



Committee and Date

Audit Committee

Thursday 1 March 2018

Item 6

Public

Management Report – Transport Operations Group

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1. Summary

- 1.1 This report provides an update on the progress made and actions taken as a result of the Audit of the Council's Transport Operations Group (TOG).
- 1.2 The Audit report identified a range of administrative processes that required attention and these are detailed in Appendix 1, with most of these action points addressed and new systems and ways of working in place.
- 1.3 The number of vehicles managed by TOG will be reduced from 300 to 200 during 2018, with an initial reduction to 230 vehicles effective from the 1 April 2018.

2. Recommendations

- 2.1 Members are asked to note the significant progress and improvements that have been made to the TOG area (as detailed in appendix 1).

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The risks associated with TOG are set out in the Team's service recovery plan and the Council's Risk register document, with the review of TOG seeking to reduce these risks further.

4. Financial Implications

- 4.1 The TOG operates on a zero-based budget where all costs incurred are recovered from client users.
- 4.2 The review of TOG and the subsequent Audit report highlighted opportunities for savings and efficiencies, which are currently being implemented across a number of work areas.

4.3 The following highlighted areas have been identified and actioned, providing improvements to existing processes to maximise efficiencies, achieve best value for the various client areas and provide financial savings:

- Reducing the size of the vehicle fleet
- Reducing the use of agency staff
- Procurement of a new council fuel contract to reduce costs
- Seeking alternative procurement platforms to provide better value for the council
- Improvements to a range of administrative processes to provide improved working practices
- A restructure and downsizing of the administrative team
- The transfer of certain management responsibilities to existing managers within the passenger transport team to provide better working and reduce costs.
- Improvements to the replacement vehicle process to reduce vehicle downtime and costs
- Monthly re-charges to clients to provide improved budgetary management
- Exploring opportunities with the Council's term maintenance contract, and in particular an option to provide a seamless digital IT link for the on-going management of vehicle maintenance processes.

5. Background

5.1 TOG are responsible for the procurement and management of all Council vehicles to enable appropriate service delivery across many front line service areas. TOG act as a gatekeeper to ensure the council is only providing vehicles that are necessary for a service area and that best value is always provided.

5.2 TOG ensure that financial, service and road risk is kept to a minimum across the various client areas.

5.3 The Transport Commissioning Manager undertook a review of TOG to seek out efficiency savings and service improvements on the basis that this service area had not been reviewed for some time. As part of this review an internal audit was commissioned to investigate the procedures and processes at TOG and make any recommendations to make improvements.

5.4 As part of the TOG review a restructure of the team has taken place to ensure greater synergy within the overall passenger transport team and to better meet client needs and the developing profile of the Council.

5.5 Discussions are ongoing with Gallagher Bassett (the council's insurance claims handler) to find ways of reducing road risk, ensuring that we have the appropriate policies and procedures in place.

Cabinet Member:

Steve Davenport – Portfolio holder for Highways and Transport

Local Member - All

Appendices - Updated Audit Action Plan (Appendix 1)

Appendix 1

TOG Audit Action Plan – Update at January 2018

Following the Audit Review of TOG, the table below sets out progress at January 2018, with most of the required actions now implemented (green), and those on-going (amber).

James Willocks, Transport Commissioning Manager - 19 February 2018

Audit Recommendation No. Green = completed, Amber = in progress	Summary of Audit Recommendation Subject (2017)	Outcome at February 2018	Detail
1	Written procedure documents required for TOG staff	Completed – TOG Policy Guidance in place	TOG Policy Guidance set up – guidance being added. A new digital TOG Policy Guidance located on the Fleet 'H' Drive is accessible to all relevant staff. This will provide a second platform for the Team Book, and both hard copy office file and digital file will be identical. It includes new staff guidance documents, consolidates existing documents and provides a duplicate hard copy file version, which provides both work practice information for staff and a TOG policy reference. The original TOG Policy Guidance was set up Autumn 2017. The digital version to be set up by end February 2018 and to duplicate the hard copy version. New documents recently added to TOG Policy Guidance help to complete the Audit actions required. 30/1/18
2	Intranet Policies Updated	In progress	Work is continuing to replace the existing three entries with one consolidated single entry. The new version will provide an updated policy and guidance document for all Council transport aspects. Target for completion is end of March 2018 for the structural changes. 30/1/18

3	Client SLAs required	New SLA based on VPAF produced and being launched April 2018	<p>This has largely been completed, with a new SLA based on the VPAF (Vehicle Procurement Authorisation Form), which provides the necessary checks and balances for vehicle procurement via TOG, and sets out the terms and conditions of vehicle supply by TOG to Vehicle Client.</p> <p>TOG have produced the supplementary T&Cs that will be attached to the VPAF and this sets out the detailed relationship between TOG and client, and the responsibilities of both parties. To supplement this there has also been produced an overall guidance document called 'Terms & Conditions of Vehicle Usage' which is now in the TOG Policy Guidance and attached to the SLA. 17/1/18</p>
4	TRANMAN link to TSC	Discussions being undertaken with Kier re Kerridge digital link	<p>This link project has been paused whilst the new Term Service Contractor (Highways) provider was considered. Kier will now replace Ringway in April 2018 and discussions are already arranged with Kier about TOG piggybacking on their Kerridge Autoline system with a discreet TOG module, incorporating a digital link between TOG and Kier. Likely therefore that TRANMAN will be abandoned and replaced with Kerridge Autoline, but evaluation work needs to continue prior to any sign off later in Spring/Summer 2018. Also noted that TRANMAN was in the original TSC tender specification, so will need addressing. 30/1/18</p>
5	Servicing policy required	New policy in Team Book	<p>Work has been undertaken on this and every vehicle will be assigned a 'servicing model' determined by the vehicle owner and requirements thereof. This servicing requirement will be set out in the VPAF. The range of servicing requirements for various vehicle owners will be placed in the TOG Team Book. In the main, where TOG/owners are both happy with the TSC 'One Link' option, that will be the default option, and where TOG/owners both prefer main dealer servicing, the local dealer will be the default option. Apart from any bespoke Shropshire Council (SC) requirements (e.g. 3mm minimum for tyres), servicing requirements will be as per the manufacturers guidance. 17/1/18</p>
6	Vehicle numbering review	Completed review and maintaining 'twin' numbering for time	<p>Noted that the recommendation was for a review of the twin numbering system and there are still mixed views on these. Fleet numbering is a standard industry practice and for the time being, the twin system will continue to provide continuity; moreover,</p>

		being	registration numbers are considered essential and the Fleet numbering system provides some inherent data such as client and type of asset, providing a valuable cross checking role. A TOG Policy Guidance entry (TOG Systems) makes reference to this. As we move into a new relationship with Kier (TSC) we will monitor this and make changes where necessary. 30/1/18
7	Review maintenance inspections quality	Completed review and will continue to use FTA spot checks and in-house client 'expert' monitoring role	<p>Maintenance quality inspection options were considered and for the time being the TOG arrangement of having Fleet Transport Association (FTA) to undertake random inspections twice yearly on quality outputs on TSC maintenance will continue. This is considered good practice but we will review this again to see if any enhancements or changes need to be made. This demonstrates an independent approach to quality checks and it also means that the TSC is always aware that random quality checks will uncover any possible poor performance on their part, and thus this provides security for the Council.</p> <p>It was thought that the 'in-house' TOG maintenance 'expert' was important in providing assurance to both TSC and main dealers that TOG had and would provide quality checking on a continual basis and that this helped the Council demonstrate that it was constantly vigilant and proactive in providing quality assurance in this high risk area. So, the TOG maintenance expertise is considered vital to safe operation of Council fleet services and should continue.</p> <p>At present a TOG work area is dedicated to this and will be maintained until further notice. The new relationship with Keir will allow the exact details of the TOG quality checking to be further examined and refined and this will take place during the 2018/19 financial year (i.e. Kier's first year as TSC). 17/1/18</p>
8	Insurance charge review	Completed review and new per capita charge in place 2017/18	Discussions took place in Summer 2017 about insurance costs and it is noted that weighting and penalty factors had been considered in the past but not adopted, so that the recharges could be kept simple and transparent. It is considered that marginal charges do not necessarily provide much added value in the Council's self-insurance scheme. Moreover, the process for the review of the TOG re-charges for 17/18 considered that a simple per capita vehicle re-charge would be best and that any fundamental changes or review with clients at that stage may present difficulties for

			client funding. The simple per capita re-charge reconciles cost with recovery and will continue as at present, but it would be regularly monitored for effectiveness. 30/1/18
9	Driver Assessment commercialisation/profits	Considered matter and will pursue opportunities where they arise	TOG are essentially an-house agent to help facilitate the delivery of Council services, but where opportunities occur to 'sell' this service outside the Council at no detriment to it, these will be pursued. A recent example of this has been where Bethpage (Adult Social Care outsourced provider) have been offered this assessment service. The budget basis of TOG continues to be a 'Zero Based Budget' where all incurred costs are recovered back to zero. It was also agreed that the Driver Assessment Scheme is important in supporting schools and CT groups and this would continue within the general auspices of Council provided services. 30/1/18
10	Merge Vehicle Lists	Completed and a new single 'master' spreadsheet now in place on Fleet 'H' drive	The new vehicle list that was consolidated in October 2017, includes the client re-charge facility, and is working well. It constitutes the fleet 'master' version of the vehicle fleet along with the re-charge elements for SAMIS transfers. It is held on the Fleet 'H' Drive and accessible to all authorised staff. A TOG Policy Guidance entry (TOG systems) makes reference to this. 30/1/18
11	Single vehicle record required with expiry date system	Completed (as part of 10. above) with expiry 'amber/red list' prompting system	A new system has been in place since October 2017 and is working well. This includes ownership identification (i.e. Contract Hire, Operating lease, name of owner, and identifies SC ownership for the dwindling number of 20 x owned vehicles). This uses the new merged fleet 'master' spreadsheet with a 'traffic light' coding on the expiry date column. This provides an expiry 'amber/red list' prompting system for identifying vehicles about to contract expire within 6 months (Amber), and any that may have been exceptionally authorised to extend beyond their end dates (Red), with those in contract and over 6 months to expiry (Green), along with the vehicle numbers in each category. The new VPAF system also supports the integrity of the contract end date system and all clients are made aware that vehicles will be returned on their 'end dates' even if clients have decided not to replace the vehicle in question (unless there are exceptional and approved circumstances). A new digital TOG Policy Guidance document to address this matter was produced in Jan 2018. 30/1/18
12	Avoid Vehicle Contracts extensions	Agreed and implemented with	All vehicles now have 'contract end dates' and these have been recorded on the new merged 'master' spreadsheet since October 2017 with its 'amber/red list' prompting

		'amber/red list' prompting system (as per 10 & 11 above)	system. Up-to-date contract agreements for new vehicles are placed on the vehicle file. Contracts are no longer allowed to expire without the vehicle being returned (unless in exceptional circumstances). A new digital TOG Policy Guidance document to address this matter was produced in Jan 2018. It is recognised that informal extensions offer poor value for money, and this alone is a reason not to allow this practice to continue. 30/1/18
13	Vehicle Procurement process should be progressed and implemented	New CCS/ESPO Framework procurement (with VPAF system) in place since Spring 2017, and still continuing to better develop it as it progresses	New arrangements are working well, but we still would look for opportunities to develop and improve the process where we can. CCS/ESPO frameworks have been established and are used for all new procurement. New vehicle provision contract arrangements with successful suppliers have also been set up and are well established. The new client VPAF system is now embedded in the process since its introduction in Spring 2017 with some updates since. The new system requires client application, specification, TOG gatekeeping and authorisation for any new vehicle procurement, with the appropriate audit trail and records. Likewise, the new CCS/ESPO (via DELTA where appropriate) processes also provide good audit routes and validate best price/quality vehicle awards. Overall, it is compliant, offers best value, provides good audit trails and no third parties are involved. 30/1/18
14	Lease Renewals strictly enforced	Agreed and in place – all vehicles now returned to owners at end dates	TOG now contacts all clients 6 months prior to contract end dates to notify/remind the client and with a request for the client to apply to procure a replacement vehicle if they so wish, via the VPAF process. It was agreed that the new system is working well, with the previous backlog of 'red' vehicles now nearly all cleared. All vehicles are now returned to their owners on the contract end date, unless in exceptional circumstances. A new digital TOG Policy Guidance document to address this matter was produced in Jan 2018. 30/1/18
15	DVM (Direct Vehicle Management) Review	Completed as part of the 17/18 re-charges, with % charge	DVM had previously not precisely matched on-cost spend, so as part of the construction of the 17/18 client re-charges in Summer 2017, the identified DVM costs that had to be recovered were allocated via a percentage levy for DVM re-charges to all clients. This was set at 7.2% DVM in 17/18. The process will be replicated in future financial years. Recovery of staff costs is on the basis of the new structures launched February 2018, with staffing cost reductions as a key part of this. 30/1/18

16	Asses 'Shropshire Pack'	Regular value for money exercises will be undertaken to confirm overall procurement package remains best value after 'Shropshire Pack' addition	<p>'Shropshire Pack' for new vehicles is now provided as part of the CCS procurement process in order to reduce costs and reduce overlaps between returned and replacement vehicles to 'same day switching'. To ensure best value TOG will identify 'Shropshire Pack' costs previously with individual local contractors. PTCG will check this against new 'Shropshire Pack' charges. It is noted that this is at the margins of overall costs, which are secured to provide the Council best value via CCS or other frameworks. Clearly, it would not be sensible for the Council to incur significant extra vehicle procurement cost overall to achieve much smaller saving values on 'Shropshire Pack' costs, even if that were possible, so this will be taken account of.</p> <p>PTCG will analyse these costs and circulate the results, confirming or not that the new arrangements are more costs effective overall. This will be repeated annually. 17/1/18</p>
17	Vehicle 'handover' process needed	New TOG Policy Guidance document in place which defines 'handover' process	A new TOG Policy Guidance document determining the vehicle 'handover' process has been produced and is the required guidance for staff. TOG will also undertake to operate a new 'Handover Form' based on the new guidance document. TOG also suggested adding this to the Vehicle Handbook, so that this is all in one place and clients/TOG can readily access the handover confirmation/details. This will be included in the updating of the Handbook. 17/1/18
18	Customer Handbook to be reviewed and updated	Handbook has been reviewed and updated	<p>Updates to the Handbook have been undertaken and this was now in circulation.</p> <p>Further updates are required, including the 'Handover' element will be added by Spring 2018. 17/1/18</p>
19	Out of Hours policy required	New 'out of hours' policy set out in additional TOG Policy Guidance document	New operating advice has been set out in TOG Policy Guidance. In the event of breakdown, it was noted that users should contact the vehicle owner/provider and that breakdown cover is now part of our CCS Framework procurement re recent contract agreements with vehicle providers Lex and Alphabet, for new vehicles supplied by them from Autumn 2017 onwards.

			<p>The breakdown service and their emergency telephone number is provided in the vehicle, and where there is a breakdown, this is the first port of call for clients. They should also contact their service manager to inform them, and client drivers will have the contact details for them.</p> <p>For vehicles with or without breakdown service, each one provided by TOG will have a 'Handbook' in the glove box, and this provides advice about the operation of the vehicle and telephone numbers to call in the event of any problems, including 'out of hours' contact. A number of updates to this are being introduced (re 18 above).</p> <p>In addition, it was noted that if a vehicle user has an emergency or urgent problem 'out of hours' in respect of a vehicle issue, there are also arrangements in place for getting help, including tyre contact, fuel contact and Ringway/Kier/TSC contact. If the vehicle is involved in an accident, it was noted that users should ring the Emergency Services 999 and/or contact Ringway/Kier/TSC, and their service manager. The Council's Customer Service Team (CST) can also be contacted.</p> <p>For any major incident the Council's Emergency Planning Duty Officer (EPDO) will be able to respond and arrange appropriate responses - they can be contacted by Shropshire Fire & Rescue and CST.</p> <p>TOG staff may be contacted out of hours by CST or the EPDO, who have emergency telephone contact numbers that will include TOG and the Transport Commissioning Manager and other designated senior Passenger Transport Commissioning Group staff.</p> <p>It was agreed that the 'Vehicle Handbook' is the key document and means to assistance in or out of office hours, and that it is bespoke to each individual vehicle.</p> <p>A new TOG Policy Guidance document to outline the general guidance and process was produced in Jan 2018. 30/1/18</p>
20	Vehicle disposal policy needed	New TOG Policy Guidance document	This will now be re-determined in the VPAF/SLA from the outset. To this extent, the disposal policy is effectively part of the original TOG/Client agreement and will be

		now sets out process	<p>carried out as such.</p> <p>Disposal in future will simply mean returning the vehicle to the owner at the end of the contract term. TOG will add details of disposal/return in the TOG Policy Guidance as a check list.</p> <p>It is noted that disposing of vehicles at Auction is to end soon, as there are only 20 or so 'owned' vehicles left in the Council's fleet and as a matter of practice/policy, no more are being purchased.</p> <p>In terms of disposal and initial procurement, the TOG's role in acting as 'gatekeeper' for Council vehicles was also discussed and this its importance reiterated. The Council's Vehicle and fleet expertise resides in TOG and it should be best used and applied so as to ensure the Council was best protected from financial, road and service risk, from procurement, through vehicle life and to disposal. 17/1/18</p>
21	Vehicle disposal authorisation needed	A new document placed in the TOG Policy Guidance now sets this process out	A vehicle disposal check list is in place and the need to both document and list the required actions on disposal is now satisfied. This includes vehicles being returned to their owners (Contract Hire or Operating Lease) and dwindling number of vehicles to be disposed of at auction. The new TOG Policy Guidance document dealing with these issues is in place and sets out the requirements. 17/1/18
22	External client agreements needed	New SLA based on VPAF produced and being launched April 2018 (see 3 above)	This has been considered and the new SLA is being constituted in the VPAF and the details of the responsibilities of both parties set out here. Work on this VPAF to capture all relevant SLA aspects is has been undertaken as part of Audit Action Plan no. 3. It was also noted that external clients outside the Council would only be provided with vehicles under Contract Hire, so in this context the meeting considered that TOG would effectively only be an agent linking external client with Contract Hire company. This has been completed, with a new SLA based on the VPAF (Vehicle Procurement Authorisation Form), which provides the necessary checks and balances for vehicle procurement via TOG, and sets out the terms and conditions of vehicle supply by TOG to Vehicle Client.

			An overall guidance document called 'Terms & Conditions of Vehicle Usage' is now in the TOG Policy Guidance and attached to the SLA. 17/1/18
23	Vehicle disposal SAMIS reconciliation required	A new TOG Policy Document entitled 'Guidance for Vehicle Disposal' sets out new requirements	TOG will reconcile the disposal proceeds book with SAMIS six monthly and report to the appropriate officer. Any irregularities will be reported to the manger in PTCG. A new Team Document titled 'Guidance for Vehicle Disposal' sets out the requirements here and is being placed in the new digital Team Book. 17/1/18
24	Temporary fuel card policy needed	A new TOG Policy Document entitled 'Guidance for Temporary Fuel Card Issue' sets out policy	The issue of releasing UK Fuels 'fuel cards' to drivers of vehicles without standard issued cards has been reviewed and the outcome set out in the new TOG Policy Document. Even though systems are in place to ensure that the integrity of the process, this would be made more robust and staff reminded of the updated rules. 17/1/18
25	Fuel Exception reporting required	Discussions with UK Fuels undertaken to find the best solution, whether enhanced restrictions or better reporting, implemented by April 2018	It was agreed that further work needs to be undertaken with UK Fuels, so that 'exception reporting' and/or the means of helping identifying unauthorised Fuel Card usage is made available. It was noted that a new digital TOG Policy Guidance document to outline the general guidance and process was produced in Jan 2018 and this will be updated once further work using the UK Fuel's 'Velocity' system has been agreed. Options for better restricting the use of fuel cards to avoid wrongful use/mistakes may provide better methods of improving security. UK Fuels may not offer the exception reporting that we may want but discussions are continuing with them. The enhanced restriction option would protect the Council at source. Discussions with UK Fuels will find the best solutions and implement this asap. 30/1/18
26	TSC maintenance cost agreement review required	Completed as part of the Council's overall TSC tender and award process and within 'One Link' constraints	This was undertaken as part of the overall TSC tender and its inclusion did involve a review of this arrangement. So this action has been completed as part of the overall TSC signed off by the Council. The 'One Link' system is a nationally agreed maintenance contract for service provider inter changeability on agreed standard terms. So, all Contract Hire maintenance will be under 'One Link', and the previous FPM (Fixed Priced Maintenance) will disappear as part of the tender award, to be replaced by Kier's standard charge for work arrangements set out in in the contract. 17/1/18

27	Ringway maintenance authorisation to be reviewed	Revised process put in place Autumn 2017 to address this matter	<p>A new process has now been established. The new process installed by TOG/Ringway in Autumn 2017 provides for monthly invoices from Ringway (TSC) to the Council, which are individually reconciled in TOG against Ringway quotes for each job. This ensures the Council cannot be overcharged.</p> <p>When Kier take over in April 2018, we will be looking to establish a digital link for these processes, but this is likely not to be with TRANMAN. 17/1/18</p>
28	Ringway invoices - check process	Completed and new process implemented May 2017	<p>The new process established in May 2017 is working well and a significant improvement over the previous system. The TSC (maintenance provider) issues 'quotes' for job items and if approved these are undertaken. The monthly invoices from the TSC are reconciled to these 'quotes' before processing and finally signed off by the appropriate manager in PTCG at Shirehall. Details of this have been set out in a new TOG Policy Guidance document entitled 'Vehicle Servicing Policy' 30/1/18</p>
29	TRANMAN 'outstanding jobs'	Completed in May 2017 when unarchived documents sent to TRANMAN archive to clear system	<p>At the time of the audit, 528 TRANMAN job items had not been archived and looked as if they were still active. It was noted that this made the items appear 'un-cleared' but in fact invoices had been received for these items and the processes completed. Archiving was undertaken in May 2017 and this cleared the system of these apparent uncompleted tasks. The proposed new digital link to the TSC should reduce the possibility of this occurring again. Moreover, this TRAMAN archiving system may well disappear with TRANMAN system itself, if replaced by Kerridge Autoline in 2018. 30/1/18</p>
30	Recharges issued on timely basis	Completed - monthly re-charges now being undertaken, following review with Finance Team	<p>The 2017/18 re-charge and budget process was re-constructed in 2017, and TOG has now set up a revised re-charge process that requires monthly re-charges to clients via SAMIS and this is in place. A new digital TOG Policy Guidance document to set out the requirements vis a vis the client re-charge process was produced in Jan 2018. 30/1/18</p>
31	Finance data on TRANMAN	Agreed and this is being progressed as part of IT development and digital links with	<p>It is noted that TRANMAN may be replaced by Kerridge Autoline via Kier. Meetings with Kier will progress this and finance data will be included as a key part of the project, with an aim of using the system to support the re-charge process to clients, and possibly self-generating client re-charges into SAMIS. 30/1/18</p>

		Kier/SHB/Kerridge Autoline	
32	TOG Requires 'Break Even' budget	Agreed – work on 17/18 budget has resulted in a range of improvements and a balance to 'break even' (Zero based budgeting)	Much work has been undertaken by TOG and the Finance Team on updating and re-working the 2017/18 TOG budget and re-charges. The basis of the TOG operation is cost recovery a 'Zero Based Budget'. TOG facilitates and gate keeps vehicle provision for Council service areas, with the important roles of reducing service, road and financial risk to a minimum. As such, it is noted that it is vital that the TOG costs incurred continue to be matched exactly by the monthly client recovery process, using the newly constructed re-charge model and process launched Summer 2017. This has significantly improved the old model and ironed out a number of issues. 30/1/18

JW/PTCG 14 Feb 2018