

## CABINET

<b>Date of Meeting</b>	Tuesday, 22 <sup>nd</sup> January 2019
<b>Report Subject</b>	Update on the Fleet Contract
<b>Cabinet Member</b>	Cabinet Member for Streetscene and Countryside
<b>Report Author</b>	Chief Officer (Streetscene & Transportation)
<b>Type of Report</b>	Strategic

### EXECUTIVE SUMMARY

In 2016, Cabinet approved the implementation of Phase 3 of the Countywide Fleet Review and the award of a 7-year contract with a single external supplier for the supply, management and maintenance of all the Council's fleet, whilst retaining the in-house workshop staff, who would carry out the maintenance activities on the vehicles on behalf of the contractor.

In May 2016 a report was provided to Cabinet, with details of the outcome of the tender exercise to source a partner organisation to provide and manage the County's fleet of vehicles and the new contractor commenced their operations in Alltami Depot in October 2016.

Cabinet requested that regular reports be brought back to Cabinet over the life of the contract, in order to keep Cabinet informed on the progress of the contract.

This report provides Cabinet with details of progress after the first two years of the contract, along with an evaluation of the efficiencies delivered by the change in deliver method.

### RECOMMENDATIONS

1	That Cabinet is assured that the new fleet working arrangements are achieving the objectives agreed prior to awarding the Fleet Contract.
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## **REPORT DETAILS**

<b>1.00</b>	<b>BACKGROUND TO THE FLEET REVIEW</b>
1.01	The Fleet Review commenced in 2011, and reviewed both operational and strategic fleet functions. £0.872m in efficiencies were achieved from the Fleet Review from 2013/14 to 2015/16. This was delivered over 3 Phases with Phase 3 of the project contracting a partner organisation to provide and manage the County's fleet of vehicles.
1.02	Following Cabinet approval in September 2014, a tender exercise was undertaken through an existing procurement framework, to source a partner organisation to provide and manage the County's fleet of vehicles.
1.03	Following an extended period for tender submission and a significant number of clarification questions only one tender was received from Essential Fleet Services (EFS).
1.04	This single submission allowed Flintshire County Council to clarify a number of issues with the supplier surrounding their submission, and in May 2016 a report was taken to Cabinet recommending to award the contract and this was approved.
1.05	Further discussions took place to create a secure funding model beneficial for both parties, and the contract was awarded and started on 2 <sup>nd</sup> October 2016.
1.06	Since the start of the contract, both the operation and supplier continued to be supported throughout by Streetscene & Transportation staff based at Alltami, with regular monthly senior management meetings being held and attended by the Chief Officer.
1.07	In August 2017, EFS internally merged with a sister company and the supplier changed its operating name to Go Plant Fleet Services (GPFS).
1.08	A new Fleet Manager for the Council was appointed in January 2018, who has established himself well within the service and worked closely with GPFS to deliver the benefits of the contractual arrangement.
1.09	The benefits of the contract, as described in the May 2016 report, are set out in the following points.
1.10	<p>Anticipated Financial Benefits:</p> <ol style="list-style-type: none"><li>1. Total Cumulative Savings from Year 1 through to Year 7, including calculated avoided costs by the Authority, are in excess of £2.5m, against existing budget figures.</li><li>2. The contract is set up to share the benefit of additional income introduced to the workshop and any future efficiencies during the life of the contract.</li><li>3. The Council will gain from migrating existing costs to the contract, in the form of staff secondment.</li><li>4. The Council will gain from back office efficiencies, released through the engagement of a single supplier (reduced processing and management of systems).</li></ol>

	<p>5. The Council will gain from the surety of avoiding costs, such as fleet investment and inflationary pressures, throughout the life of the contract.</p>
1.11	<p>Current position in relation to Financial Benefits:</p> <ol style="list-style-type: none"> <li>1. In the first year of the contract, the contract was extended to 8 years in the initial period, for a further discount of £50k per annum.</li> <li>2. Interruptions in the mobilisation of the contract due to personnel changes in both parties have limited the expansion of external work, however this has been offset due to temporary reductions in establishment figures within the fleet workshop workforce. This has resulted in achieving a saving of £19k and £34k in 2016/17 and 2017/18 respectively. Savings have been incorporated in the 2019-20 budget proposals which will be achieved through undertaking external works within the Council's workshop.</li> <li>3. The secondment of an officer to the contract did not take place, due to demands of the service and the support required to mobilise the contract. This saving was not realised.</li> <li>4. Significant reductions in financial transaction have been seen, beyond those anticipated, since the introduction of the contract. A reduction of over 10,000 invoices per year in the service area have been seen, with the non-cashable saving of approximately £450k being the result - from year 2 onwards.</li> <li>5. The fixed price nature of this contract ensures against inflationary pressure from fleet investment and other procurement pressures covered within the contract. With RPI for 2017 being 3.6% and higher than expected, this cost avoidance is identified as £108k.</li> </ol>
1.12	<p>Anticipated Service Benefits:</p> <ol style="list-style-type: none"> <li>1. A partnership with an organisation with vast experience and expertise in the procurement and maintenance of large fleets for both the public and private sectors, who have over 3,500 specialist vehicles on fleet, supported by an infrastructure of 18 service centres. These facilities are centres of technical expertise for the maintenance of a wide range of fleet, from large heavy goods vehicles to light commercial vehicles.</li> <li>2. The proposed partner organisation currently serves over 70 clients across the UK.</li> <li>3. A clear "Demand Planning" strategy implemented across the whole authority's fleet.</li> <li>4. Through training and development, best practice experience of running workshops efficiently would be shared with Flintshire County Council staff. This experience will optimise the workshop by identifying the right tools and diagnostic equipment.</li> <li>5. The contract price includes all of the costs associated with bringing the Council's fleet to a Euro 6 standard.</li> <li>6. The partner organisation's management team have extensive experience of O Licence compliance.</li> <li>7. A 'one stop shop' solution for fleet provision and maintenance, freeing up internal resource and reducing administration and associated costs.</li> <li>8. Dedicated on-site management through a team responsible for the contract.</li> <li>9. Workshop efficiencies through setting industry standard repair times</li> </ol>

	<p>for the Council workforce and staff. The partner organisation has committed to share any efficiencies obtained (against the fixed price) on a 50/50 basis.</p> <p>10. Supply chain management from an established national supply chain infrastructure, with the commitment to use local labour, along with a local supply chain strategy.</p> <p>11. Price certainty through a contract structure which is not index linked, (with the partner organisation absorbing all inflationary rises).</p> <p>12. The partner organisation has also set targets for the generation of third party business through the workshops (with the Council to be paid for hours used). This seeks to protect (and if possible, create) jobs; unlocks further income potential and contributes to the economic regeneration of Flintshire.</p> <p>13. Community benefits via the donation of staff hours and equipment.</p> <p>14. The Council now operates a brand new fleet of vehicles (gritters, refuse vehicles etc.), following the provision of new vehicles by the partner.</p>
1.13	<p>The majority of these anticipated service benefits have been realised through the very nature of employing a partner to support the authority, although there have been delays in the roll-out of the “Demand Planning” strategy and the generation of third party business due to changes in personnel, the fleet has been replaced by 60% of GPFS vehicles as it currently stands. The fleet of vehicles now includes 55 EURO VI vehicles which is estimated as cost avoidance of a further £385k which would need to be spread over the remaining life of the contract.</p>
1.14	<p>The anticipated Total Cumulative Saving of Fleet Contract by Year 2 was originally envisaged to be £496,106, with the in-year saving being £232,842.</p> <p>The actual Total Cumulative Saving of Fleet Contract by Year 2 (FY17/18) is calculated as £1,134,912, however, this is made up by the much improved position of non-cashable savings provided in large from the reduced processing of invoices.</p>
1.15	<p>In May 2018 an Internal Audit review of the contract was undertaken at the request of the Chief Officer as a matter of good practice. This has identified areas where the authority needs to work more closely to ensure activities, such as the implementation of the Demand Planning regime, becomes embedded in service area’s review processes, and that advice and information from the Fleet Team and the partnering contractor are acted upon to improve utilisation and efficiencies. As a result of the audit, concerns or disputes relating to fleet numbers and utilisation figures are escalated to the Contract Review Meeting, for the Service Area Manager’s concerns to be heard and agreement to be reached.</p>
1.16	<p>The Audit report also highlighted concerns that have come about due to the contractor’s change of company name and status and the Legal Team are resolving these issues. An Action Plan is in place to resolve all outstanding issues highlighted in this report.</p>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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2.01	No implications, other than those detailed in this report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	With Cabinet Member.
3.02	With Fleet Contract Partner at regular contractual meetings.
3.03	Environment Overview and Scrutiny reviewed the progress of the contract at their meeting in January 2019.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	As part of the management of the contract, internal Audit were invited to review the contract management and the service delivery in June 2018.

<b>5.00</b>	<b>APPENDICES</b>
5.01	None.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	<b>Contact Officer:</b> Stephen O Jones – Chief Officer (Streetscene & Transportation) <b>Telephone:</b> 01352 704700 <b>E-mail:</b> stephen.o.jones@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>EURO VI</b> - This is the latest diesel engine emission legislations being driven by the European Commission. Since 1993, when the very first 'Euro 1' legislation was introduced for trucks and buses, the European Commission has regulated the amount of pollutants coming out of the exhaust of a diesel engine. In particular, the Commission identified two key constituents within the exhaust stream - Oxides of Nitrogen or 'NOx', and 'Particulate Matter' (basically soot particles) - as being harmful, and which needed to be controlled and reduced. As a result, over the past 20 years, European engine makers have invested heavily in developing new technology which has seen the levels of NOx and PM (as well as other elements such as unburnt hydrocarbons) in the exhaust of all new diesel engine trucks and buses falling dramatically, with a consequent improvement in air-quality. Such has been the response of the manufacturers to the challenge of reducing exhaust emissions that the air coming out of the exhaust of a Euro 6 diesel engine is cleaner than ever before, with permitted NOx levels reduced by 75% compared with the previous Euro 5 standard. And due to changes

governing the way particulates have to be measured, the reduction in PM is closer to 99%. The arrival of Euro VI also sees the cost of manufacturing and the incorporation of these new technologies, passed on through to the customer, and in some case increases in excess of £10,000 for like-for-like vehicles have been seen.

**Demand Planning:** This is a business-planning process that enables the supplier to create reliable and agreed forecasts, as an input to service planning processes, logistics, and supply chain management for vehicle provision and associated resources. Effective demand planning can guide users to improve the accuracy of service planning and budgetary forecasting, whilst aligning inventory levels with peaks and troughs in demand, and enhancing efficiencies for a vehicle provision and service delivery.