative to peers). • Exceeded or met four of the five key metrics for repairs and maintenance	• Council's performance on voids relative to peers leading to loss of rental income of at least £1m pa. • Performance hard to measure in many areas due to lack of comparator data. • General perception that service is expensive (Building Services has increased itsrates by 8-11% this year - 17/18) • Complicated internal structure • Lack of clarity of service definitions • Council departments are tendering externally for perceived VFM	• Introduce Plot Packs • Shared online work schedules • Just in time Delivery • On time in full supply • Pre-planned using route planner • SMS notification to operative • Link to mobile pre-inspection & ordering tools

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Non-housing		• Performance hard to measure in many areas due to lack of comparator data • General perception that service is expensive Building Services have increased their rates by 8-11% 17-18) and there is greater VFM externally • Complicated internal structure • Lack of clarity of service definitions	• Delivering more of the Capital Works of the Council through Building Services instead of using external contractors. • Increased income from delivering repair and maintenance services along with consultancy and asset management services in the open market (including to 23,000 former council houses). • Securing funding opportunities through asset management of the Council Housing assets

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			• Increasing contracts for services with other public sector bodies in the North East of Scotland.
Stores	• Historically has helped ACC address supply chain issues by having materials readily available.	• Sub-optimal premises leading to operational inefficiencies (i.e. in terms of layout). • Price paid for stockable items • Amount of staff resources required for stores • Each individual store operates individually; there is little in the way of shared systems or best practice	• Potential savings for the trading accounts to be made on the purchasing of goods. • Need for a common IT system.

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POTENTIAL SCOPE OF SERVICES

FM services confirmed as being within scope comprise:

- Soft FM (Cleaning, Catering, Janitorial, Building management, Facilities admin, Mail distribution, School crossing patrols)

- Hard FM (Building Services including building repairs and maintenance, Refurbishments, Hard FM management (non-housing), Stores)

- FM Contracts (Specialist Works)

Other services which may be considered within scope in Full Business Case include :

- Grounds Maintenance

- Roads & Lighting

- Reception/Helpdesk Services

- Energy Management

- Car Parks

- Asset/Estate Management

- FM contract (3Rs New School Project, NHS Healthcare Village, and Window Cleaning) management team

- Waste Strategy & Collection

Specific services excluded from scope are:

- Energy/utilities projects (ESCO/EFW) are not included although building energy management and targets may be considered as part of the scope.

- Waste Recycling - because the service is heavily regulated, specialist and currently contracted to 2024 to GDF Suez.

- Capital Construction - this large scale work is generally contracted out or supported by PPP Project.

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- A number of other areas including Architectural, Engineering and Construction Support and Consultancy Services.

With regard to the above two sets of services, the Council is keen that any redesign of the current service delivery model will have the flexibility to handle the incorporation of these services in future, should the current situation surrounding these services change.

Benefits, risks, constraints and dependencies

Benefits

Benefits of this exercise to assess the most appropriate delivery model include:

- An opportunity to test or benchmark the existing delivery model against the market; the status quo may indeed be the best option with some elements enhanced to reflect best practice from the private sector. This should also give the Council comfort as to whether the current services are offering value for money.

- Opportunities to explore how innovation and commercial thinking can assist in delivering cost efficiencies and potential new revenue streams, which in turn should relieve pressure on the net operating deficit

- A long term strategic approach

- Better or full integration across services (again leading to efficiencies but also protecting and improving customer satisfaction)

- Depending on the chosen delivery solution, lower burden on council management function

A more detailed list of benefits is contained in Appendix E which considers each of the long listed options for possible alternative delivery models.

Risks

There are also a number of risks associated with review of alternative delivery models, including:

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- If the status quo is not financially sustainable, this can lead to staff feeling unsettled which in turn could impact on the efficiency and effectiveness of the current service

- Potential issues around TUPE arrangements, Trade Union representatives and general staff issues

- Lack of appetite from service areas to drive changes required

- Inadequate data resulting in poor estimation of potential savings

- The complexity of the solution and the time it takes to put in place

- Depending on the chosen delivery solution, the reputation and experience of the selected supplier or partner

Constraints

For the purposes of an outline case, constraints are externally imposed. These include:

- Political risk – however there is no general election planned until 2022 (which coincides with the next scheduled Aberdeen City Council elections) and no Scottish Assembly election due until 2021. More locally focussed politics will need to be managed by the Council [Executive/Leadership] team. Overall political acceptability of the proposed solution will be critical.

- General state of the economy (both at regional, national and UK levels) – this remains an unknown as the UK moves along the "Brexit" process

- Market risk – is there sufficient appetite from the market and are there players who have track history and experience to deliver services successfully? In 2017, the UK FM market was estimated by MBD to be £127bn. Within this, approximately £10bn relates to large outsourced contracts (>£5m pa) and most of these contracts will come to market on average every 5 years. This is relevant to ACC given the potential scale of outsourcing contracts. Key trends facing the sector and an overview of the key players are set out in Appendix C.

Dependencies

Management has identified a number of dependencies which could influence the success of this exercise; these include:

- Parallel Review Projects - Asset Strategy, Fleet, SCAPE etc.

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- Availability of Performance Data

- Baselining of Services

- Market Analysis (at the next, more detailed, stage)

- Basis for Cost Impact and Revenue Generation (at the next, more detailed, stage)

- IT infrastructure

- Service Engagement

- Senior Management Support

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Exploring the Way Forward

Having determined the strategic context and established a case for change, this section looks at the main options available for delivering the services with a view to formulating a preferred way forward for the subsequent approval by [management/stakeholders]. This in turn will lead to the development of the next, more detailed, business case – and ultimately a Full Business Case (FBC).

Previous service reviews - background

Over the last few years, FM services have undergone a number of service reviews where the Council has explored the ways to change the delivery FM and FM related services, for example:

- the proposal to transfer the Regeneration and Housing Investment Service into a Limited Liability Partnership (LLP) in 2012, PACE Project Review of Cleaning Services, Schools Catering and other Soft FM Services, as well as the service efficiency reviews and restructuring;

- In 2012/13 the Soft FM delivery was divided into quadrants, each with their own FM sub-service (Catering, Cleaning, Janitorial etc.) delivery teams. This model has been restructured, and now has FM Service Managers responsible for these services, city wide; and

- In 2012 an alternative delivery model was proposed for Building Services to operate as an LLP. At this time, the Hard FM Management team was spun out to retain the Client/Landlord role and is currently functioning in this way. However, due to insufficient financial information being available on the proposed wider LLP model, the Procurement and Commercial Team was unable to determine the viability of that model. An internal SLA and Statutory Compliance Document was produced at the time, defining the agreement between Hard FM Management (Landlord) and Building Services (Contractor). However, to date, this has not been implemented.

Developing critical success factors

The first step is to set out the critical success factors (CSF). By definition, these are attributes essential to the successful delivery of FM services, against which the possible options are assessed.

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The CSF for this project are set out in the table below:

Assessment Criteria	Description
Business need: operational efficiencies	Option meets agreed spending objective of reducing annual operating costs
Business need: greater commerciality	Option meets agreed spending objective of potential to generate new income streams
Strategic fit	Option also provides holistic fit and synergy with other strategies, programmes and projects especially "Tier 2: Deliver performance improvement – Operational Change" within Strategic Plan 2017/18
Availability of service/Customer satisfaction	Option ensures availability of goods and services at point of need when required. Customer satisfaction is improved or at least maintained.
Ease of implementation	Option can be delivered given Council's ability to adapt and respond to required level of change (ie there is political will for change). Option also matches level of available skills within Council which are required for successful delivery. Option also appeals to potential service providers ie there is a market for delivery
Accountability and governance	The option provides the Council with a degree of transparency, flexibility and comfort over the ongoing delivery of the services and the Council's interest in the services. This enables the Council to demonstrate Value for Money
Resources and investment	The option provides for the effective utilisation of resources and investment to allow for the successful delivery of the services in sustainable manner. This includes staff and managerial resources working together to realise the governing organisation's goals and objectives.

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Risk management	The option provides opportunity to manage the relevant risks associated with service delivery.

Creating a long list of options and analysis

A review of Alternative Delivery Models (ADM) specific to FM Services has taken place. This includes case studies from other Authorities, trade body research and recommendations. Authorities are inconsistent in the delivery models and selection of services to be put forward to ADM. One model may not fit all and the decision to delivery services through a different model must be carefully appraised.

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It is important to challenge how services should be reformed and the following questions have therefore been
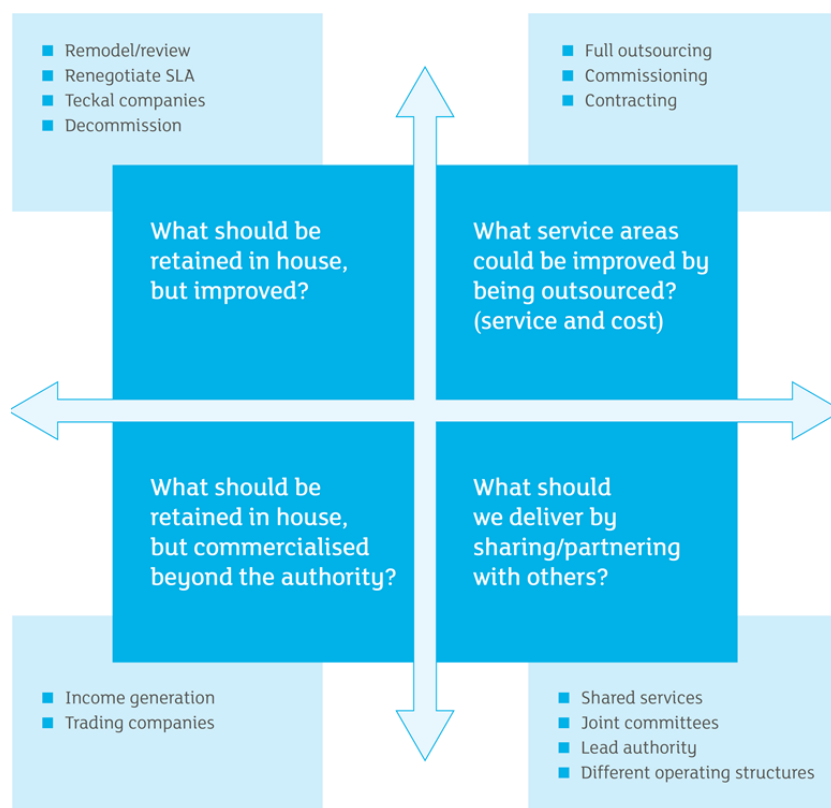
considered in the diagram below:

As a result, a long list of options has been drawn up; a brief description is included below with further details set out in Appendix D.

	Service Delivery Model	Brief Description
1	In-house	All services delivered in-house (including those not currently delivered in-house)

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	Service Delivery Model	Brief Description
2	Current Delivery/Enhanced Status Quo	Current model – mainly in-house but with certain elements outsourced (e.g. Specialist Works). Could involve some enhancements. Could also involve setting up a new company although certain activities would still be restricted (eg trading income generation)
3	Arm's Length Trading Company/WOC/Mutual	Council sets up 'arm's length' trading company to deliver all services and transfers all staff to the company. Effectively a Teckal company so levels of trading are restricted. Sub options for delivery include a Wholly Owned Company (WOC) or a Mutual company whereby employees are involved in the running of the company
4	Single Source and In-house mix	Management and delivery of some services retained in-house with other services outsourced to different suppliers.
5	Single Source Outsourcing	Management retained in-house with delivery of all services outsourced to different service specific providers
6	Shared Services Group	Management and services transferred to a special purpose vehicle (SPV) alongside another public sector body which does likewise.
7	Managing Agent	Management outsourced to specialist company which undertakes single source outsourcing of services but which the Council then contracts direct.

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	Service Delivery Model	Brief Description
8	Bundled FM	Senior and Middle management retained but junior management and service delivery staff are outsourced (generally to two service companies – hard and soft FM, although sometimes done by asset class, e.g. schools, housing etc.).
9	Managing Contractor	Senior and Middle management retained but junior management and service delivery staff are outsourced to a number of suppliers. One of which acts as lead supplier and delivers major part of services itself and 'manages' (sub-contracts) with a number of other suppliers.
10	Strategic Partnership	All management and service delivery staff outsourced to single supplier which undertakes most of services and only sub-contracts 'specialist' works. Council retains/establishes an 'intelligent client' to manage the contract.
11	Joint Venture	As for Strategic Partnership but where the Council forms a Special Purpose Vehicle (SPV) with the outsourced company to manage the contract either through a limited company or LLP. Alternatively, an unincorporated JV is possible whereby the Council and strategic partner collaborate in generating traded revenues
12	Total Property Outsource	Full outsource including transfer of assets – all staff transferred to third party which could be a JV.

In accordance with best practice, an analysis (benefits, opportunities, costs and risks) has been carried out on each of these options to help inform the creation of a short list. This exercise is set out in Appendix E and the outcome summarised below:

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	Service Delivery Model	Include on the short list?
1	In-house	No
2	Current Delivery/Enhanced Status Quo	Yes
3	Arm's Length Trading Company/WOC/Mutual	Yes
4	Single Source and In-house mix	No
5	Single Source Outsourcing	No
6	Shared Services Group	No
7	Managing Agent	No
8	Bundled FM	Yes
9	Managing Contractor	No
10	TFM/Strategic Partnership	Yes
11	Joint Venture	Yes
12	Total Property Outsource	No

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Evaluation against spending objectives and Critical Success Factors

These short listed options have then been assessed further by evaluating each the Council's spending objectives and Critical Success Factors. The following table captures the findings from the evaluation exercise:

- "Meets" is denoted by a tick

- "May meet" is denoted by a question mark

- "Does not meet" is denoted by a cross

	2 Current delivery/ Enhanced Status Quo	3 Arm's Length Trading Company/ WOC/ Mutual	8 Bundled FM	10 TFM/ Strategic partnership	11 Joint Venture
Critical success factors					
Business need: operational efficiencies	?	✓	✓	✓	✓
Business need: greater commerciality	?	?	?	✓	✓
Strategic fit	✓	?	✓	✓	✓
Availability/ Customer satisfaction	✓	✓	✓	✓	✓
Ease of implementation	✓	✓	✓	✓	?
Accountability and governance	✓	✓	?	?	✓
Resources and investment	?	?	?	?	?
Risk management	?	?	?	?	?

	Outline Business Case	Review Stage
ABERDEEN CITY COUNCIL		Define

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Recommending a preferred way forward

This stage recommends a potential way forward, for the approval of management, based on the appraisal of the main options (long list) for the successful delivery of FM services. In practice, this is a "direction of travel" for delivering FM services, supported by a limited number of the more attractive options (ie the "short list), for further evaluation in the next stage.

Short-listed options

The five options taken from the long list to the short list should be considered further at the next stage.

High level estimate of potential costs and savings

In parallel to this outline case, and in preparation for the next business case stage, there is an on-going exercise to collect, collate and analyse data on Aberdeen City Council's existing FM service so that there is a robust baseline against which other options can be compared.

Research undertaken to date demonstrates that the Council may not be able to establish FM synergies in-house but with external support, this is possible. Synergies can be identified in Manpower, Procurement of Supplies for Services, and Supplier Capability to bundle and consolidate services. Indicative savings can be as much as 15-20%.

The table overleaf sets out an initial high level assessment of potential savings from adopting each option, together with a current estimate of any anticipated costs. These will need testing as part of the next, more detailed, business case. However, at this stage, these can only be indicative and are based on discussions with PwC reflecting their experience:

- Anticipated costs of implementation: include high level estimates to cover typical costs including advisory and legal fees

- Anticipated savings: the percentage ranges used in this analysis are marginally lower than typical benchmark ranges in order to reflect:

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- o The level of services already outsourced (Specialist Works within Hard FM and Mail within Soft FM); arguably there is lower further savings on areas already outsourced.

- o Views on the varying levels of material costs as a proportion of total costs; the higher the proportion of materials, the less opportunity for savings whereas the higher proportion of costs such as labour, the greater the scope for potential savings.

- o Labour cost savings could be potentially significant, driven by changing ways of working, increasing the productivity of staff and from deploying staff resources in a more intelligent way.

  - Changing ways of working typically includes more robust management of absence, changes to working such as 5 in 7 day working.

  - Increasing staff productivity can be done from better monitoring and management of individual productivity/output, more training and from using technology to drive productivity gains e.g. cordless backpack vacuum cleaners and use of microfiber cloths and mops in cleaning.

  - Ways of deploying staff resources more intelligently include makes us of scheduling systems and trackers for managing engineering tasks.

The net effect of productivity gains is to require a smaller workforce which can then be achieved through a mixture of redundancy, redeployment and natural wastage.

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Table showing initial high level assessment of potential savings from adopting each option

	2 Current delivery/ Enhanced Status Quo	3 Arm's Length Trading Company/ WOC/ Mutual	8 Bundled FM	10 TFM/ Strategic partnership	11 Joint Venture
Comments	• IT systems to drive efficiencies • Staff T&C's • Benchmark prices versus private sector • Commercialise service • Planned versus reactive	• Costs of establishing new vehicle • Cost of governance and time to establish Share of overheads • Skills and experience to achieve	• Bundle up services • Benchmark cost against CCS framework	• Outsource to single provider • Benchmark cost against CCS framework	• Costs of establishing new vehicle • Cost of governance and time to establish Share of overheads • Skills and experience to achieve • JV approach facilitates best practice from private sector
Anticipated costs of implementation	£150k	£350k	£500k + (due to multiple contracts)	£500k	£700k +

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Anticipated gross savings p.a. * (on baseline of £46m, excl. indexation)	1%-3% Estimated as £0.5m - £1.4m	2%-4% Estimated as £0.9m - £1.8m	4%-10%. Estimated as £1.8m - £4.6m	8%-18%. Estimated as £3.7m - £8.3m	8%-18%. Estimated as £3.7m - £8.3m *Plus share of profit generated from revenue i.e. for every £5m of traded revenue, we anticipate margin of 6% (£300k). Council will receive 50% of this (£150k).*

- *Note: the savings above are for each option on a standalone basis and are not incremental savings on top of baseline option 2 savings*
- *Furthermore, if services in scope change, then this will also impact level of potential savings, so as the definition broadens to take in services not previously outsourced, there should be scope for greater savings*
- **The estimate of savings percentages are based on PwC's experience of similar transformations. PwC have taken a prudent approach, factoring in labour/materials composition of costs, existence of sub contracts, etc. Following soft market testing, the top ranges of savings estimates may increase.*

For Option 11 Joint Venture, there is opportunity to generate trading income. This has been prudently excluded from the analysis given evidence from other UK local authorities of historic performance and the challenges associated with achieving trading income projections. However, it could be considered as an upside as part of the next stage.

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Risks associated with options

There are a number of risks associated with each of these options as set out in Appendix E. However, since four of the five options involve outsourcing of varying degrees, there are some generic risks to consider further at the next stage including:

- Market appetite

- Implementation protracted due to internal or political issues

- Reduction in savings potential due to protracted implementation

Brief reference to Commercial, Financial and Management Cases

Each of the Commercial, Financial and Management Cases will be developed in more detail in the next, more detailed, business case. At this stage, we set out the key aspects that should be tested further as part of that work.

For the **Commercial Case**, the following will need to be considered in more detail:

- Who the likely service providers might be (including incumbents) and which FM services they typically deliver; it would be beneficial for the main suppliers of FM Services to determine how they would approach the bundling of services, against the value in doing so

- The likely attractiveness of this opportunity to potential service providers; there may be merit in assessing appetite through a soft market testing exercise since this would provide information on range of services available, experience, financial expectations, attitudes to procurement processes, speed of delivery etc.

- Allowing the in-house team the opportunity to propose how it can innovate and improve its own services

Some market research has been undertaken. Edinburgh Council had significant interest from suppliers to a Hard FM TFM approach, with majority highlighting a longer contract duration and partnership approach as the key to allowing innovation and strategic vision. Edinburgh further conducted consultation with their incumbent suppliers, gaining lessons learnt and feedback on their existing contracts. They discussed the impact on their current contractors business should they be bidding for a changed service delivery model. The resultant key themes highlighted the existing model was not profitable for contractors, plus they were not using the

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contracted pricing structure as it was too difficult to understand and very admin intensive. The new model would require TUPE of staff if unsuccessful or a change to delivery model. Despite progressing with the Hard FM TFM outsourcing arrangements, no deal was finalised. However, we understand there is a currently a Hard FM Single Supplier sourcing process currently underway.

It is likely the feedback from our current supplier base would be similar, however engagement should take place to reflect current market conditions and any nuances between the Edinburgh situation and Aberdeen's.

In terms of **the Financial Case**, the current financial position of services within scope is set out below:

In £m	Revenue (internal recharges and third party income)	Expenditure
Soft FM	4.8	(18.9)
Hard FM	30.6	(27.2)
	35.4	(46.1)

This current performance is against a backdrop of a wider ACC initiative to reduce costs significantly (or generate additional income to close the gap). There remains pressure therefore on both capital and revenue.

However, looking towards the upper end of the ranges for potential cost savings, this indicates that depending on the chosen delivery option, it could be possible to achieve savings in the region of £8.3m and before any incremental revenue is taken into account.

The **Management Case** includes:

- Setting out who is involved in the project, both inside and outside of ACC, including users, commissioners and other key stakeholders. At the moment this group has yet to be fully defined but we anticipate it will include:

  - ACC's Cabinet Members

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- o ACC's Executive team and Senior Management Team, in particular the Chief Executive and relevant department heads such as Commercial and Procurement Services, Finance, Education, Social Care and Communities, Housing and Infrastructure

- o Trade Union representatives

- o Council tenants

- o School Head teachers

- Achievability of the project, taking into account ACC's readiness and resources

- How the project is to be managed

- Other key managerial considerations

All of these will be considered in more detail as part of the next business case.

Indicative timetable

A full timetable will need to be developed in due course but indicative timings are set out below suggesting an 18-24 month period:

- Collation of baseline data: 1-2 months

- Preparation of more detailed business case, and soft market testing: 4 months assuming baseline data is available

- Council approvals: 1 month

- Preparation of FBC: 3 months

- Council approvals: 1 month

- Procurement process: 9-12 months

- Implementation

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Next Steps

As part of the next – more detailed – business case, critical steps will include:

1. Confirming stakeholder group and engaging with this group

2. Producing full strategic analysis, taking account of strategy of key sectors which FM services are delivered to - i.e. housing, education, etc. - to ensure that any FM delivery model change is aligned to the needs of these sectors where necessary.

3. Establishing baseline data:

    - Continue with Service Reviews and obtain further information on current service delivery model. Also consider Services delivered by Public Infrastructure and Environment directorate

    - Determine scope of possibility – having reviewed services, decide if any other services should be incorporated in scope? Which should be retained in house?

    - Align FM service descriptions with terminology that reflects terms used in the market, e.g. definition of capital works (as distinct from Minor Works) and gain clarity on exactly what is being provided by whom.

    - Model baseline spend ensuring only services and associated costs in scope are included; this will provide the benchmark against which to measure any savings

4. Confirm scope of services: some services have already been included within scope but there are a number that remain possibilities and which could potentially achieve greater levels of savings

5. Market Analysis including engagement with potential Suppliers and Partners ((this can take a number of forms from informal market soundings through to more formal processes)

6. Undertaking financial analysis and identifying and assessing potential income opportunities

7. Full Financial Modelling and Analysis:

    - Develop and refine baseline cost model in line with analysis above – include projection over relevant time period and factors such as indexation.

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- Refine savings analysis based on above, i.e. adjust for impact of subcontracts where less savings are possible, adjust for differences in savings on labour and materials, etc.

- Confirm where savings can and cannot be recognised for the purpose of this work, e.g. can any savings to the HRA be counted in overall savings target?

8. Developing recommended Options

- Confirm initial ADM Options Appraisal with Heads of Services and Service Managers. This was requested by the LAPA HoS. This is exercise has been completed to some extent with some Service Managers.

- Eliminate delivery models that do not align with ACC's strategic objectives. Progress definition and feasibility of approach to identify what best fits the shortlisted models.

- Ensure solution fits in with dependent change projects, i.e SCAPE

9. Develop Commercial, Financial and Management Cases

10. Implement short term service improvement solutions since there will be a lead time to complete detailed business cases and any resulting procurement processes

11. Develop timetable (initial indicative timeline suggests 18-24 months to implementation provided baseline data is available).

Land & Property Assets

Head of Land & Property Assets — John Quinn

Senior Service Manager Asset Management — Stephen Booth

- **Corporate Assets and Capital Management**
  - Hard FM Manager — Ian Cowling
  - Energy Manager — Mel Muhammad
  - Team Leader IT Asset Management — Garry Livingstone
  - Team Leader Asset Management — Alistair Reid
- **Property Estates Manager** — Neil Strachan
  - Team Leader Estates
  - Estate Surveyor — Debbie Wylie
  - Louisa Ridaine-Aipom
  - Catherine Armstrong
- **Property Investment Manager** — Jim Argo
  - Team Leader Investment — Richard Fleming
  - Surveyor — Mary MacArthur
  - Peter Low
- **Team Leader Asset Management** — Ian Perry
  - Strategic Stock Conditions Officer — Sean Ewing
  - New Projects Officer — Kenny Paterson
  - Asbestos Management Officer — Mark Walker
  - Information & Investment Officer — Sharon Munro
- **Contracts Manager FM** — Graeme Craig

Senior Service Manager Building & Facilities Management

- **Operations Support Manager** — Pamela Cruickshank
  - QA & Customer Services Manager — Graham Simpson
  - Performance & Resources Manager — Karen Minto
  - Surveying Manager — Colin MacIver
  - Systems Support Manager — John Noble
  - Gas & Cyclical Maintenance Manager — Ronnie Ferguson
- **Operations Manager** — Graham Williamson
  - Assistant Operations Manager — Scott Mathieson
  - Contract Manager Major Contracts — Paul Clark
  - Contract Manager Non-Housing — Malcom Brown
  - Contract Manager Stores — Kerry Don
  - Contract Manager Risk Control — Keith Michie
  - Contract Manager Voids — Kenny Walker
  - Contract Manager Response Maintenance — Steve Roberton
  - Contract Manager Gas & Contracts — Lewis Kelman
  - Business Improvement Manager — Ian Gordon
- **Facilities Manager** — Andy Campbell
  - Catering Manager — John Landragon
  - Cleaning Manager — Rose Turner
  - Janitorial Manager — Gavin Freeland
  - Office Building Manager — Lee Taylor

Senior Service Manager Development Delivery

- Principal Architect Housing — William Watson
- Team Leader Design — John Bulhay
- Principal Quantity Surveyor Housing — Arthur Barrie
- CDM Co-ordinator — June Johnson
- Team Leader Design — Neil Essemont
- Principal Quantity Surveyor — Ian Reid
- Principal Building Services Engineer — Bob Christie

Appendix B: Further detail on service performance

Service Overviews

Service reviews are ongoing for Soft FM and Hard FM Services. A brief overview of findings to date in respect of service levels, performance, customer value and financial streams is included within this Appendix, with a focus on:

- Soft FM: Catering (schools), Cleaning, and Other FM
- Hard FM: Building Services (Housing), Building Services (non-Housing) and Stores

Soft FM

Approximately 75% of the Soft FM budget relates to Catering (schools) and Cleaning. These services also have income streams (a mix of internal recharges and third party income) and performance comparators.

Catering (Schools)

Service Levels
- The catering service has maintained the 'Food for Life Served Here' Silver Award from Primary Schools and furthermore, successfully extended the award to Secondary Schools. The council has become the first Scottish local Authority to achieve this award level for the entire school estate.
- However, there are no SLAs in place.

Performance
- Based on the latest available APSE Performance Network data for 2016/17, Aberdeen City generally perform above the family group benchmarks across all key performance indicators. Family grouping draws on factors such as local policy, demography, size and type of operation to group similar authorities, so a like-for-like comparison can be achieved. The high results are true for both productivity and cost performance, including number of meals produced per hour, price/cost per meal, spend per pupil, unit cost ratios, and management/supervision ratios.

- One area that performs below average is the uptake of free meals. This has no financial impact to the service. Any budget received for free meals and not used is not reflected within the catering financial statement.

Customer Feedback
- Medium to High based on School Pupil & Parent Feedback collected.

Income Streams
- All income streams are internal from the supply of school catering. In 2016/17, this revenue (ie internal recharge) amounted to £2.7m compared to a £6.3m cost of provision. There is no outside revenue generation and no opportunities have been identified.

- The service proposed to increase the cost of school meals as part of the 2017/18 budget setting in line for the new school year. This was not approved by Council. Until this becomes

a delegated power of the Head of Service, a full committee paper would be required to gain authority to change the meal pricing.

Cleaning

Service Levels
- The specification for cleaning is based on the British Institute for Cleaning and input hours. This specification was implemented by the Cleaning Manager.
- There are no SLAs in place, with the exception of Bon Accord Care.

Performance
- During 2015/16, 365,000 M^2 were cleaned. The total cost per M^2 is £12.01. Comparing with the APSE Performance Network, Aberdeen City Council performed within the top quartile, 4th of 15 within the group. If the Council were to perform at the best of their group (£9.69 per M^2), the total cost improvement would be approx. £800k.
- Similarly high performing is the Total M^2 area cleaned per FTE, at 1,763 M^2. The council is performing within the top quartile of their family group.

Customer Feedback
- High, based on Staff response for Public Buildings and Schools

Income Streams
- The service currently provide external cleaning services for Bon Accord Care, other Private Parties (Nestrans, Castle Hill, Aberdeen Foyer), HRA – Sheltered Housing and Voids and Police Scotland – Crime Scenes. The service further offer Training Services, e.g. Bacterial Outbreak training, offered to Aberdeenshire Council and external organisation. The work is currently being completed with the current resource pool, and due to staff constraints, they are turning down external work opportunities.

- The service have however recently tendered for the Langstane Housing Contract for routine and deep cleaning (optional) works, at an annual income of £109k to the service.

The Catering and Cleaning service performance and current income streams supports an opportunity to sell the service to the market. Analysis will be conducted to determine the potential of this opportunity utilising an alternative delivery vehicle. However, recently the Cleaning Team bid for the Internal High Rise Cleaning Contract for the Communities and Housing Team. The bid was unsuccessful, primarily due to the package quality, which suffered through a lack of Commercial experience within the team. As the internal team were competitive on price and output, the question should be considered why the service was offered to the outside market from the outset. Doing business with our self is an area that will be examined as part of this project.

Other Soft FM Services

The remaining services within Soft FM include Janitorial, Building Team and Facilities Admin which are very much people services. Significant efficiency drives have taken place over the last few years, with the Service Managers confirming they are delivering as lean as can be to provide the current level of service. Therefore, any change in staffing will directly affect the service levels that can be delivered.

There are no SLAs in place for Building Management and Janitorial services. However a Janitorial SLA has been developed and put forward for implementation at schools.

The Soft FM Service in entirety have been shortlisted for APSE's Best Performing Service Team Award for Facilities Management 2017, an award which was won the previous year, 2016.
Replacing the mail system with Hybird Mail has been identified as an opportunity to reduce the cost of services through reduction of mail transport.

Hard FM

Aberdeen City Council has a duty to ensure that all buildings under its control comply with the appropriate statutory, regulatory and corporate standards, for example, Health and Safety at Work etc Act 1974 (HSWA), Scottish Housing Quality Standard (SHQS), and Scottish Social Housing Charter April 2017.

Hard FM Services are predominantly delivered by the internal Building Services team and supporting Contractors. There is a distinctive split between 'Housing' and 'Non-Housing' work.

Building Services - Housing

Service Levels
- There is no overall SLA is in place between the Housing Management Team and the 'Contractor', Building Services.
- However, there are formal agreements in place between to the two parties to define response time of repairs (by severity), turnaround time of void properties, and minimal letting standards for re-lets.

Performance

There are three key areas which form the basis for measuring performance of Building Services (Housing):
- Repairs and maintenance
- Spend per property
- Voids

Repairs and maintenance

During the last financial year, the Building Services Housing team undertook repairs and maintenance for 18,719 emergencies and 44,477 non-emergencies.

Housing are required to record and publish data for Statutory Performance Indicators (SPI) by the Accounts Commission under the Local Government Act 1992 The Publication of Information (Standards of Performance) Direction 2014.

The key indicators and their results are as follows. The current target is the average value within Aberdeen City Councils family group.

Code	Description	Current Target	March 2017 Value	March 2016 Value
HOUCHI11	The year to date average length of time taken to complete emergency repairs (hours)	4.89	3.2	5.19
HOUCHI12	The year to date average length of time taken to complete non-emergency repairs (days)	8.81	6.53	6.53
HOUCHI13	Percentage of reactive repairs carried out in the last year completed right first time	93.56%	92.39%	

Code	Description	Current Target	March 2017 Value	March 2016 Value
HOUCHI14	Percentage of repairs appointments kept	92.57%	98.93%	81.45%
HOUCHI15	Percentage of properties that require a gas safety record which had a gas safety check and record completed by the anniversary date	100%	100%	100%

The results demonstrate that efficiency in completing emergency and non-emergency repairs is better than the family group average. However, a range of alternative indicators must be examined to ensure the comparison is consistent against the category of emergency. For example, Aberdeen City Council consider an emergency repair complete when the property is made safe within a self-established target time of 4 hours, against the recognised standard as 24 The complete repair work may not be undertaken during this job. A new, non-emergency repair job may be opened to complete the residual works, assigned with a new target delivery time, i.e.

- Urgent - 24 Hours
- High Category - 3 Days
- Non-Emergency - 5 Days
- Routine Repairs - 10 Days

The percentage of reactive repairs carried out right first time is marginally below the average. This may suggest that the stock was not available, the stock was available but not transported to site, or the trades required were absent.

Repairs appointments kept is considerably higher than average, and gas safety checks and records were complete on schedule for all required properties.

Although Aberdeen City Council do not submit performance data to APSE, a comparison with their indicators will be completed to determine comparative performance.

Spend per Property

On cost performance, based on 2015/16 data, Aberdeen City Council spend on Management and Maintenance was on average £1,955 per house. This compares to the lowest spend in Scotland by Midlothian Council at £1,601 and the highest spend by Edinburgh £2,793. However, this spend cannot be considered in isolation and must be looked at in conjunction with the reactive repair cost per house.

The average repairs and maintenance expenditure per house per year is £1,294 for the Council, ranking 6th by spend within the Scotland council grouping of 25. The average for the family group is £1,132 and the lowest spend is £753. Notably, both Edinburgh and Dundee are within the top 5 spenders. With a similar city profile in maintenance spend ranking and repairs spending ranking, there is no obvious link to determine that more spent on maintenance will reduce spend on repairs.

Supervision and Management costs are below average expenditure per house per year.

Analysis of further cost/performance measures is required such as: Repair jobs per property per year, average cost of repair, repairs per operative, employment cost per year, per operative etc. These will be explored as part of the on-going work to establish baseline data.

Voids

Property voids represent unoccupied and unlet council owned housing stock. The total void properties are 2,505 which represents 10% of Portfolio and equates to an annual cost of around £4.7m.

The average void cost per property per year is estimated to be around £1,894. Benchmarked against costs incurred by other local authorities, Aberdeen City Council perform £228 higher than the Scotland Average and £578 higher than the lowest spending authority.

The table below sets out the average number of days its takes to re-let properties
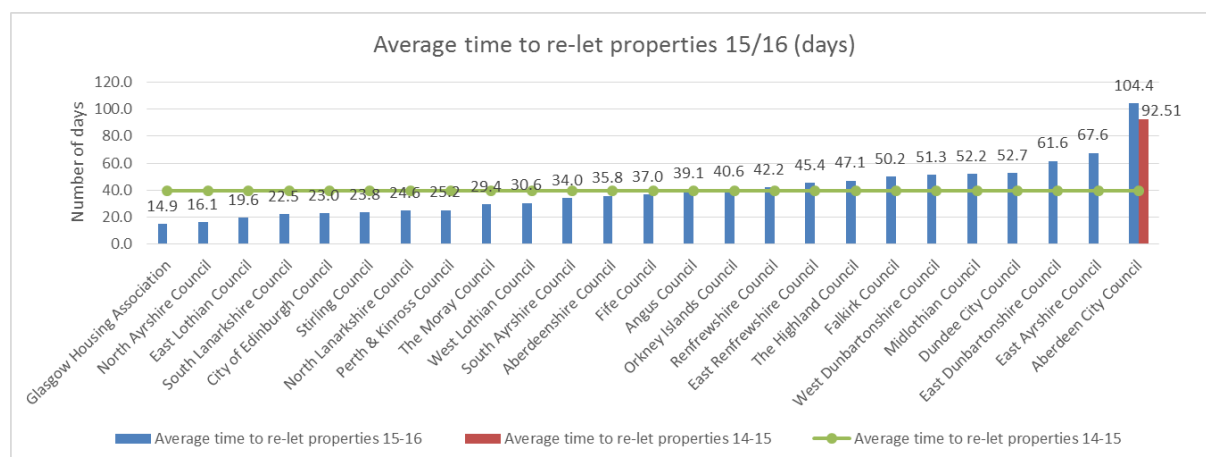
The average time to re-let properties was 104.4 days in 2015/16. Aberdeen was the worst performing authority within the sample of Scottish authorities. Notably Glasgow Housing Association and Edinburgh Council were 15 and 23 days respectively. The Housemark void turnaround average was 28 days. The situation has improved in 2016/17 with Aberdeen reducing the average days to 51.6 (unpublished data) but this is still nearly double the Housemark average.

With £79 average weekly rental (£316 per month), the total loss of rent per void per year is £1,095. Therefore £1.9m rent is lost per year across the Voids which is £1.3m above the average time to turnaround a void property. Even with the improvement noted for 2016/17, this still represents lost rent of at least £0.9m compared to the average.

The % of rent currently lost through empty properties is calculated at 1.66%

Efficiencies in voids turnaround to re-let should be considered from a site and sale perspective. For example, "Experience in Void Solutions" by Travis Perkins identify some opportunistic areas to support the working practices:
- Plot Packs
- Shared online work schedules
- Just in time Delivery
- On time in full supply
- Pre-planned using route planner
- SMS notification to operative
- Link to mobile pre-inspection & ordering tools

In a 'Wrekin House Trust' Case Study, Travis Perkins achieved a reduction in void time from 26 days to 6 days reducing forfeited rental income by £1.4m per annum.

Customer Feedback

The percentage of tenants who have had repairs or maintenance carried out in the last 12 months were 95.9% satisfied with the repairs and maintenance service. The average within the family group is 80%.

Furthermore, 79.5% of tenants were satisfied with Standard of Home when moving in. The average for the family group is 84%, Dundee and Edinburgh are 88.64% and 70.42% respectively.

Building Services - Non-Housing

Service Levels

- There is a Service Agreement in place to keep Bon Accord Care and Sports Aberdeen wind and watertight.
- Hard FM Management hold the Statutory Maintenance budget for schools. This is restricted to Statutory Maintenance and Health, Safety and Environmental issues and details are outlined in the 'Devolved Education Management' (DEM) Agreement on Premises Budgets.
- Asset Management hold the budget for Commercial Property maintenance, out with the scope of the lease, which is managed in cooperation with the Hard FM Management Team.

Performance

KPIs for Building Services work have been provided by the Hard FM Manager.

KPIs for Building Services and Cyclical Maintenance carried out by Term Contractors are based on response and completion times, i.e. within 30 days from the initial due date. Issues with manual recording from spreadsheets and suppliers not using handhelds linked to the Consilium System are currently prohibiting the ability to accurately track this external performance through 'Confirm', the Hard FM System. However, the Council does have a number of other cost/performance measures for external comparison.

As per the 2016/17 service plan, the service still faces significant challenges in the process of accurately measuring and improving productivity.

Further cost/performance measures are required to be developed and compared. These include: Repair jobs per property per year, average cost of repair per building type, repairs per operative, employment cost per year, per operative etc. All indicators will be explored as part of the on-going work to establish baseline data and further work is required develop and compare the results with similar benchmarking authorities.

As detailed above, improvements in IT would assist with management information.

Customer Feedback

Customer feedback had been previously collected for Non-Housing Properties, however the response rate was so poor that collection was discontinued. This is something that will be explored as part of our on-going work.

Income Generation

Building Services are currently supported by income internally from the Housing Revenue Account, Hard FM (Non-Housing) Management, and other Services with individual building spend requirements.

However, it was highlighted that there is approximately £2.5m value of work not being issued to Building Services, where they have the capability and capacity to complete the work.

While the majority of Housing Works are carried by Building Services, approximately £2M of the Hard FM Non-Housing budget (£4M) is spent on outside contractors. Building Services are offered the Contracts for statutory works, however if they cannot execute these for reasons of seasonal capacity or capability (for example Building Services have a full programme of work throughout the Summer), these are tendered externally as Term Contracts with 13 week break clauses for the works to be taken back in house by Building Services, if required.

Building Services are further required to tender against the private sector for capital works issued by the Council, regardless of potentially having the resource availability to complete carry out these works.

The team further undertake work for a number of external public bodies such as Aberdeen University, Police Scotland and Langstane Housing Association.

Determining results for Building Services non-housing performance is in progress.

Price Increase – Building Services (Housing and non-housing)

Building Services have increased their rates by 8%-11% this year which runs contrary to Council's requirement to save money. This has a direct impact on the cost of work for the HRA and non-housing budget holders. Historically, Building Services has been viewed by internal budget holders as an expensive service, and this has resulted in works being tendered externally.

The increase in rates will directly affect the amount of work that can be completed for the Housing/Non-Housing Budget Holdings. The Hard FM Management budget has not been increased to take consideration of the rate change. It further makes Building Services less attractive for other internal customers, i.e. Capital Works and Schools. In addition it will reinforce the perception of an expensive service and increase pressure on service areas to tender works and award outside the Council.

If the options for Budget Holders to tender works externally still exists, without single sourcing to Building Services, this results in money exiting the council and generating spare capacity within the Building Services team. Alternatively it is an indicator that Building Services is inefficient and as such they should be aiming to reduce cost instead of passing on these inefficiencies to internal customers.

This area needs to be examined further, as there are indications that internal customers do not feel they are receiving a good service in both terms of quality and price thus driving them to tender work. Hence, consideration should be made as to why we need both delivery methods (Internal Team and External Contractors).

Building Services aim to deliver 100% job compliance, fully estimated, where outside contractors can escalate costs post award of work through issuing variations for 'extras' and have been required to re-visit sites for corrective works. An exercise is underway to try to gather outturn costs and draw some comparisons.

Budget holding responsibility is an area that should also be reviewed. There may be efficiencies in having a single Hard FM Budget responsible for repairs and maintenance, allowing others to focus on their key objectives, i.e. Head Teachers focus on Education.

Summary Conclusions

The service information collected demonstrates that Building Services are efficient in housing response and repair works. They are a large Hard FM delivery team with a strong footprint within Aberdeen. However, further cost performance indicators are required in order to benchmark their delivery against other authorities and the private sector in order to establish competitiveness in the open market. Further studies are ongoing to determine the market need.

The recent price increase does run contrary to an efficient service and will lead to increased pressure from service areas to tender Hard FM work especially given that maintenance budgets have not been increased. This reinforces the perception that the service is inefficient and expensive. The price increases should be reviewed to determine value for money and provide assurance that they are more than a budget balancing exercise.

The service is built for reactive works in which they are efficient. However, reactive type services are often more costly than those where activity can be planned with efficiency in mind. Work should be undertaken to unlock efficiencies in moving from a reactive to planned model, allowing greater visibility of work and scheduling to achieve to the highest productivity from the team.

Void turnaround and re-lets is established as an area for improvement. Efficiencies in service delivery could be examined in the short and long term to increase performance and therefore increasing collection of rent.

The Service also recognises further opportunity to increase income via:

- Delivering more of the Capital Works of the Council through Building Services instead of using external contractors

- Increased income from delivering repair and maintenance services along with consultancy and asset management services in the open market (including to 23,000 former council houses)

- Securing funding opportunities through asset management of the Council Housing assets

- Increasing contracts for services with other public sector bodies in the North East of Scotland

Stores

Storage is an enabling function within the Council and historically in-house stores operations were developed to address supply chain issues by having materials readily available. Hence, it is an area where costs should be minimised and outputs maximised. The overall requirement is to ensure the provision of goods and services at the point of need at the time they are required for service delivery.

Stores generally fulfil the purpose of improving availability of items to meet required turnaround times (some of these are mandatory in terms of Social Housing Tenant's responsive repair requirements and Emergency Road and Lighting repairs), often with some additional facilities around PPE supply and some limited plant provision.

Generally a stores operation for consumable items consists of the follow processes;
- Unloading from delivery vehicle and storing in correct stock location
- Receipt and booking of stocked items in financial systems
- Storing and managing stock through stock checks/location moves
- Stores requisition by customer
- Item is picked and delivered to counter / site (double handling)
- Stock re-order generated when thresholds reached (automation or manual processes)
- Purchase order placed and goods delivery expedited.

Immediate customers of these stores are generally Council employees delivering services to the ultimate customer generally being a member of the public.

Volume storage across the Council is held in the following areas:
- Building Materials (repair and maintenance of Social Housing and Corporate Buildings)
- Roads and Lighting Materials (repair and maintenance of road and lighting assets)
- Fleet Spares (repair and maintenance of the Council's vehicle fleet)
- Corporate Records (hard-copy, currently managed by IT & Transformation. Covering the whole council, although the majority of social care client records are held separately in a store managed by Education & Children's Services)
- Aids for Daily Living (Occupational therapy equipment).

In order to provide buffer stock the Council has to invest capital and working capital to provide assets and staff resources to maintain a stores operation. The most capital intensive stores are those within Communities, Housing and Infrastructure (CH&I).

Stores are located as follows:

Service	No of Stores	Location and Type	Approx. Area (m2)
Land and Property Assets (Building Services)	3	Kittybrewster (Main Store) Kincorth (Satellite Store) Hilton (Satellite Store)	3421 171 179
Public Infrastructure and Environment (Roads)	2	West Tullos (Main Store) Bucksburn (Road Salt only)	1800
Land and Property Assets (Fleet)	1	Kittybrewster (Main Store)	3741

Service	No of Stores	Location and Type	Approx. Area (m2)
Records Stores	3	Unit 1 Whitemyres (Low Activity Corporate Records)	676
		Marischal College (High Activity Corporate Records)	178
		Unit 2 Whitemyres (social care client managed by Education & Children's Services)	656
Health and Social Care Partnership	1	Joint Equipment Store, Whitemyres*	

*work is underway to integrate this store with the NHS Grampian Warehouse at Central Stores, which is on the Foresterhill site

A number of areas have been identified for improvement:

- *Integration:* Each individual store operates individually, to meet the needs of its own Service, and as such there is little in the way of shared systems, or shared best practice.

- *Infrastructure (buildings):* Some of the stores have sub-optimal premises leading to operational inefficiencies:
    - Kittybrewster (Building Services) is classified as a 'C: Poor - showing major problems and/or not operating adequately',
    - Roads and Lighting Stores have a store based on the first floor, requiring goods intake to be forklifted up to the first floor level
    - Records storage is split across 2 different sites with a need for a more flexible, sustainable solution being required.

- *The price paid for stockable items:* This is currently being tackled via various competitive tenders from Scotland Excel frameworks for Building Services and Roads and Lighting stores. In essence stock replenishments are a leverage purchase and therefore price can be improved through the consideration of strategies to maximise the potential spend with suppliers, such as co-operation across Council areas. This must currently be assessed against a backdrop where suppliers pricing is anticipated to sharply increase owing to currency fluctuations and Brexit risk. It may well be that cost avoidance rather than overall reduction is achieved. Devoting time and resource to increasing rationalisation and substitution of goods should allow us to maximize the savings opportunities. It also should be recognised that in this area in many cases the cost of acquisition (purchasing and handling the good) is significantly more expensive than the good itself.

- *Operational Efficiency:* Minimising the amount of staff resources dealing with stores and accessing consumable stocks must be a key focus. These resources could either be in the Service areas or directly involved in stores operations.

- *Stores Working Practices:* In terms of working practices; a number of innovations and efficiencies have been adopted – but further investment is required to maximise these and harmonise best practice across the Councils. The main opportunity comes in those actually undertaking the repair and maintenance work.

- *IT Systems:* In terms of IT systems, a divergence in systems is occurring:
    - Roads are moving away from the Total Mobile system (which is also used by Building Services) and implementing their new 'Pillar' system.

- o Building Services are upgrading the Total Mobile system with a new server environment underway and future upgrades planned. A move from Handheld devices to Tablets is also planned in the next year.
- o Environment Services have expressed an interest in the use of Total Mobile.

There is little or no scope to generate new revenue streams from Stores services.

Appendix C: Overview of FM trends and key service providers

The FM Market – Key Trends

- Maturing market:
  - Even before Brexit, growth in the UK FM market was projected to soften to around 3.0% per annum. This reflects a high level of market maturity in terms of outsourcing
  - The ability to grow margin for FM providers is more difficult because cost savings which are easiest to realise have already been taken, particularly in second or third generation outsourced contracts
- People pressures: the National Living Wage and Apprenticeship levy represent near term cost challenges for FM supplies, In the current market, it will not be easy to pass these costs onto to customers, impacting the margins of FM providers
- Brexit ramifications:
  - Companies may delay renegotiation of FM contract until there is greater certainty on economic impact of Brexit and their requirements for office space
  - Restriction on the supply of labour, attractiveness of the UK as a destination for migrant labour and decline in value of sterling are already starting to have an impacts as a result of Brexit
- Nature of contracts:
  - Trend towards greater consolidation, bundling and integration of FM services (e.g. TFM contacts)
  - Typical length of contract is increasing
- Perception of FM
  - FM being seen as more integral to business, strategic partnering relationship
  - Further professionalism of FM industry
- Technology: likely to be impacted by – IoT devices, drones, Blockchain, Artificial Intelligence
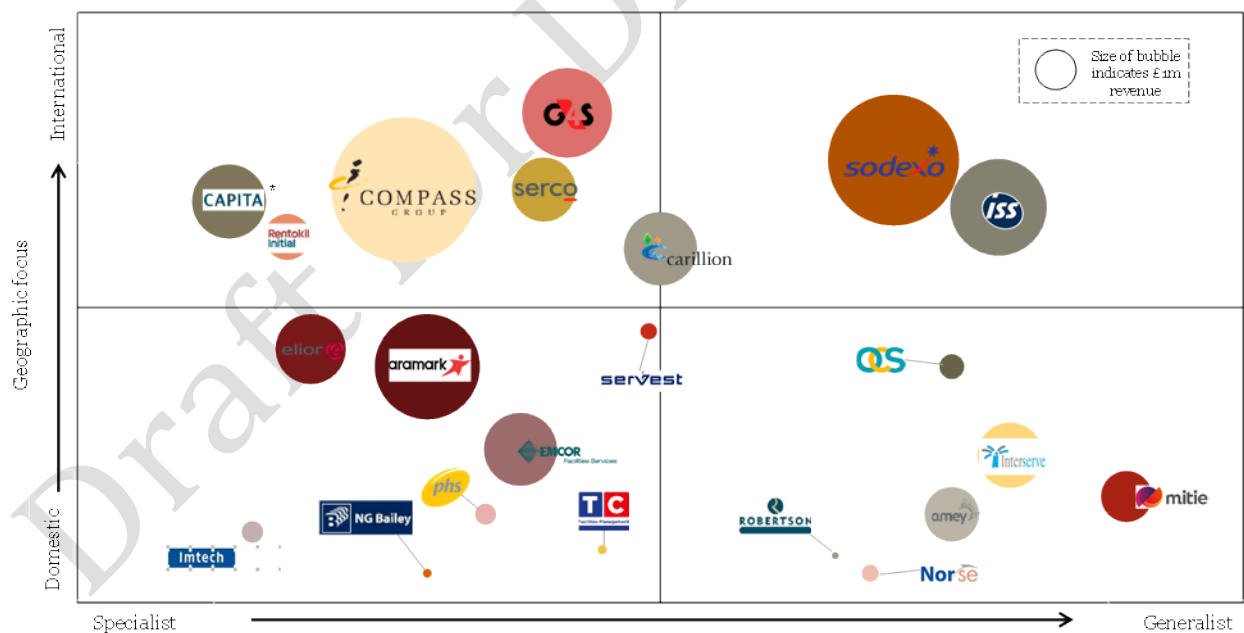
UK FM market by FM category, 2016:
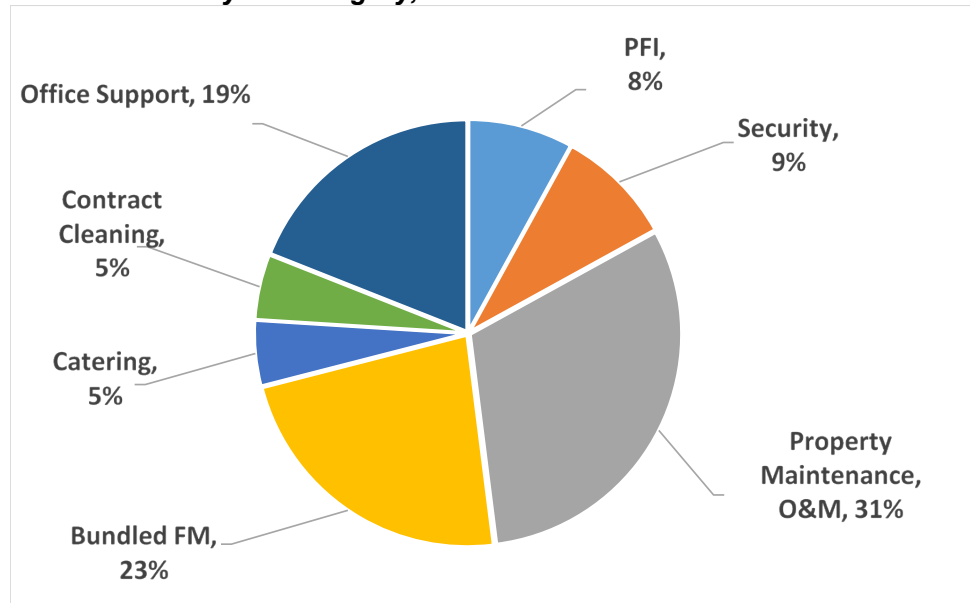
Source: Facilities Management Market Research and Analysis, UK 2016, MTW Research

The FM Market –Provider Structure

In the UK FM market, "generalist" and "specialist" business models co-exist:

Facilities management companies by geographic focus and services offering*

*Specialist in outsourcing with limited FM focus
Source: PwC Analysis, Company accounts

Outlook for the UK Facilities Management market

Appendix D: Long list of delivery model options

#	Option Name	Characteristics
1	In-house	All services with the exception of small technical services such as lift maintenance, managed and delivered in-house by directly employed Council Staff. This would include in-sourcing services currently outsourced. This option is often popular with staff and trade unions and offers the highest degree of control.
2	Current Delivery model	Mainly in-house management and delivery of services with some discrete services outsourced (eg Specialist Works). Continuing with this option involves on-going service review. Could be delivered by setting up a new company but this is likely to still have certain activities restricted eg ability to trade.
3	Arms Length Trading Company/WOC/Mutual	All management and services are transferred to an Arms Length Trading Company/wholly owned company which is responsible for delivery against SLAs agreed with the Council. The company operates separately and is accountable for the delivery of the services. The company has the ability to operate outside the Council but is effectively a Teckal company and therefore subject to restrictions on levels of trading. Sub options for delivery include a Wholly Owned Company (WOC) or a Mutual company whereby employees are involved in the running of the company
4	Single Source and In-house mix	Management retained in-house. Some individual services retained in-house with others outsourced to different suppliers. e.g. cleaning and property management in-house and maintenance and security outsourced to different suppliers. Typically single source contracts of 3-5 year terms. This option is common where some in-house services are seen to offer high levels of value for money and/or where the organisation is risk averse.
5	Single source outsourcing	Management retained in-house with individual services outsourced to different providers e.g. a cleaning contract, a maintenance contract, a security contract, a catering contract and a property management contract etc. Typically single source contracts of 3-5 year terms. This option is common where very high levels of performance are required such as professional service firms or where organisations are risk averse (avoiding all "eggs in one basket"). Becoming less common as integrated FM companies improve quality of delivery and more single source companies transition to or are acquired by integrated FM companies.
6	Shared Services Group	Management and delivery of services transferred to a special purpose vehicle (SPV) created with one or more other local public sector bodies who also transfer their management and delivery to the SPV. The SPV then pools resources and expertise and delivers services back to the parent organisations. Typically Shared Services Group agreements

#	Option Name	Characteristics
		would be >5 years in length. Common where VAT would be attracted by outsourcing or where outsourcing is not accepted for political or other reasons. Complex and expensive to establish and with a mixed record of success. Requires one or more local partner.
7	Managing Agent	Management is outsourced to a specialist management company. The Managing Agent then undertakes single source outsourcing on the Council's behalf. The Council contracts directly with the suppliers chosen by the Managing Agent who typically charges a percentage of the individual contract values as their management fee. Typically Managing Agent contracts are for 3-5 years in term. This model is less common due to perceived poor value for most organisations (margin on margin). More common for Global or European, Middle Eastern and African contracts.
8	Bundled FM	Senior and Middle Management retained in-house. Junior Management and delivery staff outsourced typically to two different suppliers; one covering Hard FM (maintenance, projects, hard landscaping) and one covering Soft FM (cleaning, catering and security). Alternatively, FM could be bundled by asset class eg schools, housing etc. Contract terms typically of 3-5 years. Popular with organisations that want the benefits of integration but perceive that the level of risk from just one company is too high. Becoming less common as integrated FM companies improve quality of delivery and more bundled service companies transition to or are acquired by integrated FM companies.
9	Managing Contractor	Senior Management and Middle Management retained in-house. Junior Management and delivery staff outsourced to more than one supplier. One supplier acts as the lead, directly delivering a significant proportion of the services. This "Managing Contractor" then sub-contracts with other suppliers of its choice to deliver the remainder of the services. Typically contract terms of 3-7 years. This option is common where an organisation wants to outsource all services and to work with a specific company but one that does not have the experience to deliver all the services. e.g. a maintenance company sub-contracting for cleaning and catering services. Becoming less common due to the growth of integrated FM companies.
10	Strategic Partnership (Integrated FM or Total FM)	All management and services outsourced to a single supplier. A "thin" or "intelligent" contract management function is retained to manage the contract and the relationship. The supplier typically self-delivers the majority of services (>80%) and only sub-contracts for specialist services such as lift maintenance. Typical contract lengths are 5-10 years. The higher value and longer terms of these contracts mean that the relationship is as a strategic partner with a high degree of trust and flexibility required. These contracts are increasingly common as they are perceived to offer the best value and as they are the most attractive to the market.
11	Joint Venture Company	As for Strategic Partnership but the client organisation forms a special purpose vehicle, typically a limited company or an LLP with the supplier. These JV companies can have a minor or major shareholding by the client and can trade externally. Contract terms are typically 5-10 years. This model can be beneficial for tax purposes, where there is a real

#	Option Name	Characteristics
		potential to generate profits form external trading and/or where the client organisation wants to be seen to retain an interest for political reasons. It could also be an unincorporated JV whereby the Council and strategic partner collaborate in generating traded revenues in partnership to benefit of both parties but without forming a special purpose vehicle.
12	Total Property Outsource	The Council transfers ownership of most or all of its property assets to a third party (which could be a JV) and transfers staff along with the property and pays an annual Unitary charge to cover rent and services. The client organisation may also receive an initial capital consideration at the cost of a higher unitary charge over the term. At the end of the term agreed core assets are returned to the Council. Contract terms are typically 20-25 years. This option involves radical change and provides the lowest level of control (the supplier may move your staff around and dispose of assets as part of the arrangements). It can be beneficial where an estate needs transformation or where an organisation needs capital.

Appendix E: Analysis and shortlisting delivery model options

The following table summarises the qualitative assessment of the long list of options and the shortlisted options to be scored against the business requirements to assess those options to financially model. For each, a summary of the main benefits, opportunities, costs and risks are set out in the table below.

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
1.In-house	- High level of control - Acceptances by trade unions - Low level of change - Flexibility - Low level of opposition by staff and opposition by staff and politicians - Known and understood - Familiar model - Clear lines of responsibility and accountabilities	- In-source services currently outsourced and improve performance levels - Clarify lines of responsibilities and accountabilities - Improve level of services - Corporate / one council approach to service - Reconfiguration of services - Develop existing work force - Bring private expertise in to improve services - Improve management expertise	- Reconfiguration costs (but to generate savings) - Redundancy costs - Opportunity cost to realise full potential savings - Opportunity cost – less commercial solution - Constraints on flexibility of staff T&Cs - High management burden - High infrastructure requirements - Loss or reduction in external and internal business	- Lack of innovation - Less commercial - High risk of internal stakeholder challenge - Risk of staff and industrial relations issues - Loss or reduction in external and internal business - Not financially sustainable	No
2.Current Delivery model/Enhanced Status Quo	- High level of control - Acceptance by trade unions - Low level of change	- Retender underperforming outsourced services - Bring in expertise for the underperforming	- Reconfiguration costs (but to generate savings) - Redundancy costs - Opportunity cost to realise full potential	- Resistance to change by outsourced staff - Current suppliers of outsource service change delivery staff so	Yes (base case)

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	• Flexibility • Low level of opposition by staff and politicians • Known and understood • Familiar model • Clear lines of responsibilities and accountabilities • Some costs savings from retender of external services	outsourced services • Clarify lines of responsibilities and accountabilities • Improve performance levels • Corporate/ one council approach to services • Reconfiguration of services • Develop existing work force • Bring private expertise in to improve services • Improve management expertise	savings • Opportunity cost – less commercial solution • Constraints on flexibility of staff T&Cs • High management burden • High infrastructure requirements • Management of the design services contract • Loss or reduction in external and internal business	that they retain high performing staff on re-let • Reputation of contractor • Performance of contractor • Lack of innovation • Less commercial • High risk of internal stakeholder challenge • Risk of staff and industrial relations issues • Loss or reduction in internal or external business	
3.Arm's Length Trading Company/WOC/Mutual	• Politically acceptable • Acceptance by trade unions • Low level of change • Low level of opposition by staff • Low procurement costs • Reduction in bureaucracy	• Clarify lines of responsibilities and accountabilities • Improve level of services • Reconfiguration of services • Develop existing work force • Bring private expertise in to improve services	• Reconfiguration costs (but to generate savings) • Opportunity cost to realise full potential savings • Opportunity cost – less commercial solution • Constraints on flexibility of staff T&Cs • High management burden	• Variable success rates for Local Authority Trading Companies in achieving objectives • Less commercial • Competing with external / local market for new business • Lack of flexibility of changing staff T&Cs • Able to change culture	No

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
		• Employ local people • Tender for other work outside the Council	• High infrastructure requirements • Loss or reduction in external and internal business	to be more commercial • Risk of long term sustainability	
4. Single Source and In-house mix	• High level of Council control • Demand management/ prioritisation • Flexibility of supplier • Retain key services in-house • Service specific savings from outsourcing • Reduced corporate overheads • Lower management operational burden in relation to outsourced	• Transfer higher risk areas • Best of breed for outsourced services	• Multiple TUPE transfers • Multiple tendering costs that will be recurring • Hidden overheads • Higher contract management burden • High management infrastructure • Complex management model and function; co-ordination of contracts • No integration; less efficient • Multiple interfaces • Duplication of	• Multiple TUPE transfers • Loss of customer loyalty and obligation • Complexity of multiple contracts • Lack of clarity on responsibilities and accountabilities • Multiple interfaces • Loss of knowledge • Complexity of costs and financing; managing budgets • Two tier workforce; tension between	No

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	services		management and task • Less economies of scale	internal and outsourced staff • Restriction of market interest and expertise	
5.Single source outsourcing	• Medium level of Council control • Demand management/ prioritisation • Flexibility of supplier • Service specific savings from outsourcing • Reduced corporate overheads • Transfer high risk areas • Lower operational management burden	• Strong contract management of multiple contracts • Private sector expertise from outsourced services • Best of breed for outsourced services • Introduce robust performance management	• Multiple TUPE transfers • Multiple tendering costs that will be recurring • Hidden overheads • Higher contract management burden • High management infrastructure • Complex management model and function; co-ordination of contracts • No integration; less efficient • Multiple interfaces • Duplication of management and tasks • Less economies of scale • High procurement costs	• Multiple TUPE transfers • Loss of customer loyalty and obligation • Complexity of multiple contracts • Lack of clarity on responsibilities and accountabilities • Multiple interfaces • Loss of knowledge • Complexity of costs and financing; managing budgets • Restriction of market interest and expertise	No

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
6.Shared Services Group	• Economies of scale for small organisations • Efficiencies from management integration • Some commercial focus	• Flexibility of resources • Existing shared services organisations • Shared expertise from member organisations • Wider service provision • Introduce robust performance management	• Tied to public sector pay and conditions • Commercial structures potentially required • Member organisations retain all commercial risk • Not achieve full commercial benefits • High implementation costs	• Cross subsidy to other organisations • Organisations withdraw, especially late in the process • Conflict between parties • Clarity of control and decision process • Require complex commercial structures • Responsibility without control • High reputational risks • Not achieve full commercial benefits • Conflict of interest • Loss of focus on objective • Failure of reaching initial agreement between the members	No

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
7.Managing Agent	• Expert management • Low cost of implementation • Some savings • Reduction in management burden • Ease of exit	• More efficient management of single service contracts • Some integration across services • Introduce robust performance management	• Pay margin on margin • Retaining contract service risk • Additional layer of management • Multiple TUPE transfers • Multiple tendering costs that will be recurring • Hidden overheads • Minimal integration; less efficient • Duplication of management and tasks • Less economies of scale	• Less favourable model for single source contract providers • Loss of management control • Multiple TUPE transfers • Loss of customer loyalty and obligation • Complexity of multiple contracts • Lack of clarity on responsibilities and accountabilities • Multiple interfaces • Loss of knowledge • Complexity of costs and financing; managing budgets • Restriction of market interest and expertise	No
8.Bundled FM	• Some integration of services, i.e. soft FM;	• Innovation • Improve service levels	• Not achieve benefits of full integration	• Not achieve full integration	Yes

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	hard FM • Prioritisation over services • Higher level of innovation	within bundles • Integrate bundles in the future • Introduce robust performance management	• Retain senior and middle management - duplication • High cost of implementation • High contract management – 2 contracts • TUPE for 2 contracts	• Blurred lines of accountability • More limited market • Duplication of management and tasks • Potential for 2 sets of staff T&Cs	
9.Managing Contractor	• Higher level of integration of services • Prioritisation over services • Higher level of innovation	• Innovation • Improve service levels within services • Introduce robust performance	• Not achieve benefits of full integration • Retain some senior and middle management • Medium cost of implementation	• Lower level of control • Not achieve full integration • Blurred lines of accountability; fragmentation	No

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	• Lower Council management burden • Managing Contractor to source specialist contractors	management	• Some contract management • TUPE for contracts • Duplication of margin • Less direct delivery	• More limited market • Duplication of management and tasks • Multiple contracts to be let by managing contractor • No control of subcontractors • Dependent on managing contractors project management skills	
10. Total FM/Strategic Partnership	• Full integration since all services are outsourced • Low management burden • Highest potential saving • High market interest • Well established market • Full integrated services attractive for schools • Market experienced for	• Attract supplier investment • Innovation • Outcomes focussed solutions • Introduce robust performance management • Staff development and progression	• Good intelligent client function • More difficult to exit • High implementation costs • High procurement costs • High time commitment of senior management	• 'All eggs in one basket'; exclusivity • Choose the wrong supplier • Supplier reputation • Relationship with supplier breakdown • Trade union concerns • Demonstrating maintaining VfM	Yes

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	this size of contract • Long term strategic approach • Well experienced on TUPE and transfer of staff • Improved forward planning • Greater cost certainty • Reduced fragmentation • Greater client satisfaction • Greater cost management • Focus on outputs				
11. Joint Venture Company	• Full integration • Lower management burden • Market interest • Well established and experienced market • Long term strategic approach • Well experienced on TUPE and transfer of staff • Improved forward planning	• Attract supplier investment • Innovation • Outcomes focussed solution • Introduce robust performance management • Tax efficient structuring benefits • Staff development and progression	• Good intelligent client function • More difficult to exit • High implementation costs • High procurement costs • High time commitment of senior management • Potential tax liability e.g. stamp duty, VAT, corporation tax	• 'All eggs in one basket'; exclusivity • Choose the wrong supplier • Supplier reputation • Relationship with supplier breakdown • Trade union concerns • Demonstrating maintaining VfM • Some companies may not be interested • Not develop and utilise fully, i.e. effective	Yes

Delivery Model	Benefits	Opportunities (leading to sustainable innovation)	Costs	Risks	Shortlist
	- Greater cost certainty - Reduced fragmentation - Greater client satisfaction - Greater cost management - Focus on outputs - Higher savings (slightly lower than TFM) - More suited to strategic asset management			strategic asset management	
12.Total Property Outsource	- Higher savings (slightly lower than Strategic Partnership) - No management burden - Focus on core council business - Cost certainty - Potential capital receipt	- Innovation - Outcomes focussed solution - Attract supplier investment - Introduce robust performance management - Staff development and progression	- Potential tax liability e.g. stamp duty, VAT - Good intelligent client function - More difficult to exit - High implementation costs - High procurement costs - High time commitment of senior management	- Potential tax liability e.g. stamp duty, VAT - Less flexible for changes for space requirements - Require certainty of long term strategy - Political support - Loss of management control over services - Too radical and does not fit with strategic objectives	No

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ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	4 October 2017
REPORT TITLE	Director Recruitment and Selection Process
LEAD OFFICER	Angela Scott
REPORT AUTHOR	Morven Spalding, Interim Head of HR

1. PURPOSE OF REPORT:-

To outline the process for the recruitment of four Director roles to Aberdeen City Council per Full Council approval on 23rd August 2017.

2. RECOMMENDATION(S)

To note the report.

3. BACKGROUND/MAIN ISSUES

There is a real shift in public services at the moment to ensuring the senior talent is 'fit for purpose' for the future. Forward thinking councils are looking at the positioning of their ambitions and strategies and then aligning the skills and expertise of their senior team to manage and deliver these. Forming the right relationships between the top team players will be critical and building a strong collegiate team that works well with Elected Members, public and private partners, the workforce and local communities will be key.

The appointment of the four Directors will be critical in forming the new Corporate Management Team and this is a really exciting opportunity for the Council to fully engage in the campaign to do this. It is recognised that the campaign will be formed of an attraction strategy which will consist of executive search, national and local advertising.

It will be important to promote the narrative for the City and the Council so that there is a clear proposition to the market place about what Aberdeen and these roles have to offer. It will be important to work closely with the marketing team to select the right images and get the energy right in the words used.

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Procuring these Services from a recruitment provider who has the right skills and resources to manage a multiple job campaign will be important and just as important will be their ability to understand Aberdeen as a city and Council. It will also be important to utilise the 'good practice' experience that the company has used to ensure strong senior appointments are made.

  Previous attempts to recruit have met some challenges and we will need to manage the risks by regular updates – not getting too focused on 'process' but ensuring that we run a campaign that will deliver against the requirements. Our recruitment provider will be asked to help manage expectations and risks by regular updates.

Understanding the sectorial skills and expertise for the roles will help set the search geography for the roles too; making the right decisions around which selection and assessment techniques to be used will be important too. Ensuring that the selection process is modern and exciting will be important to engage candidates from across the sectors.

Aligning the campaign to the Council's governance approach will be important engaging Elected members and the Chief Executive at the key times and ensuring strong interested candidates have access to the Chief Executive through the attraction campaign will help the two way approach to engage the good ones into applying.

Sitting alongside the search and attraction campaign will be an advertising microsite which carries key information about the Council and the transformation journey we are on, Aberdeen as a place to live and work and the roles to enable candidates to be informed.

A key part of the selection process is for Elected Members to be engaged and involved in the assessment centre, as well as having a leading role at the Appointments Panel interview. This will give Members a valuable opportunity to observe candidates in a range of settings providing a comprehensive view of candidates' competence and behaviours.

There is a need to recruit to these posts quickly and successfully at the first attempt in order to remove the current dependency on interim resource and to ensure traction on the Transformation Portfolio which is critical to enable the Council to set and deliver a balanced budget for 2018/19.

Procurement of Executive Recruitment Consultancy Services
Market research was undertaken in conjunction with the Commercial & Procurement Service and the executive recruitment consultancy services have been procured by compliantly calling off from the ESPO Framework 3S Strategic HR Services and awarding to one of the providers on that Framework, Penna plc., one of the providers on that Framework. The Framework states that contracting authorities can undertake a mini-competition of the suppliers who are on it or we can make a direct award to one of the suppliers without re-opening competition. The Guidance on the Framework states that the latter can be done: - "If you decide that a single supplier can meet your requirements based on the pricing and/or other

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information provided in the User Guide simply place an order with that supplier."

Recruitment and Selection Process

Longlisting
An initial screening of all candidates will be carried out by the Chief Executive, Interim Head of HR and the Recruitment Provider, taking applications to a maximum of 6 per role.

First Screening Interview
Following longlisting, it is proposed that the long-listed candidates will undertake a first screening interview by the Chief Executive, the Interim Head of HR and the Recruitment Provider to determine behaviours and competence of the individual.

Outcomes from these interviews will be discussed with the Chief Executive and the Interim Head of HR to determine which candidates will be shortlisted and progress to the next stage – Assessment Centre.

Psychometric Assessment
All shortlisted candidates will be expected to complete a Thomas International Personal Profile Analysis and a High Potential Trait Leadership psychometric which will be undertaken prior to the assessment centre.

Assessment Centre
The Assessment Centre will comprise a number of sessions:

- An interview with Group Leaders and Chief Executive

- Behaviourally-based scenarios of complex challenges and decision making which are all interlinked through the Target Operating Model dependencies, using peer group and potential direct reports; these will highlight different leadership styles that can be selected to offer the greatest likelihood of success within the Target Operating Model; This will include Elected Members and Trade Union colleagues   .

- Stakeholder Panels and Staff Engagement Panels to include Elected Members and Trade Union Colleagues

The Assessment Centre process proposed above will include involvement from our Recruitment Provider, ALEOs and our partners;

It is intended that candidates will be assessed in mixed groups containing applicants for each post at any one time; this would focus directly on the team element and would allow assessors to observe candidates "in role" alongside their psychometric profile; this process would involve Elected Members.

Assessment Centre Outcomes

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At the end of the assessment centre, feedback from each session will be collated and rankings / scores for each activity will then be collated and discussed with a core group of interested parties including Elected Members, Trade Union colleagues Officers including the Chief Executive and the Council's Recruitment Provider. This meeting will confirm candidates to be put forward to the final stage Appointment Panel Interview.

Final Assessment Stage
Following, the outcomes of the assessment centre, it is proposed, if logistically possible, to include a final assessment stage for Director roles, where the four final preferred candidates are involved in an observed group session with a set topic focusing on how they would work together and deliver as a team. This part of the process is yet to be determined.

Appointments Panel Interviews and Offer of Appointments

The final stage of the selection process will be a Selection Panel interview with the Appointments Panel who will ask a number of set questions to each candidate. Decisions will be made on the basis of interview performance together with outcomes of the assessment centre.

Following the Appointment Panel Interviews and outcomes, preferred candidates will be notified. Following completion of pre-employment checks, contracts of employment will be issued.

Indicative Timeline for Selection Process

A summary of the key stages is detailed below. For full details of the activity timetable, please see Appendix 1 (attached).

Commence contract with Recruitment provider, logistics and start of search	18 September 2017
Advertising / Executive Search commences	2 October 2017
Closing Date for all 4 roles	Friday 3 November 2017
Longlisting	w/c 6 November 2017
First Screening Interviews with Chief Executive, Head of HR and Recruitment Partner	w/c 6 / 13 November 2017
Assessment Centre and outcomes / Member Appointment Panel *	w/c 27 November 2017 and 4 December 2017
Candidates Start (assuming maximum 3 month notice)	March / April 2018

* Subject to Elected Members' diary commitments

4. **FINANCIAL IMPLICATIONS**

The cost to facilitate the recruitment was detailed in the report to Full Council on 23rd August 2017 at a cost of up to £80,000 to be met from existing budgets. A more detailed breakdown of the financial implications associated with the recruitment and selection process of the 4 Director roles are as follows:

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- Recruitment provider –estimated £70,000. Funded from existing budgets.
- Psychometric testing - £25 per test; estimated total cost £700.
- Costs will be funded from existing funds. Psychometric testing costs will be met from the Corporate Training Budget.

5.   LEGAL IMPLICATIONS

The recruitment services have been procured by compliantly calling off from the ESPO Framework 3S Strategic HR Services and awarding to one of the providers on that Framework.

6.   MANAGEMENT OF RISK

The risk attached to this report mainly lies with the understanding that our recruitment provider can deliver on presenting the Council with a suitable candidate base for consideration. If the Council is unable to appoint to all four directors, there is a risk in progressing the development and execution of the Target Operating Model.

To mitigate these risks, by implementing a robust selection process including Members at all key stages, rather than only at Appointments Panel stage, as in previous Chief Officer recruitment, will ensure Members and Officers have a well balanced view of each candidate prior to the final interview stage.   In addition, alternative approaches will be explored to maintain governance and operations.

7.   REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

COMMITTEE: Strategic Transformation Committee

DATE: 4 October 2017

REPORT TITLE: Portfolio Communications and Engagement Report

LEAD OFFICER: Angela Scott

REPORT AUTHOR: Paul Smith, External and Internal Communications Manager

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1. PURPOSE OF REPORT:

To update the Strategic Transformation Management Committee on the actions taken to date in relation to developing Aberdeen City Council's Transformation Communications and Engagement plans.

2. RECOMMENDATION(S)

It is recommended that the Committee:

   I.   Note the updates provided;

3. BACKGROUND AND KEY ISSUES

On August 23, Full Council agreed a number of recommendations outlined in a report entitled Council Target Operating Model. As part of this report, Full Council agreed the establishment of a Transformation Portfolio that would govern the transformation of the organisation into the Target Operating Model.

Within the portfolio, it was agreed a number of programme delivery boards would be set up and in addition a number of control boards – one of which was to be a Communications Board to oversee and manage a communication and engagement plan for the portfolio.

Full Council also noted that a programme of engagement with stakeholders, both within and outwith the Council, including trades unions, ALEOs and other partners will be undertaken as the detail of the Target Operating Model is developed.

The following work has since been undertaken:

Communications Board

- It was agreed the board would be called the Transformation Communications and Engagement Board with the inaugural meeting taking place on October 3rd;

- It was agreed that local trade union representatives would be invited to attend the Board, and will also be represented on all transformation boards. Communications and Engagement will be a standing item on all transformation boards, to ensure consistency in approach;

- A Terms of Reference for the Communications Control Board has been drafted.

- Membership has been agreed as:
    o Chairperson – Internal and External Communications Manager;
    o Programme Manager – Communications Business Adviser;
    o All Senior Responsible Owners for each of the delivery programmes within the portfolio;
    o A member of Organisational Development;
    o Trade Union Representatives.

- It was agreed that a working Communications and Engagement Group with representatives from Third Tier Management would be established for the purpose of working closely with the delivery programmes on communications and engagement to make recommendations to the Transformation Communications and Engagement Board. Recruitment for this group is ongoing.

- It was agreed that a further working Employee Network Group be established with representatives from all service areas of the Council to make recommendations to the Transformation Communications and Engagement Board and to provide feedback from staff to inform the communications and engagement plans. Recruitment for this group is ongoing.

Staff Engagement:

- A programme of Staff Engagement has been developed and is currently under way. A series of more than 40 briefings have been scheduled to inform staff of the recent decision by Full Council and to gather insight to inform the next tier of the organisation. The briefings have been offered to all of the Council's establishment locations. A summary of the outcome of the engagement sessions will be tabled at a future meeting of the Strategic Transformation Management Committee.

- The engagement has been supplement by the distribution of a Staff Guide to Transformation booklet made accessible to all staff via digital means or printed materials for those who do not have IT access.

- A video has been developed and circulated for all staff to hear the key messages of the report and to hear how they can get involved in informing the next tier of the organisation.

Communications and Engagement Strategy:

- The following work is underway to inform a Communications and Engagement Strategy:

    o **Stakeholder Analysis:** Currently being developed in order to ensure communication with all customers internally and externally uses the most appropriate messaging and is based on an understanding of the audiences.

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- o **Channel Review:** A review of all the channels available to the Council to communicate and engage with staff, the public and key stakeholders and partners is being developed to ensure the most appropriate methods for communication are being employed. As part of this review, an internal website for Transformation has been developed to provide an interactive, two-way platform for staff to receive updates on Transformation, add ideas and ask questions.

4. FINANCIAL IMPLICATIONS

There are no direct financial implications as a result of this report

7. IMPACT SECTION

Improving Customer Experience –

Communication and Engagement with customers will be integral to the strategy for the wider implementation of Transformation measures, helping to build understanding and encourage input into the process.

Improving Staff Experience – Internal customers (directorates and services) will benefit from a clear approach to communications and engagement, improvement to communications channels and an option to participate in developing and facilitating the communications to staff as well as offering insight and contributions to the next phase of the Council's organisational design.

Improving our use of Resources –

The approach will enable skills to be enhanced and reduce the potential for outside support being required to support the communications and engagement activity.

8. MANAGEMENT OF RISK

All activity will comply with the Aberdeen City Council Communications Policy and will be managed through the governance of the Communications and Engagement Board.

9. APPENDICES (if applicable)

N/A

10. REPORT AUTHOR DETAILS

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