

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 19 NOVEMBER 2013**

REPORT BY: **DIRECTOR OF ENVIRONMENT**

SUBJECT: **VEHICLE REPLACEMENT AND FLEET UTILISATION
POLICY**

1.00 PURPOSE OF REPORT

1.01 To seek Cabinet approval for the adoption of a Vehicle Replacement and Utilisation Policy for all fleet vehicles operated by the Authority.

2.00 BACKGROUND

2.01 Flintshire County Council operates a total fleet of approximately 500 vehicles. Whilst the vehicles operate in services across the County, their procurement and maintenance are centrally organised by Fleet Services staff within Streetscene in the Environment Directorate.

2.02 The majority of vehicles operated by the Council are procured through an operator's lease, supplemented by a number of short term hire arrangements. Operator leases are effectively five or seven year fixed term agreements following which the vehicle returns to the third party or leasing company. Hire arrangements are currently utilised for short term vehicle requirements or where no guarantee of long term service requirement is available. Vehicles operated by the Council under either option are currently repaired and maintained at the Council Fleet workshop in Alltami depot.

2.03 The total replacement cost of Flintshire County Council's fleet inventory is in excess of £12.8m, with an annual operating lease/hire charge in excess of £1.9m. Lease/hire charges and any associated repair or maintenance costs are recharged to the individual operating departments, who currently manage the budget for all of the vehicles provided to them.

2.04 In December 2012, the Council engaged a consultant/efficiency partner to undertake a full review of Fleet Services, including making recommendations on the most beneficial ownership models and the most effective maintenance arrangements for Councils vehicle fleet into the future.

2.05 Internal Audits and external reviews by the Welsh Audit Office have also supported the adoption of a formal Council Fleet Replacement

Policy which will form part of the overarching Fleet Strategy approved by the Councils Executive in 2011.

- 2.06 Vehicle tracking systems allow the Council to accurately monitor utilisation levels and ensure the Council gains the maximum benefit from its investment. By applying a 'Logistics' or Demand Planning approach to the provision of vehicles the increased utilisation will reduce the number of vehicles required and consequently reduce the cost of delivering all Council services which carry a vehicle fleet requirement.
- 2.07 In order that maximum benefit could be derived from the proposed review of Fleet Services, vehicle replacements have been restricted over the past three years and vehicles have been operated beyond their projected lease periods (Through lease extensions). The current average age of the commercial fleet is 6.31 years old.

3.00 CONSIDERATIONS

- 3.01 The proposed Policy set out in Appendix 1 aims to ensure Flintshire County Council operates a cost effective fleet of vehicles with awareness and appreciation to the environment and the safety of the Flintshire County Council staff and members of the general public.
- 3.02 The current option of utilising a predominantly leased ownership model restricts flexibility and often prevents changes to working practises during the period of the lease i.e. once the Council has committed to a five or seven year operating period.
- 3.03 The newly implemented All Wales Vehicle Hire Framework has presented significant opportunities to move away from the established method of procurement towards a more flexible agreement utilising a hire model. The framework offers highly beneficial rates for hire, particularly when vehicles are hired over an extended period.
- 3.04 By introducing Demand Planning or a Logistics approach with a centralised provision providing vehicles as they are needed rather than permanently supplying vehicles for service users to utilise only when work dictates, the number of vehicles required will be considerably reduced. The consultant experience elsewhere has indicated that overall reductions of 10 -15% in fleet numbers would be possible. This reduction would rise further if the supply and management of vehicles were controlled by the private sector who would supplement the Councils service with external demands to further increase utilisation.
- 3.05 To gain maximum benefit from the move to a hire model and the introduction of a Demand Planning/Logistics approach, a number of assumptions have been made in respect of the service:

- The Light (Non HGV) fleet can be largely standardised and moved to adaptable Hire terms to increase flexibility.
- Cost reduction is also possible by applying the same principle to HGV / Specialist fleet where appropriate
- All the proposals will reduce stock holding of spare parts
- A Logistics model will drive utilisation up, and reduce vehicle numbers and costs.
- Vehicles will be kept on the road for greater periods of time by the use of mobile servicing for example will also result in service benefits by reducing the current time lost due to more frequent inspection & repairs to the fleet.
- Some spot hire / Seasonal hire of HGV / Specialist fleet will generate additional savings.
- More flexibility for maintenance arrangements (i.e. overnight repairs) will reduce the need to hold a number of expensive spare vehicles
- A newer fleet will greatly reduce its maintenance requirements

3.06 The loss of more than 15% of the total fleet together with reduced servicing/inspection frequencies and reduced reactive maintenance (as a consequence of operating a more modern fleet) for the remainder, will result in the workshop workload falling below what is considered to be a sustainable position going forward.

3.07 In order to protect the workload of the staff involved, a single contract and the engagement of a single partner for the supply and maintenance of all the Council's operating fleet should be considered. Also, the potential for acquiring additional work from outside the organisation to compensate for the lost Council workload should be assessed.

3.08 The use of an external partner will ensure this reduction in workshop workload can be supplemented by external work which is not available to the Council. Equally, external work from, say, undertaking MOTs for the public could have the same effect. However, this option would probably require some alterations to the existing workshop (e.g. to provide customer seating/reception space) and to the car parking arrangements, so is likely to be less attractive than the option of engaging an external partner.

3.09 The rejuvenation of the fleet will raise the Council's public profile and have a positive effect on the care and operation of the vehicle by staff, further reducing costs to the service.

3.10 A three phase implementation of the new ownership model is proposed :

Phase 1 - Procure all replacements for vehicles currently at the end of their lease period through a hire model, utilising the All Wales Vehicle Hire Framework - December 2013

Phase 2 – Introduce a central demand planning/logistics approach to vehicle supply - April 2014

Phase 3 – Explore the potential of increasing the workload of the workshops as set out in paras 3.07 and 3.08. In the event that the best option to pursue is an external partner to deliver the demand planning/logistics provision and consolidate the hire provision with a single supplier, this will need to be tendered through a robust procurement exercise – April 2015.

- 3.11 The proposal to stagger the implementation of the project will allow each element to be proven before a final decision on the future direction for the service is made (re Phase 3). Regarding Phase 3, the Business Case is likely to be complete this financial year, and will be brought to Cabinet when ready.
- 3.12 To gain maximum benefit from the arrangements, all fleet budgets or costs should be centralised and brought under the Control of the Transport and Logistics Manager supported by the new administrative post from within the existing Streetscene structure, detailed in the business case.

4.00 RECOMMENDATIONS

- 4.01 That Cabinet approve the Vehicle Replacement and Fleet Utilisation Policy (Appendix 1).
- 4.02 That Cabinet approve the proposals set out in paragraphs 3.10, 3.11 and 3.12.
- 4.03 That a further report is brought to Cabinet updating Members on Phase 3 of the project, as set out in paragraph 3.10, before a final decision is taken on the Council's future approach.

5.00 FINANCIAL IMPLICATIONS

- 5.01 Savings from the proposals are detailed in the attached Business Model.
- 5.02 The current estimate for the savings generated by the overall Fleet Review is £1.3m p.a.

6.00 ANTI POVERTY IMPACT

- 6.01 None.

7.00 ENVIRONMENTAL IMPACT

- 7.01 The proposed policy confirms that the best possible use is made of

current engine technology in relation to environmentally acceptable widely available fuels, by utilising newer vehicle and maintaining a lower vehicle age profile.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 Phase 1 and 2 of the proposals will result in a reduction of 3 FTE from the workshop which will be achieved through voluntary measures.

9.02 Phase 3 will result in the transfer of the vehicle maintenance staff and some management to the successful partner following the tendering exercise.

9.03 All workshop staff will be offered posts within the wider Streetscene service (to fill those vacated through natural wastage) should they not choose to transfer to the new single supplier.

10.00 CONSULTATION REQUIRED

10.01 Update Risk Assessment workshop with all stakeholders.

10.02 Trades Unions in respect of TUPE and FTE reductions.

11.00 CONSULTATION UNDERTAKEN

11.01 With Cabinet Members.

11.02 Risk Assessment workshop with all stakeholders.

12.00 APPENDICES

12.01 Appendix 1 - Vehicle Replacement and Fleet Utilisation Policy.

12.02 Appendix 2 – Vehicle Procurement Proposal Form

12.03 Appendix 3 – Business Model

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS

None

Contact Officer: Stephen O Jones

Telephone: 01352 704700

Email: Stephen.o.jones@flintshire.gov.uk