

Report

3

Report to:	Performance and Review Scrutiny Forum
Date of Meeting:	22 March 2011
Report by:	Executive Director (Community Resources)

Subject:	Review of Fleet Services
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ advise the Performance and Review Scrutiny Forum on the outcome of an Alternative Service Delivery Review of Fleet Management and Vehicle Maintenance, both of which are service elements of Fleet Services.

2. Recommendation(s)

2.1. The Performance and Review Scrutiny Forum is asked to approve the following recommendation(s):-

- (1) that the review by Grant Thornton, Consultants, including confirmation that there was no evidence to support that outsourcing of Fleet Management or Vehicle Maintenance would provide operational improvements or savings, be noted.

3. Background

3.1. The Executive Committee, at its meeting on 9 September 2009, considered a report based on findings by Grant Thornton, Consultant. The report identified those services which could potentially benefit from an alternative method of service delivery and/or opportunities for increased efficiency. Fleet Services was identified as one such service. Grant Thornton was therefore engaged to undertake a review of the delivery of the Fleet Management and Vehicle Maintenance elements of the service and identify any potential alternative method to deliver these services in a more efficient or effective manner.

4. Current Position

4.1. Fleet Services is a significant Trading Organisation with an annual expenditure budget exceeding £20 million. Although it has a support function its performance has a direct impact on the ability of a wide range of Council services to provide services to the public.

4.2. Fleet Services currently manage and maintain over 1300 vehicles and items of plant each year. Over 280 of these vehicles weigh over 3.5 tonnes and are therefore subject to specific statutory obligations under the Council's operating licence. Fleet Services also provide passenger transport services to Education and Social Work Resources. Due to ongoing efficiency improvement initiatives within this part of the service it was agreed not to include the passenger transport element of Fleet Services in the scope of the review.

An indication of the diversity and purpose of the Council's fleet includes:

- ◆ Small/Light vehicles
Cars and small vans providing a range of services from Social Work Homecare to Road Inspections
- ◆ Medium vehicles
Vans, mini buses and specialist vehicles providing services including passenger transport, grounds maintenance, housing repairs and street lighting maintenance.
- ◆ Large/Heavy vehicles
Including refuse collection, winter roads maintenance, library vehicles, general roads maintenance and street cleansing services
- ◆ Plant
Specialist road construction equipment, tractors, trailers, mechanical diggers, loading shovels, grounds maintenance equipment and mobile play equipment.

4.3. Fleet Management functions include; maintaining compliance with the statutory requirements of the Council's Operators Licence, scheduling the fleets maintenance and MOT and other statutory events, managing road tax, provision of fuel and management of fuel supply, processing insurance work, fleet procurement, advice and support, Service Level Agreement and monitoring and fleet sustainability.

4.4. In regard to fleet workshops there are a range of vehicle maintenance activities carried out which includes full maintenance and servicing of the fleet and mobile plant, MOT inspections, recovery and breakdown services for Council vehicles at anytime (day or night), taxi and private hire car compliance testing, 24/7 support to the roads winter maintenance service and provision of an on site plant servicing and repair service.

5. Scope of the Review

5.1. The scope of the review focussed on the following areas:

- ◆ Financial Performance
- ◆ Operational Performance
- ◆ Best Value Review
- ◆ Alternative methods of Service Delivery

5.2. Financial Performance

5.2.1. For the previous three financial years (including Passenger Services) Fleet Management and Vehicle Maintenance achieved the following surplus levels:

<i>Year</i>	<i>Actual Surplus</i>	<i>Budgeted Surplus</i>
2007/8	£213k	£197k
2008/9	£188k	£249k
2009/10	£457k	£253k

5.2.2. Areas covered in the financial review included an assessment of income and expenditure streams (fuel, repair costs, casual hire, contract hire, operating lease, value added tax, analysis of capital allowances)

5.2.3. There were no particular areas of concern identified by Grant Thornton in their analysis of the three years trading performance. Comment was provided however that Fleet Services had achieved on average reduction of 18% in lease costs through actively managing the fleet procurement method over the past two years.

5.3. Operating Performance

5.3.1. This section of the review analysed, in particular, our comparative benchmarking performance through APSE where, for the first time, a submission was made covering trading performance for 2008/9.

5.3.2. Due to the inherent differences in the manner councils operate their fleets and recover costs for their Fleet Services, the performance indicators are of limited value. That said, Fleet Services performed well in terms of the annual maintenance charge per vehicle (the Council was the lowest in Scotland at £1638 compared to an average of £3805) and staff and front line levels of absence of 3.5% against a Scottish average of 5.12%.

5.3.3. Areas of service improvement identified included:

- ◆ Extension of the fuel strategy utilisation “pilot” study to other areas of the fleet
- ◆ Extend information to client groups to further explore ways to increase vehicle utilisation
- ◆ Increase investment in training and equipment in order to retain work in house
- ◆ Review workshop capacity to assess ability to perform additional services

5.3.4. All of these initiatives are currently being progressed or implemented.

5.4. Best Value Review

5.4.1. Fleet services were subject to a Best Value Review during 2005/6. The review was comprehensive and considered the option of complete outsourcing which was fully rejected due to:

- ◆ The level of capital and revenue investment made by the Council on vehicles, depots and employees
- ◆ The potential lack of control and flexibility to users
- ◆ The lack of market potential to maintain a fleet of its size and diversity belonging to the Council

5.4.2. The 2005/6 Best Value Review of Fleet Services was incidentally assessed as part of the Grant Thornton review, its content and conclusion being fully validated.

5.5. Alternative Methods of Service Delivery

5.5.1. The review considered three alternative delivery models which included;

- ◆ Full Outsourcing
- ◆ Partial Outsourcing
- ◆ Shared Service/Joint Working

5.5.2. In terms of **full outsourcing** Grant Thornton concluded that there was no evidence that outsourcing the full fleet service and maintenance function would provide savings or improvements in service delivery.

5.5.3. In relation to **partial outsourcing** acknowledgment is made within the Grant Thornton review of a previous market testing exercise in the Clydesdale area. The contract tendered was for the maintenance of the Councils Clydesdale fleet. In total four bids were submitted but none met the required Council specifications. It is therefore the view of Grant Thornton that a further market testing exercise is unnecessary due to this previous market testing exercise

The review also identified the significance and added value attained from an in house service provision in terms of flexibility and prioritisation of work. This being particularly evident during periods of adverse weather when resources are immediately deployed to support the corresponding increased demand on the fleet.

5.5.4. In terms of **shared services / joint working**, (Fire/Police/Ambulance), several areas have been considered but have been put on hold to allow the work of the Clyde Valley Shared Services Group to conclude and deliver its own recommendation. In light of developments within the shared services agenda it is now proposed to review the current situation and reassess the potential for joint working with interested parties.

6. Employee Implications

6.1. There are no employee implications relative to the report.

7. Financial Implications

7.1. There are no recurring revenue implications relative to the report.

8. Other Implications

8.1. The Grant Thornton report acknowledged the key role that Fleet Services has in helping to deliver the Council's Sustainable Development Strategy and in particular the objective to reduce the Council's direct greenhouse gas emissions. Since 2005/06 Fleet Services has achieved an average annual reduction in emissions of 2.3% and this trend is set to continue as a result of further carbon reduction initiatives including vehicle tracking, optimisation of passenger transport resources, procurement of fuel efficient vehicles and electric pool cars.

8.2. All of the alternative service delivery methods evaluated would expose the Council to a number of unquantifiable risks in terms of business continuity, increased cost, service flexibility, and ability to meet sustainable development objectives. Although it may have been possible to manage these risks, the review concludes that there is no evidence that there would be any improvements in terms of cost or service delivery.

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy and, therefore, no impact assessment is required.

9.2. There was no requirement to undertake consultation in terms of the content of this report.

Norrie Anderson
Executive Director (Community Resources)

8 February 2011

Link(s) to Council Objectives and Values

- ◆ Accountable, effective and efficiency
- ◆ Vision and strategic direction (sustainable development priority)

Previous References

- ◆ None

List of Background Papers

- ◆ Executive Committee 9 September 2009

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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