ABERDEEN CITY COUNCIL	Outline Business Case	Review Stage Define

Review Name	Fleet Services and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

Contents

ABERDEEN CITY COUNCIL	Outline Business Case	Review Stage Define

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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.

ABERDEEN CITY COUNCIL	Outline Business Case	Review Stage Define

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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

[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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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];

[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.

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).*

[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

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

- *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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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

- 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

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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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:
    - 8-weekly for buses and O' Licence vehicles
    - 8-weekly for road-going plant
    - 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.

Review Name	Fleet Service and Mobility	Date	20 September 2017
Author	Heather Martin	Version	0.18

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*:**

- 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

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)

- 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

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.		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		The relationship between the senior management team and the unions is proving to be challenging.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

- 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

		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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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:

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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:

- 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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

- 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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

OPTIONS APPRAISAL

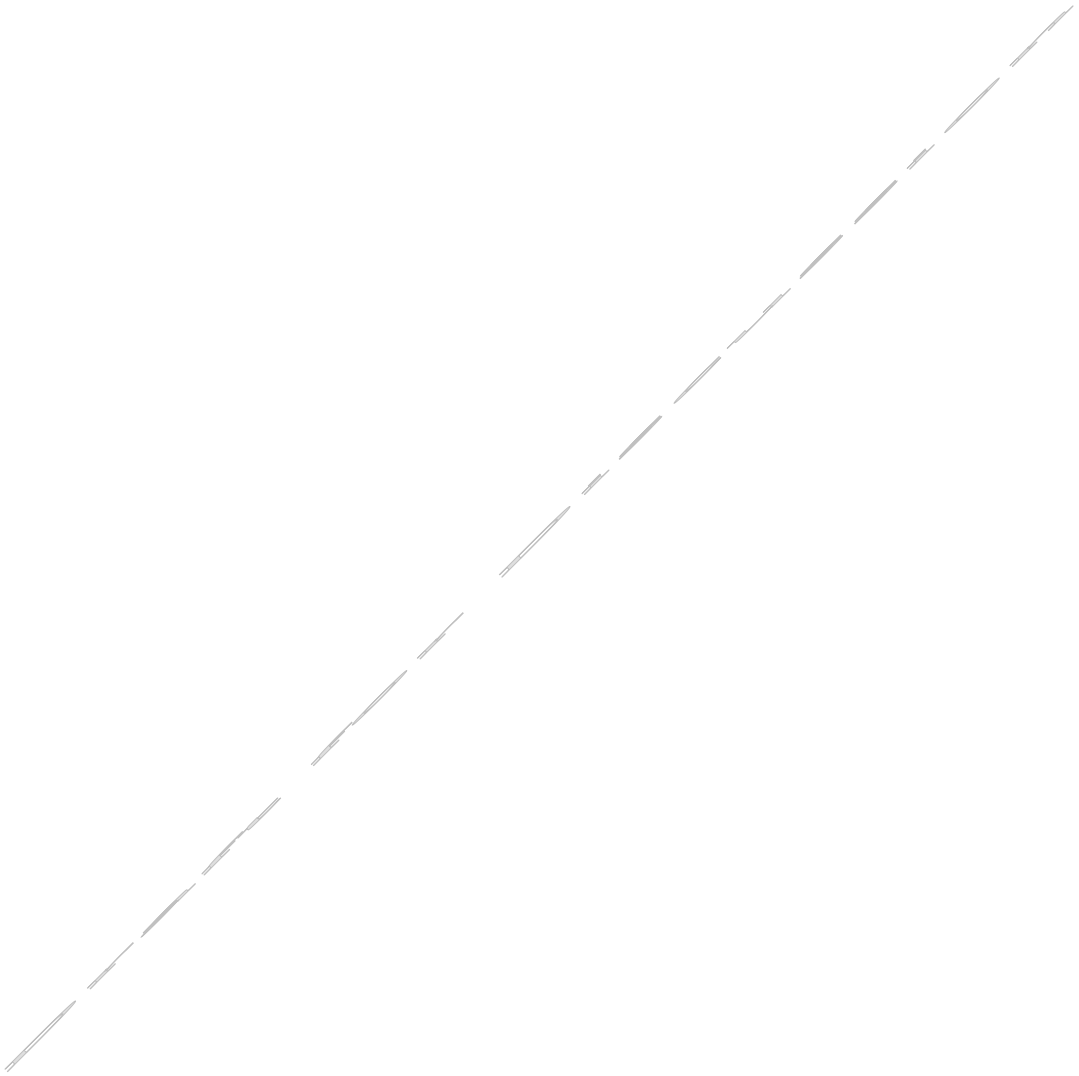
Option 1 – Status Quo	
Description	The existing arrangements would remain the same. The Council would continue to provide the fleet management services as part of its current remit with future budgetary savings requiring to be made.
Commercialisation Opportunities	Growth would be dependent on a variety 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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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.



Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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)

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

	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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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:

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**

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

- 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)

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

Building Services

Building Services (Service Lead – Graham Williamson; falls within scope of Total Facilities Management Redesign)

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

1. **Efficiency and Competitiveness**
    - Regularly review and improve performance to make the service efficient
    - Understand the true cost of service provision and improve the resource management to make the service competitive
2. **Insourcing**
    - Demonstrate service offers value for money
    - Try to win back externally contracted work
3. **External Work**
    - Develop a business plan
    - 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

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.

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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

Review Name	Fleet Service and Mobility	Date	10 August 2017
Author	Heather Martin	Version	0.16

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:

  - Oxford City Council – modified in-house
  - Nottingham County Council – public joint venture
  - London Borough of Barnet and/or Birmingham – private joint venture
  - Tayside Contracts – public venture
  - Stirling Council – outsourced model
  - 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**