

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 SEPTEMBER 2014**

REPORT BY: **CHIEF OFFICER, TRANSPORT AND STREESCENE**

SUBJECT: **PHASE 3 OF THE REVIEW OF THE COUNCIL
VEHICLE FLEET**

1.00 PURPOSE OF REPORT

- 1.01 To update Cabinet on the implementation of Phases 1 and 2 of the Fleet Review
- 1.02 To suggest changes to proposed mechanism for delivery of Phase 3 of the Fleet review, and seek Cabinet approval to implement the proposals.

2.00 BACKGROUND

- 2.01 Flintshire County Council operates a total vehicle fleet of approximately 500 vehicles. Whilst the vehicles operate in various Service Areas within the Council, the procurement and maintenance of these vehicles are centrally organised by Fleet Services staff within Streetscene in the Environment Directorate. The total replacement cost of Flintshire County Council's fleet is in excess of £12.8m, with an annual operating lease/hire charge in excess of £1.9m.
- 2.02 In December 2012, the Council engaged a partner to undertake a full diagnostic review of Fleet Services, including making recommendations on the most beneficial ownership model and the most effective operational management and maintenance arrangements for the Council's vehicle fleet into the future.
- 2.03 Following completion of the review a report was presented to the Councils Cabinet in November 2013 which recommended a three phase approach to the review of Fleet Services:-
 - **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
 - **Phase 2** – Introduce a central demand planning/logistics approach to vehicle supply
 - **Phase 3** – Explore the potential of increasing the workload

within the workshop and also to consider the benefits and limitations of an external partner to deliver the demand planning/logistics role, and consolidating the hire and maintenance provision with a single supplier.

2.04 The current position in respect of the progress of the review is as follows:-

- **Phase 1** is currently being implemented following confirmation of the projected saving levels by the S151 Officer and the new hired vehicles are now being introduced into the service. The new hire arrangement has been utilised predominantly for the light vehicle fleet (small vans and pick ups) which account for approximately 60% of the vehicles in the existing fleet
- **Phase 2** has also been implemented with the new demand planning (logistics) arrangements in place from 1st April 2014.
- **Phase 3** - In November 2013, Cabinet requested that a further report should be presented providing further information in respect of Phase 3 of the proposals, before a decision could be made on its implementation. Since then, management have been in extensive consultation with the staff and unions to identify efficiencies, in line with the suggested savings targets. Significant developments have been achieved which allow an intermediate position to be considered, with a strategic annual review to test the continued feasibility of the future of the internal provision of the maintenance function.

3.00 **CONSIDERATIONS**

Mechanism for Delivery

3.01 **Phase 1** – The new Council light vehicle fleet is being hired through an All Wales Vehicle Hire Framework, which has presented significant opportunities to move away from the established method of procurement (Operating Lease) towards a more flexible arrangement, utilising the hire model. Following an extensive evaluation process involving cost and qualitative benefits, the authority has decided to standardise its vehicle fleet using a single supplier. The framework has delivered highly beneficial rates for the hire of non-specialist light vehicles, particularly when vehicles are hired over an extended period and this mechanism will deliver the projected saving for this phase of the project. The use of a single supplier will ensure economies of scale benefits, reduced contract administration burden and also provide additional benefits with regard to fleet management. The evaluation process was undertaken through a direct award under the all wales framework, after an initial dialogue with framework suppliers had been undertaken to clarify pricing and value added benefits.

- 3.02 **Phase 2** - By introducing a Demand Planning or a Logistics approach with a centralised role which provides vehicles as they are needed, rather than permanently supplying vehicles for service users to utilise when work dictates (and standing idle in between), the projected number of vehicles required across all service areas has been considerably reduced. The current expected reduction is between 15–20% of the light fleet which will deliver the projected saving for this phase of the project.

This reduction in vehicle numbers would reduce further if the supply and management of vehicles were controlled by an external partner who could supplement the Council's service with external demands to further increase utilisation.

Impact on the Workshop – Phases 1 & 2

- 3.03 A Risk Assessment of the Authorities service and inspection arrangements has greatly reduced maintenance needs through operating a more modern fleet and this together with the lower number of light vehicles in the fleet has resulted in the workshop workload falling to a level that requires 3 less staff (mechanics).
- 3.04 Extensive work has been undertaken to identify options to increase the workload in the workshop by considering the following options:-
- 3.04.1 Reducing the volume of work which is currently carried out by outside private companies on the current fleet. A full review of all previously externalised work has been carried out jointly throughout the consultation with the staff from the workshop and has resulted in work being brought back "in-house". The projected level of staff needed within the workshop to carry out this work has been taken into account when calculating the FTE requirement.
- 3.04.2 Consideration has been given to partnerships with other public or private organisations. Contact with appropriate organisations has been made through regional fleet managers' forums but there are no realistic options to pursue at this time. The option to take on private contract work was considered to be too high a risk, given that the limited workshop resources are already stretched at peak times (such as snow conditions) and during this period any private work would need to be considered as a second priority. This would create challenges to long term relationships and it would be difficult to honour the terms of any contract in these circumstances.
- 3.04.3 Consideration has been given to whether FCC could carrying out Taxi Testing and potentially general MOT's within the current workshop and whilst there would be some marginal benefit in Taxi Testing and other licensing related inspections, the overall impact on FTE within the workshop is small (increase of less than one FTE). Providing

general MOT's would require changes to the workshop configuration to provide viewing areas and waiting/parking areas would also be required in the new depot buildings. Carrying out general MOT's would also have an impact on local businesses and would be subject to the volatility of the market place.

Summary of Findings

- 3.05 The net position following the introduction of Phases 1 & 2, in terms of the workshop staff, is 3 FTE below original levels (the workshop originally employed 12 mechanics). The level of engagement from the workforce and their willingness to support and improve the position of the service, including the maintenance function, has mitigated any reduction below this level. The service received sufficient volunteers from staff within the workshop under the current VR scheme to accommodate this reduction and three members of staff have now left the authority.
- 3.06 In order to protect the workload of the remaining workshop staff, a single contract and the engagement of a single partner for the supply, management and maintenance of all the Council's operating fleet is therefore recommended with the servicing, inspection and repair of the vehicles continuing to be provided in house by the Authority's own workshop.
- 3.07 A mechanism will be built into the contract to review the maintenance arrangement for the new fleet. Should both parties agree that further added benefit could be accrued by including maintenance operations within the contract; the workshop staff will TUPE transfer to the new partner.
- 3.08 Phase 3 applies the same hire principles as have already been introduced in Phase 1 for the light fleet to the HGV / Specialist fleet and will also introduce some spot hire for specialist vehicles, which will generate additional financial savings. The existing working practises that provide the flexibility for maintenance arrangements (i.e. out-of-hours repairs) will also reduce the need to hold a number of expensive spare vehicles. The workforce has committed to support these working practices through cover from within the 3 shifts that currently cover the existing operating hours.
- 3.09 The use of an external partner in the manner suggested will ensure the identified Phase 3 savings can be achieved or exceeded
- 3.10 The value of the work undertaken by the workforce during the consultation process should not be underestimated and it is recognised by management that this approach and commitment should be used, captured and replicated widely across the service area, to reinforce employee engagement and recognise efficiency opportunities.

- 3.11 The form of contract will be critical in protecting both workshop and support staff, as well as the future service delivery to the Council. It is recommended therefore that a specialist is engaged to make recommendations on the type and duration of the contract required in order to ensure the Council gains maximum benefit from the new arrangements.

4.00 RECOMMENDATIONS

- 4.01 That Cabinet note the progress made of Phases 1 and 2 of the Fleet Review.

- 4.02 That Cabinet note the professional and positive approach taken by the workforce within the workshop to support Phases 1 and 2 and the input they provided into the process to deliver the proposals for Phase 3 contained within this report.

- 4.03 That Cabinet approves implementation of Phase 3 of the Fleet Review through the following means –

By the progression of a partnership arrangement for the supply, management and maintenance of all the Council's fleet under a single contract, whilst continuing to provide maintenance and repair facilities for the Council's fleet in-house. Delegated authority to finalise the term, starting date and to implement the contract is provided to the Chief Officer Streetscene and Transportation, following consultation with the Deputy Leader and Cabinet Member for Environment.

- 4.04 That Cabinet approves the commissioning of a specialist to provide advice on the most beneficial type of contract for Phase 3 of the project.

5.00 FINANCIAL IMPLICATIONS

- 5.01 The overall Council Fleet cost in the baseline budget is £6.100m and it is anticipated that the annual saving from the implementation of the revised Phase 3 option detailed in this report is £231k

- 5.02 The current estimate for the total savings generated by the three phases of the Fleet Review is £1.3m p.a..

6.00 ANTI POVERTY IMPACT

- 6.01 None.

7.00 ENVIRONMENTAL IMPACT

- 7.01 The 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 The introduction of the contract will result in the TUPE transfer of two members of support staff to the successful partner following the tendering exercise. Should staff not wishing to transfer may be retained within the service subject to the availability of a suitable position. All employees transferring to the new Partner will retain their existing terms and conditions under TUPE legislation.

- 9.02 An annual review of the continued in-house provision of maintenance/repairs will be undertaken under the terms of the contract. Should the arrangement be considered to be not operating effectively, the staff will transfer to the successful partner under the TUPE legislation. A further report to the Cabinet will be provided before this transfer takes place.

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.
- 11.03 With Workshop staff and Trades Unions

12.00 APPENDICES

- 12.01 None

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

Contact Officer: Steve Jones
Telephone: 01352 704700
Email: Stephen.o.jones

This page is intentionally left blank