

**REPORT TO** POLICY AND RESOURCES COMMITTEE - 27 JUNE 2011  
**REPORT ON** INTEGRATION OF FLEET MANAGEMENT  
**REPORT BY** DIRECTOR OF CONTRACT SERVICES  
**REPORT NO** 302-2011

## **1. PURPOSE OF REPORT**

- 1.1. As part of the Corporate Improvement Programme, the Strategic Management Team remitted the Director of Contract Services to lead a working group tasked with planning and overseeing the implementation of a corporate approach to fleet management. This review was tasked with developing the findings of a Best Value Review of Transport and Fleet Maintenance; report 202-2010 to the Improvement and Efficiency Sub Committee of 30 March 2010.
- 1.2. This report provides an update on progress to date and sets out a strategy for implementing the proposed changes along with an indication of the potential financial implications and savings which might be achieved.

## **2. RECOMMENDATIONS**

- 2.1. That Committee note the contents of this report and agree to:
- The establishment of a corporate fleet management function;
  - The adoption of a fleet hire function; and
  - A three phased implementation strategy as set out within this report.

## **3. FINANCIAL IMPLICATIONS**

- 3.1. One off costs of £163k are anticipated within the first year with recurring costs of £38k per annum.
- 3.2. Estimated annual net revenue savings of £425k can be realised by the introduction of these recommendations.

## **4. BACKGROUND**

- 4.1. Dundee City Council currently operates a combined fleet of 519 vehicles. These vehicles are procured, managed, maintained and operated in a variety of different ways by seven user departments as follows:
- |                         |          |            |
|-------------------------|----------|------------|
| • Contract Services     | -        | 232        |
| • Waste Management      | -        | 121        |
| • Leisure & Communities | -        | 62         |
| • Social Work           | -        | 56         |
| • Education             | -        | 27         |
| • City Development      | -        | 17         |
| • Housing               | -        | 4          |
| <b>Total</b>            | <b>-</b> | <b>519</b> |
- 4.2. Waste Management, Leisure and Communities and Contract Services operate a variety of large items of specialist motorised plant including street sweepers, ride on mowers, excavators etc. There are a further 95 items of such plant, all of which require to be road taxed.
- 4.3. The Best Value review identified the costs associated with the procurement, maintenance and operation of all of the above fleet amounted to some £4.59m per annum for the year 2009/10. This includes fuel costs but excludes the costs associated with staff travel and school transport although it does include school mini-buses.

- 4.4. In addition to the above fleet, Contract Services and Leisure and Communities operate and maintain a variety of small items of plant and equipment for ground maintenance and construction related activity. In total there are approximately 600 items of such plant, the majority of which are maintained by Contract Services at their Caird Park workshop. For the purposes of this report, these have been excluded from this review although it is intended to integrate their management and maintenance within the scope of the proposed new centralised fleet management section.

## **5. PROPOSED DELIVERY MODEL**

- 5.1. In order to ensure operational efficiency in all aspects from procurement of fleet through to disposal, it is proposed to centralise the management of fleet across the council. This will enable a consistent corporate approach to be taken and is expected to generate significant efficiency savings. It is proposed that responsibility for the management of fleet on behalf of the council will rest with the new Environment department.
- 5.2. The fleet manager will act as the Asset Manager for the council's fleet and will input and report into the proposed corporate asset management group on performance and policy. It is proposed to operate on the basis of a corporate fleet hire desk on behalf of all council departments. This will provide both long and short term hire facilities based upon Service Level Agreements to be developed with user departments. Consideration will require to be given to vehicles currently owned by departments in the short term.
- 5.3. The fleet manager will be responsible for ensuring the most efficient procurement route is adopted for all new items of fleet, in consultation with the Council's Procurement team, and for ensuring its subsequent management, maintenance and disposal. This will include responsibility for ensuring compliance with all legal and safety obligations in relation to council vehicles. The fleet manager will be responsible for ensuring that vehicle availability and specification meets with user departments' requirements.
- 5.4. User departments will be responsible for ensuring that fleet utilisation is optimised based around the service they are providing. It is intended that the fleet manager will ultimately take on the role of "transport controller" and will establish and manage a system for monitoring and reporting to user departments and through the corporate asset management group to SMT on fleet utilisation. This will assist user departments in the optimisation of fleet.
- 5.5. It is proposed to undertake the move to a corporate fleet management system in three phases. Phase 1 would see the physical bringing together of all vehicle workshops at Marchbanks and the integration of staff and operatives from Waste Management and Contract Services into the new fleet management team. This would be undertaken at the same time as the implementation of the corporate restructuring of the council in July 2011. Phase 2 would involve bringing the remainder of the council's fleet under the control of the new fleet manager and the introduction of the fleet hire arrangements. It is expected that this could be achieved within six to nine months of Phase 1 being completed. Phase 3 will involve the development of the "transport controller" role and will be implemented as early as possible once the necessary systems and IT software is established.

## **6. FACILITIES**

- 6.1. At present the council has three operational workshops engaged in the maintenance of the majority of its fleet. These workshops are based at Marchbanks, Clepington Road and Caird Park and undertake the maintenance of 374 vehicles and the 95 items of major plant. In addition, 65 council vehicles are maintained by Tayside Contracts at their workshop in Clepington Road and a further 80 vehicles are maintained by the private sector.
- 6.2. The existing workshop at Clepington Road is old and in very poor condition. The building is clad with exposed asbestos roof and wall panels some which are prone to physical damage and deterioration. This workshop also incorporates the council's taxi testing and MOT facility. Attached to this workshop is a Blacksmith's workshop which is also considered to be in very poor condition.

- 6.3. The Caird Park workshops are used to maintain all ground maintenance vehicles as well as all of the council's ground maintenance plant and equipment. These workshops are converted farm buildings with a very poor physical layout resulting in a number of operational inefficiencies. These buildings are also considered to be in a poor condition and consideration is required for their replacement.
- 6.4. The Marchbanks workshop is the most modern and well equipped of the council's workshop facilities and it is proposed that the council look to centralise its vehicle workshop function around this facility. Marchbanks currently maintains all waste management vehicles and plant. This facility also incorporates a Blacksmith's workshop and specialist paint spray booths for the maintenance of vehicles. There are presently 8 workshop bays available at Marchbanks.
- 6.5. The existing Marchbanks facility is considered, with some minor alteration, to be large enough to accommodate all of Waste Management, Contract Services and L&C vehicles. It is estimated that a total of 12 workshop bays, based on a 37 hour week, would be required to accommodate all of these vehicles. This could be created by the relocation of the blacksmiths workshop and the doubling up of ramps in certain areas or alternatively through the introduction of a shift based pattern of working. Operationally it is desirable to bring together the Blacksmith's facilities currently housed at Marchbanks and Clepington Road. It is therefore proposed that this option be developed further. In the short term the blacksmith at Marchbanks will be integrated with the blacksmiths at Clepington Road until a new facility can be developed. The cost of temporarily relocating the blacksmith from Marchbanks and converting the resultant space for workshop bays is estimated at £23k.
- 6.6. However, in order to accommodate the entire Council fleet at Marchbanks, more significant alterations would be required. Again a shift based system of working could be introduced to increase utilisation of the available workshop bays. A cost benefit analysis is required to determine the most appropriate option for phase 2.
- 6.7. Although the workshops at Marchbanks could be developed to include all of the council's fleet, the external areas for the parking and movement of waste management's operational fleet is currently congested and restricted by the available yard space. Consideration needs to be given to reorganising the Marchbanks facility to free up the required space and to allow this to operate efficiently.
- 6.8. It is proposed to undertake the integration of the workshop facilities in two phases. Phase 1 would see the integration of the Clepington Road workshop with the workshops at Marchbanks. This would exclude the taxi testing and MOT facility which would remain in the short term at Clepington Road.
- 6.9. Phase 2 would involve bringing all other council vehicles to be maintained at Marchbanks along with the taxi testing and MOT facility. Whilst the taxi testing facility could be accommodated at Marchbanks other possible options exist. Consideration needs to be given to the design of such a facility to ensure that members of the public are adequately segregated from operations. The costs associated with the removal of the Clepington Road workshops are estimated at £70k.
- 6.10. Phase 2 would allow the integration of the maintenance of all of the council's fleet and plant at Marchbanks along with the further closure of the Caird Park facility and cessation of maintenance by external organisations. Consideration needs to be given to the options for dealing with the vehicle maintenance function currently undertaken by Tayside Contracts.
- 6.11. The direct savings in running costs and rates associated with the closure of the existing facilities at Clepington Road and Caird Park would amount to some £40k per annum.
- 6.12. The savings associated with bringing the maintenance of all vehicles in-house is estimated to be £25k per annum.

## 7. STAFFING

- 7.1. There are currently a total of 36.4 FTE's employed in the management and maintenance of the council's fleet and all items of plant and equipment.

	<b>Waste Management</b>	<b>Contract Services</b>	<b>Others</b>	<b>Total</b>
Management	2.7	2.0	0	4.7
Operations	13.0	12.0	0	25.0
Support	2.6	2.3	1.8	6.7
<b>Total</b>	<b>18.3</b>	<b>16.3</b>	<b>1.8</b>	<b>36.4</b>

- 7.2. Opportunities exist to reduce the staffing level through the integration of fleet management within a single organisation. Fife Council operates an integrated workshop facility based in Cupar managing a total of 427 vehicles and items of major plant with a staffing complement of 15.5 FTE's. If the operatives in Dundee involved in non-comparable activities are stripped out of the above staffing levels for comparison purposes, Dundee employ around 29 FTE's. Whilst the vehicle mix is not exactly the same, this indicates that an overall staff reduction in the order of 7 FTE's or 24% might be achievable through integrating the management of fleet.
- 7.3. The gross savings associated with the above staff reductions would amount to some £210k per annum although this would need to be offset by any costs in the first year associated with voluntary early retirements etc.
- 7.4. In order to manage the fleet asset effectively it is proposed to appoint a Fleet Manager with overall responsibility for that function. The fleet manager would be assisted by an officer responsible for the workshops and an officer responsible for the hire function and fleet management. A detailed staffing structure is to be developed on appointment of the fleet manager.
- 7.5. Developing the fleet manager's role to include responsibility for the management of fleet utilisation across the council is considered key in achieving one of the main areas where savings can be realised. At present there is insufficient information to accurately predict the current level of under-utilisation, however anecdotal evidence suggests that savings in the order of 10% might be achieved through the greater optimisation of the fleet asset. If achieved, this could realise savings in the order of £200k per annum. Further savings on fleet utilisation could be achieved through the introduction of a shift based system of working for maintenance operatives. This would enable vehicles to be serviced and repaired outwith normal operating times allowing a reduction in the number of spare vehicles held corporately.
- 7.6. There is a lack of experience within the council of a corporate fleet management function and the operation of a fleet hire function. This could inhibit the integration programme and assistance is required to help drive forward the changes required in fleet management over the next year or two. In order to bridge this gap in the short term it is recommended that the council seek to enter into collaboration with Fife Council. Fife Council have undertaken a very similar exercise over the last few years and their Fleet Manager is highly experienced and respected within this field. It is proposed that the council work with Fife Council's fleet manager in an advisory capacity to assist in the implementation of the planned changes. It is anticipated that this collaboration will be greatest during the first year although the need for this support will diminish in future years.
- 7.7. A review of the existing terms and conditions of mechanics has confirmed that although all are paid on the same basic craft workers scale, there are three different sets of terms and conditions in place. This means that there are a number of differences in the allowances paid, arrangement of working hours, payment cycles and standby arrangements.
- 7.8. The harmonisation of the terms and conditions for mechanics should be undertaken as early as possible following implementation of phase 1.

## 8. VEHICLE PROCUREMENT

- 8.1. At present the council hires or leases approximately 182 vehicles which equates to 40% of its fleet, mainly in the area of small vans and cars. These vehicles are often used to accommodate a short term requirement, however around 80% of these vehicles are thought to be on long term hire/lease from a variety of external organisations.
- 8.2. An exercise was undertaken for small vans and pick-ups looking at the cost benefit analysis of purchasing versus hire. This concluded that purchasing was the most cost efficient method of procurement of such vehicles and that savings of between around 4% could be achieved. On that basis it is estimated that annual savings of some £16k could be achieved by converting from long term hiring/leasing to purchase. The 4% saving does not take account of repair costs associated with vehicles being returned off hire. This is known to be an area of high risk and therefore the above savings are considered to be conservative.
- 8.3. In making this assessment it has been difficult to gather together all relevant information from user departments that are currently hiring/leasing vehicles. It would appear that there are a myriad of different arrangements in place and that there may in fact be even greater potential for savings in this area. These will be flushed out through the centralised management of fleet.

## 9. MANAGEMENT INFORMATION

- 9.1. In order to effectively manage the fleet asset, it is essential to procure a new integrated fleet management software system. A number of options are currently being investigated in conjunction with IT and a performance specification is being developed.
- 9.2. It is likely that the system will be a bespoke software package and will replace the rudimentary in-house system currently being utilised within Waste Management and Contract Services departments. It is essential that any new system fully integrates with other corporate systems such as Authority Financials. Civica UK Ltd, who have developed the Authority Financials system, have also developed a fleet management software package called Tranman which is one of the market leaders.
- 9.3. If the concept of collaboration with Fife Council is pursued, the introduction of a similar software system to that employed by Fife would offer a distinct advantage. Fife Council have extensively developed the Tranman system to meet their operating needs and it is considered that much of this development would be appropriate for managing the Dundee fleet.
- 9.4. The costs of procuring a new software system are to be clarified but could be in the order of £70k. An allowance of £23k for annual maintenance costs should be made.

## 10. OTHER ISSUES

- 10.1. **Fuel Supply** - The majority of fuel used by the council is purchased in bulk directly and supplied to operational vehicles at the main fuelling stations at Marchbanks, Clepington Road and Caird Park. A recent comparator has shown that the cost of diesel purchased in bulk or from local filling stations is very similar and no savings would accrue from this all being supplied in-house. There is however a difference of around 8.5p per litre for petrol and therefore where appropriate it is recommended that all petrol vehicles are fuelled at the Clepington Road or Caird Park depot which have the infrastructure in place to accommodate this automatically. This capability will also be developed at Marchbanks in the future. However because of the relatively small quantities involved, the likely savings are considered to be relatively small and less than £5k per annum. This excludes fuel used by employees for casual mileage and lease hire vehicles.
- 10.2. **Tayside Fleet Review** – A Tayside wide review of the management and maintenance of fleet is currently underway involving Angus Council, Dundee City Council, Perth and Kinross Council, Tayside Contracts, Tayside Police and Tayside Fire and Rescue. A preliminary study undertaken by the Freight Transport Authority on behalf of the steering group recommends the centring of fleet management operations at three bases within Tayside. The Marchbanks facility has been identified as the most appropriate for the Dundee area. Whilst this body of work has a long way to go before becoming a viable delivery option, it is clear that the current

proposals contained within this report for developing a corporate fleet management approach within the council, will not compromise any longer term Tayside wide proposals should these come to fruition.

- 10.3. **Green Fleet Review** – The previous Best Value review identified the reduction in fuel usage through the adoption of recommendations contained within a Green Fleet Review could realise significant savings. The council spent in the order of £1.4m in 2009/10 on fuel and a 10% saving on this could realise a further saving of £140k. This current review has not explored this in any further detail although the council have implemented in part a number of the recommendations of the green fleet review including:

- Increasing use of bio-diesel;
- Pilot use of electric vehicles;
- Promotion of eco-driving best practice; and
- Introduction of telematics and monitoring of vehicle idling times.

This remains however an important area of work to be developed fully by the new fleet manager to ensure this is developed on a corporate basis to deliver the full extent of potential financial savings and benefits to the environment.

## 11. POTENTIAL SAVINGS

- 11.1. There are a number of areas where corporate annual revenue savings are anticipated as a consequence of the development of this corporate approach to fleet management. Initial estimates have been set against each area and are summarised as follows:

• Facilities	-	£40k
• Staffing	-	£200k
• Vehicle Maintenance Charges	-	£25k
• Utilisation	-	£182k
• Vehicle procurement	-	£16k
<b>Total</b>	-	<b>£463k</b>

- 11.2. Further savings in the region of £140k could be realised through improvements in fuel efficiency and the adoption of recommendations contained within the Green Fleet Review. Further more detailed work will be required by the fleet manager once appointed to identify specific actions and a more robust target for future savings.

- 11.3. In order to realise these savings some upfront revenue investment may be required. The costs of procuring a new integrated fleet management system could be in the range of £70k. There may also be one-off costs associated with any voluntary early retirements or voluntary redundancies that arise from the integration of fleet management staff. Some upfront capital investment will also be required in order to develop an integrated fleet management operation at Marchbanks and to demolish the vacated workshops at Clepington Road. This capital investment would require to be included in the Council's Capital Plan, with the associated revenue consequences being met from the revenue savings identified above.

- 11.4. One off costs as listed below have been identified to enable the changes to be made and the proposed savings to be realised, excluding the cost of any voluntary retirements:

• Software	-	£70k
• Workshop Alterations	-	£23k
• Demolition existing workshops	-	£70k
<b>Total</b>	-	<b>£163k</b>

- 11.5. In addition, recurring costs of £38k per annum will be incurred on the fleet management software support and support from Fife Council, resulting in net savings of some £425k per annum.

**12. POLICY IMPLICATIONS**

- 12.1 The report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

**13. CONSULTATION**

- 13.1 The Chief Executive, the Depute Chief Executive (Support Services), the Assistant Chief Executive and the Director of Finance have been consulted on the preparation of this report.

**14. BACKGROUND PAPERS**

- 14.1 None.

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