



## AGENDA ITEM 6

# OVERVIEW AND SCRUTINY BOARD

21 SEPTEMBER 2010

## REVIEW OF FLEET SERVICES - FINAL REPORT OF THE ENVIRONMENT SCRUTINY PANEL

### PURPOSE OF REPORT

1. To present the Environment Scrutiny Panel's findings following its examination of Middlesbrough Council's Fleet Services.

### INTRODUCTION

2. Streetscene, which is located in Middlesbrough Council's Environment Service, is responsible for the authority's Fleet Services - ie the operation of vehicles and plant across all departments. The scrutiny panel sought to investigate how Fleet Services is organised, its main activities and how services are delivered.
3. The panel investigated this topic over the course of one meeting, held on 30 July 2010. A second meeting was held on 23 August 2010 to consider a draft final report.
4. A Scrutiny Support Officer from Legal and Democratic Services co-ordinated and arranged the submission of written and oral evidence and arranged witnesses for the review. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Legal and Democratic Services.
5. A record of discussions at panel meetings, including agenda, minutes and reports, is available from the Council's Committee Management System (COMMIS), which can be accessed via the Council's website at [www.middlesbrough.gov.uk](http://www.middlesbrough.gov.uk).
6. Information was submitted on this topic by the Council's Head of Streetscene. This report has been compiled on the basis of evidence gathered at the scrutiny panel meetings.

## MEMBERSHIP OF THE SCRUTINY PANEL

7. The membership of the scrutiny panel was as follows:

Councillors Kerr (Chair); Carter (Vice-Chair), Clark, Davison, C Hobson, Hubbard, Lancaster, McPartland and McTigue.

## THE SCRUTINY PANEL'S FINDINGS

8. The scrutiny panel's findings are highlighted under the following categories of information:

- Fleet details.
- The main activities covered by Fleet Services.
- The breakdown between Fleet Management and Vehicle Maintenance and repair.
- The charging regime for departmental vehicle hire.
- Options for revised service delivery.
- Progress following the service review.

### Fleet Details

9. The Council's VOSA operating licence for vehicles in excess of 3.5 tons gross vehicle weight allows for up to 80 large goods vehicles and one trailer. The licence identifies three operating centres for these vehicles, namely Cargo Fleet Lane, Lloyd Street and Prissick Base. The ongoing depot review being undertaken by Streetscene Services will impact on how Fleet Services are delivered in the future. It is imperative that any new depot facility has the capability and capacity to ensure that the Council's vehicle fleet is maintained at the necessary standard.

10. A summary of vehicle types for 2010/11 is shown in the following table:

Vehicle Type	Quantity
Large sweepers	2
Pedestrian sweepers	4
JCB	4
Gritters	6
Buses over 17 seats	6
Compact sweepers	10
Tractors	9
Other	9
Cars & people carriers	13
Tippers 3.5 tonne - 7.5 tonne	18
Small tippers 1.5 tonne	10
Refuse vehicles	18
Large van up to 3.5 tonne	25
Minibuses up to 17 seats	33
Trailers	29
Medium tipper 3.5 tonne	41
Small car- type derived vans	52
Plant	126

11. The current value of the fleet is approximately £1m, with a replacement value of about £5.5m. A review of all existing fleet vehicles took place in 2009. Up until that time a number of vehicles in the fleet were leased. However, a new vehicle replacement programme has now been developed and, following consultation with service managers, new vehicles will be purchased from the capital budget. Costs will then be depreciated over a period applicable to the type and usage of the vehicle. This will be more cost effective than leasing vehicles.

### **Main activities**

12. As the range of vehicles in the table above illustrates, the remit of the Council's Fleet Services function is wide and diverse, although the service essentially operates as a support service to Council user departments. All Council departments now use the Fleet Services function for their vehicular requirements, although there are examples of some schools and community centres operating their own vehicles, such as minibuses.

13. The main activities undertaken by Fleet Services are as follows:

- a) Fleet management - including statutory and legislative requirements in respect of the Vehicle Operator Licence and Vehicle Inspectorate.
- b) Insurance functions.
- c) Vehicle fleet procurement.
- d) Driver training and awareness.
- e) Vehicle condition and driver monitoring.
- f) Vehicle maintenance and repair.
- g) Vehicle testing and licensing.
- h) Stores and stock procurement.
- i) Tyre contract monitoring.
- j) Fuel purchase and issue.
- k) Internal core vehicle hire and charging structures.
- l) External 'spot' vehicle hire (ie short term hire of vehicles to cover those unavailable due to breakdown, accident or maintenance).
- m) Hackney carriage and private hire M.O.T testing service and public MOT testing.

14. The function comprises two main elements - namely fleet management and vehicle maintenance. It also undertakes statutory and regulatory functions for the Council in respect of the Vehicle Operator Licence issued by 'VOSA' (the Vehicle Operating Services Agency)<sup>1</sup>.

15. The scrutiny panel queried the position in respect of public MOT testing, when it was advised that this facility is very popular. This is because the public is aware that the Council offers no public repair services, so would have nothing to gain commercially by failing vehicles at MOT - which may be the perception at some vehicle testing stations. The service is not generally advertised, however, due to the fact that most of the time available for MOT tests is required for hackney carriage and private hire vehicle testing. Capacity for public MOTs is therefore limited. Reference was also made to heavy goods vehicle (HGV) testing, which, for the

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<sup>1</sup> VOSA provides a range of licensing, enforcement and testing services with the aim of improving the roadworthiness standards of vehicles and ensuring the compliance of operators and drivers.

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Teesside area, is currently available only in Darlington. The panel notes that the ongoing review of Council depot provision could possibly result in the Council developing the capacity to undertake HGV testing in Middlesbrough.

16. Details were submitted of the key areas of work of the fleet management and vehicle maintenance and repair functions, as follows:

### **Fleet Management**

17. Fleet Management carries out the statutory and regulatory functions of the Council in terms of the Vehicle Operator Licence, without which the majority of front line services could not function. The service also ensures compliance with the legislative requirements of VOSA - which, in the case of any breaches of licence conditions - has the statutory power to prosecute drivers and immobilise the Council's fleet.
18. It was stressed that ensuring absolute compliance with all requirements of the VOSA operating licence is a key part of the Fleet Services role. Nationally, there have been a number of high profile instances where local authorities have been exposed to risk in areas covered by the vehicle operator's licence and issues of potential corporate manslaughter charges following vehicle accidents have also been well documented. In this regard, reference was made to possible liability issues concerning schools using their own minibuses. It was explained that a potential risk issue relates to schools using non-Fleet Services minibuses. If a vehicle which had been purchased directly by a school was then involved in an accident, the school would need to have sufficient records to satisfy a VOSA or police investigation. If this were not the case, this could represent a risk to the Council.
19. The Fleet Management function also ensures and monitors compliance with existing and new driver and transport legislation such as Driver CPC (Certificate of Professional Competence). Vehicle tendering and procurement, insurance, licensing and statutory testing are also included in this function. All of these issues must be adequately managed in order to protect the Council and Council Officers from undue risk.
20. The terms of the Vehicle Operator Licence require the Council to employ a professionally qualified person to manage the vehicle fleet. Middlesbrough currently has two such qualified members of staff, and a training programme is in place for succession planning.

### **Vehicle Maintenance and Repair**

21. The Vehicle Maintenance function provides a scheduled maintenance facility for all of the Council's fleet of vehicles, plant, and equipment. The service also provides an immediate response to non-scheduled repairs, accidental damage or breakdowns.
22. Prior to the 2009 review outlined above, the maintenance and repair service had offered limited flexibility in terms of operating hours because the service had traditionally worked largely similar hours to service user departments. This had been found to result in high levels of vehicle down time and/or replacement vehicle hire costs, essentially because vehicles were being maintained within core working time.

23. An examination of the economy, efficiency and effectiveness of the vehicle maintenance operation was undertaken as part of the thorough review process. This determined that, if the vehicle maintenance function was to continue to be provided in house, high levels of service and value for money for user departments would need to be demonstrated. In order to minimise vehicle and equipment down time, and also to reduce hire costs, the service would also have to include sufficiently high levels of flexibility in terms of its operation.

### **Charging Regime**

24. As a result, the methodology for charging user departments for fleet management and vehicle maintenance operations had also been the subject of a full examination. Details were submitted to the scrutiny panel of the charging regime that had been developed as a result. It was explained that, historically, an annual fixed 'Core Hire Charge' was applied to each vehicle. This charge included vehicle purchase, fleet management and vehicle maintenance charges but was not considered to provide sufficient fairness or transparency of costs to enable user departments to effectively manage their fleet costs.

25. It was also determined that this charging system - which effectively operated as a vehicle hire arrangement - did not instil a sense of vehicle ownership into user departments. Also, it did not ensure that service managers had accountability for effective vehicle and fuel usage, appropriate management of unfair wear and tear, or abuse of vehicles by drivers. In essence, vehicle maintenance and repair services were operating using vehicles and equipment to which they had become accustomed, with little or no thought given to modernisation of the system.

### **Options for Revised Service Delivery**

26. Following detailed review by the Head of Streetscene, the Council's Executive had considered two options for future service delivery, as follows:

- Option 1 - Continuing to provide an in house fleet management and vehicle maintenance operation.
- Option 2 - Outsourcing all or some of the service. This would principally involve national municipal vehicle specialists tendering for this type of work, usually operating from Council premises. In addition, more local suppliers could provide some of the smaller and more common vehicles within the fleet.

27. The review by Streetscene concluded that continuing to provide an in house service would ensure that the requirements outlined from paragraph 13 onwards were satisfied. In particular, it was considered that an in house service would provide value for money as well as reducing the Council's exposure to risk. A further strength of this option is in sharing the cost of the service across as many vehicles as possible and in ensuring that risks associated with the statutory and legislative risk elements of the Fleet Management function are mitigated. In house provision also ensures that the Council's vehicle tendering and procurement, insurance, and licensing requirements, along with all statutory and legislative functions, are adequately addressed.

28. In addition, it was considered that any fragmentation of the operation by outsourcing the smaller vehicles would not decrease the cost of managing the remaining fleet, which would then need to be shared across a smaller vehicle base. There was also some doubt as to whether smaller vehicle providers could provide the same levels of response or flexibility as the in house service. Furthermore, any fragmentation of the service could expose the Council to a greater element of risk. This option would also remove an element of control from the Council, in terms of the statutory and legislative elements of the Fleet Management function and also the operation of the taxi operator fleet.
29. The Executive had endorsed the findings of the Streetscene review and had agreed to support Option 1. As a result, the Council's fleet management and vehicle maintenance functions continue to be provided in house. It had also been agreed to consider financing the fleet management function in future from revenue funding, with funding being transferred from existing service user fleet budgets. This will help to simplify the charging regime, with users then only being charged for the maintenance function.
30. In addition, it was agreed that, in order to provide the best overall value to the Council, all of the local authorities fleet vehicles are to be managed and maintained using the in house service.

#### **Progress following the service review**

31. Information was submitted to the scrutiny panel in respect of:

- Revised staffing arrangements
- The updated charging regime
- Costs of service provision

32. In terms of staffing arrangements, structures in both fleet management and vehicle repair/maintenance were examined. In fleet management, one senior manager took early retirement and the remit of the service was expanded and integrated to provide resilience within the Fleet Management Office.

33. The new arrangements provide additional management support in the form of fleet logistical information. Service managers now receive accurate and up to date information in terms of each vehicle. This includes service costs, vehicle and fuel usage, non-scheduled repairs, unfair wear and tear and abuse of vehicles by drivers.

34. The vehicle maintenance staffing structure was also examined by management, resulting in four members of staff taking early retirement. This was achievable due to previous over capacity and a reduction in vehicle numbers due to the previous service reviews of Area Care and Waste Services.

35. In addition, a new operating system has now been implemented. Based on a three shift, four day, working week, this system provides 57 hours of workshop availability, compared to the previous 37 hours. The workshop is generally open between 06.30 and 18.30. This enables specialist and difficult to replace vehicles to be serviced outside of their core working hours.

36. Management arrangements within the Vehicle Maintenance function have also been addressed in order to ensure cover for the new arrangements, and to provide continuity between Vehicle Maintenance, Fleet Management and user departments.
37. Details were also submitted regarding the revised charging regime, which now provides a transparency of costing information. This enables managers of fleet user departments to more effectively monitor fleet costs and includes:
- Departments being charged directly for the depreciation or annual leasing charge for vehicles within their fleet.
  - Fleet Management costs being recovered by an annual, 'one-off' charge to user departments. As this is calculated by size of fleet, and weighted to take into account the size and type of vehicle, it provides a more equitable system of departmental user contributions.
  - Vehicle maintenance being charged on an hourly rate charge for each individual job. Each vehicle service is charged in accordance with recognised servicing standard times, with any parts or consumable items being charged out to the particular vehicle as an additional charge.
38. In addition to the above, vehicles are now inspected before and after each rental, with records kept of any damage or repairs needed. The revised system has resulted in better liaison and dialogue between Fleet Services and departmental users. This is beginning to realise savings across the authority, as user departments have now been involved in querying bills and payments and become involved in better managing their vehicle costs. In addition, it is hoped that the overall result of the new operating system will lower costs further by reducing unscheduled maintenance and repairs as user departments take greater responsibility for looking after vehicles. Drivers and crews are now being encouraged to report all damage, with user departments being billed for repairs. All damage is now recorded and the circumstances of the damage investigated.
39. The scrutiny panel queried the position regarding the liability of the Council regarding fleet vehicle usage. It was explained that each driver is responsible for checking his/her vehicle daily. This is a statutory responsibility, which is recognised as onerous, and fleet services is to look at introducing an improved system to ensure that checks have actually been made - such as through training and the introduction of a driver handbook.
40. In addition, vehicle maintenance technicians have been set performance targets of 80% productive time. This ensures that the service generates sufficient income to cover the overall costs of operating the service. Such performance measures did not exist prior to the service review. These allow the vehicle maintenance function to be tested against the open market for commercial and municipal vehicle maintenance.
41. Details were submitted of the hourly vehicle maintenance charges levied by local garages. This ranged (at the time of the Fleet Services review) from £48 to £75 per hour. At that time, the Council rate was £52 per hour. It is noted that the local authority's rate covers all vehicle types, whereas local garages often specialise in only cars and vans, or commercial/municipal vehicles.

42. Services provided by Fleet Management also include vehicle tendering and procurement, insurance, licensing and statutory testing costs, along with the relevant statutory and legislative functions.
43. The cost of the Council's Fleet Management function under the new structure is budgeted to be £644,212 in 2010/11, with vehicle maintenance budgeted at £661,081. Staff savings from the release of five members of staff through early retirement equate to around £120,000 per annum in overall service costs.
44. It is anticipated that effective management of the vehicle replacement programme, and improved management information and control of vehicles, will provide an opportunity for fleet user departments to make future service efficiency savings.
45. The scrutiny panel queried the effectiveness of the revised arrangements and the continued in-house fleet services provision. The panel was assured that current policies and procedures have been found to be robust, with service managers being satisfied that all relevant issues are being managed effectively.

### **CONCLUSIONS**

46. Having considered the submitted information, the Environment Scrutiny Panel reached the following conclusions:
1. Following the review which took place in 2009, significant changes have been made in the way in which Fleet Services operates. These changes have led to improved systems - for example better recording systems and greater accountability by vehicle users - and are also beginning to realise cost benefits for the Council. The scrutiny panel welcomes the improvements that have been made.
  2. Given potential legal liability issues, and in order to manage and minimise risk, it is important that all vehicles under the Council's control are managed through Fleet Services. This was recognised by the outcome of the service review, when it was agreed that all Council fleet vehicles should be managed and maintained using the in-house service. The potential risk issue relating to schools using non-Fleet Services minibuses is recognised and action should be taken to address this.
  3. In terms of liability, although each driver is responsible for checking the condition of his/her vehicle, there is not yet a system in place which ensures that such checks are always made - although such a system is planned.
  4. Although Fleet Services operates public MOT testing, provision to do so is currently constrained and limited due to present depot facilities. The ongoing Streetscene depot review represents an opportunity to develop this service, along with possible heavy goods vehicle (HGV) testing, together with the opportunity to develop an income stream for the Council.

### **RECOMMENDATIONS**

47. Following the submitted evidence, and based on the conclusions above, the scrutiny panel's recommendations for consideration by the Overview and Scrutiny board and the Executive are as follows:



1. That an exercise is undertaken to identify all vehicles being used across the local authority. This should be with a view to ensuring that, as far as possible, Council departments make use of Streetscene's fleet management and vehicle repair and maintenance services. Departments should be reminded of potential liability issues and the possible cost benefits of utilising Fleet Services.
2. That all Middlesbrough schools are contacted regarding the potential liability issues of purchasing/using non-Fleet Services minibuses and advised of the benefits of utilising the service. Schools should also be advised that those which do use their own vehicles should maintain sufficient records to satisfy any potential police or VOSA requirements.
3. That a system is put in place to ensure that drivers carry out the required daily checks on their vehicles.
4. That the possibility of increasing the availability of public MOT testing, together with the possible development of a local HGV testing facility, is examined as part of the ongoing review of depot arrangements.
5. That progress made is reported back to the Environment Scrutiny Panel in approximately six months.

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CHAIR OF THE ENVIRONMENT SCRUTINY PANEL**

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