

Independent appraisal of the City of Joondalup's cost efficiencies and services review

December 2014



Background and objectives

What led to the appraisal of the City of Joondalup's approach to its cost efficiency and service review?

The Chief Executive Officer has initiated an extensive program of reviews to be undertaken across a number of the City's activities with the objective of identifying inefficiencies, eliminating waste and reducing costs with no adverse impact on overall performance and service delivery. The City has used a variety of methodologies to assist in achieving this objective.

Deloitte has been engaged by the City's Chief Executive Officer (CEO) to conduct an independent appraisal to determine if the City's approach is:

- Appropriate and structured;
- Consistent with relevant standards, guidelines and good practice in the local government sector; and
- Likely to achieve its objectives efficiently and effectively.

Interviews were conducted with the CEO and key staff members to understand the City's approach. The following framing questions were used to inform Deloitte's assessment and recommendations.

1. How have services been targeted for review?
2. What approach has been taken to identifying improvement opportunities?
3. How have improvement opportunities been prioritised for implementation?
4. How are the service reviews conducted, managed and delivered?

The City's current approach (1 of 2)

45 services have been targeted for review...

- The City currently provides 131 services to its community and has adopted an organisation wide approach to targeting the right services for review. A sub-set of 45 services was targeted for review to identify opportunities for improving efficiency and reducing cost across the organisation based on the following parameters:
 - Recurring issues raised by Elected Members
 - The expertise and experience of the City's CEO on where cost reduction and process improvements can typically be made.

A number of methodologies have been used to identify the improvement opportunities...

- Since embarking on its journey to demonstrate more efficient ways of working, the City has explored various approaches to identify improvement opportunities:
 - The general approach entails using a combination of data, staff interviews and team workshops to understand where costs can be reduced, processes can be optimised and service delivery can be improved. These service reviews have been and is being conducted using either Lean Six Sigma methodology or the Australian Business Excellence Framework
 - A culture of continuous improvement has been adopted in the City's operations to ensure staff are provided opportunities to improve their ways of working during business-as-usual
 - The Infrastructure Services Directorate has begun the use of the Quality Management System (ISO9001:2008) framework to identify deviations from established processes. Through six-monthly audits and submission of service improvement requests, the City's Infrastructure Services work processes and service levels are reviewed for improvements and implemented as part of business as usual activity.
- The City is also looking at applying a number of other methodologies for the in-depth review of the rest of the services across the Business Units to achieve its objectives.

The City's current approach (2 of 2)

Improvement opportunities are agreed upon with key stakeholders before implementation and progress is monitored...

- As part of the in-depth review of each target service, recommendations for improvements are discussed and agreed upon by relevant key stakeholders. These recommendations are then approved and handed over to the respective Business Unit Managers for evaluation and implementation
- The City's Executive and Risk Services team has recently developed a 'Scoping' template that contains information on the service review being conducted (i.e. service being reviewed, customers of service), scope of the recommendation/s and implementation progress. The intent of this template is to ensure there is consistency in the information being reported to the Executive and Risk Services team who are responsible for consolidating the information to obtain a program/organisation wide view of implementation progress.

The relevant Business Unit Manager will be required to provide a progress status update for each recommendation and sign-off the Scoping document in conjunction with the Manager, Executive and Risk Services. The use of the 'Scoping' template is still at its infancy and was used for the first time in the review of Traffic Management Control, Electrical and Plumbing services contracts.

The reviews are conducted by a mix of internal City staff and external consultants...

- The City's intent is to have a mix of internal staff members and external consultants to assist with or conduct the review
- Amongst other responsibilities, the City's Manager, Executive and Risk Services is currently acting in a Project Management Office (PMO) capacity, overseeing the service reviews and, coordinating the activities and resources required to undertake the reviews
- In addition to the service review program, the City also has two teams undertaking other business improvement activity:
 - The Organisational Development (OD) group currently has business improvement capabilities within its team and were responsible for service reviews in the past. As part of the yearly business planning process, the OD group work with the City's Business Units to identify areas for improvement. They also conduct business improvement reviews from time to time based on the needs of the Business Units
 - The Quality Systems Officer within the Infrastructure Services Directorate runs a quality management program based on the ISO9001:2008 Quality Management System framework aimed at improving current business processes as part of the City's continuous improvement efforts.

Our assessment (1 of 2)

The City's current approach is appropriate for individual service reviews and is supported by a culture committed to continuous improvement...



The City's approach is appropriate for individual service reviews and broadly in-line with local government guidelines

- In order to ensure the service reviews are effectively delivered and not disruptive to the City's business-as-usual operations, the City has taken a focused approach by reviewing only a target list of services. By reviewing its services either individually or groups of services, rather than all at once, the City is able to implement the improvement opportunities on an ongoing basis to promptly realise efficiencies
- Individually, each methodology (i.e. Lean Six Sigma, Australian Business Excellence Framework) provides structure to assist the City with identifying opportunities to reduce waste and cost, and, developing and implementing improvements to deliver potential efficiencies and/or cost savings. The City has managed to effectively apply the relevant methodologies in order to achieve the service reviews program objectives without impacting overall performance and delivery
- The City's approach and future intent is in-line with the guidelines provided by the Australian Centre of Excellence's Service Delivery Review Manual¹. The City has incorporated a number of guiding principles outlined in the report into its current approach such as engaging and consulting with a wide range of stakeholder throughout the review, and focusing on not just the economy and efficiency but also effective provision of services
- Involving the City's staff and assigning Business Unit Managers responsibility for implementing the identified improvement opportunities and realising the potentials savings and benefits helps promote ownership amongst staff which is important for the success of the program. Where appropriate, engaging staff during the review process helps mitigate resistance to the potential change resultant from the reviews (i.e. change is being 'done to staff') and encourages staff buy-in (i.e. change is delivered 'for staff and with staff')
- Audits are performed to ensure that the potential savings and benefits are achieved and realised within the time period specified.

Our assessment (2 of 2)



Over the years, the City has embedded a culture and commitment to continuous improvement which is a key enabler to supporting the City's objectives

In addition to the key staff demonstrating their fluency with continuous improvement during interviews, the City has exhibited its commitment to continuous improvement in the following ways:

- As part of the annual business planning process, the City's management and senior leadership seek to identify areas for improvement and ways to improve efficiency in order to deliver more with less, rather than to request a budget increase. Workshops have also been conducted with the City's management and senior leadership to introduce the concept of continuous improvement and on-board them to drive continuous improvement within their teams
- The City has built internal capability to conduct individual service reviews and ongoing process improvement activities
- The City is championing continuous improvement initiatives across the organisation through its Quality Management Program within the Infrastructure Directorate. The City intends to extend the Quality Management Program to other Directorates.

Our recommendations (1 of 3)

The current approach can be further improved to enable the City to manage and deliver multiple service reviews more efficiently and effectively

The City intends to increase the number of service reviews over the next couple of years and will be engaging a number of internal staff and external consultants to aid in its efforts. To this end, the City should consider the following recommendations to ensure that the organisation, as well as its existing frameworks, processes and tools are aligned and strengthened to support the implementation and delivery of multiple service reviews.

1 **Align organisational resources to effectively manage and deliver business improvement activities across the organisation**

There are a number of resources currently undertaking business improvement work across the organisation. While this effort is commendable and appropriate given the small number of services currently under review, the City needs to consider a more appropriate structure that will provide greater visibility of all improvement activities, eliminate duplication of efforts and allow for the central coordination of resources, management and effort.

The City should consider the formal establishment of a Program Management Office (PMO) through the existing Executive and Risk Services team to oversee, govern and manage all business improvement and service review activity. By doing so, all resources will better understand the work that each team is undertaking to contribute to the City's business improvement agenda and work together to deliver the program objectives. It is important to note that the Executive and Risk Services team are currently performing this role to some degree.

2 **Adopt a consistent method to be used for subsequent service delivery reviews**

The City intends to use a mix of internal staff members and external consultants to assist with or conduct the service reviews. It is therefore important that a consistent method is used to identify, rationalise and quantify opportunities to ensure a level of consistency is achieved in the service reviews

Having an appropriate method and approach will allow the PMO to provide direction to the resources undertaking the services review and ensure the resources are conducting the review in a manner that is appropriate, structured and approved by the City.

Our recommendations (2 of 3)

3 Strengthen the existing Project Management framework by establishing appropriate PMO processes, tools and templates to effectively deliver and manage multiple service reviews

The City's current Project Management framework has the basic tools and templates to support Business Units in initiating, managing and implementing independent, small-scale and less complex projects. The City needs to consider either updating current tools to suit the more complex nature of the service reviews or develop the tools necessary to effectively deliver multiple service reviews as a holistic and integrated program of work.

The following are examples of essential PMO tools:

Implementation work plan

Task Name	Duration	Start	Finish	Predecessors	% Complete	Status	Dependency	Resource Names	W	T	F	S	M	T	F	S	M	T	
• Connections Implemented	35-days				0%	On Schedule		Project Manager											
• Correction #1 Completed	35-days				0%	On Schedule		Project Manager											
• Problem Scope and Definition Completed	5-days				0%	On Schedule		Project Manager											
• Action #1	5-days				0%	On Schedule	CARA XXX	Team Member 1											
• Action #2	5-days				0%	On Schedule		Team Member 2											
• Action #3	5-days				0%	On Schedule	Information Tech	Team Member 3											
• Correction Plan Developed	5-days			3	0%	Future Task		Project Manager											
• Solution Design and Development Completed	5-days			7	0%	Future Task		Project Manager											
• Solution Testing Completed	5-days			11	0%	Future Task		Project Manager											
• Training Completed	5-days			15	0%	Future Task		Project Manager											
• Solution Deployed and "Live"	5-days			19	0%	Future Task		Project Manager											
• Effectiveness Monitoring Completed	5-days			23	0%	Future Task		Project Manager											
• Correction #2 Completed	35-days				0%	On Schedule		Project Manager											
• Corrective Action #1 Implemented	35-days				0%	On Schedule		Project Manager											
• Corrective Action #1 Completed	35-days				0%	On Schedule	CARA XXX	Project Manager											
• Problem Scope and Definition Completed	5-days				0%	On Schedule		Project Manager											
• Action #1	5-days				0%	On Schedule	Information Tech	Team Member 1											
• Action #2	5-days				0%	On Schedule		Team Member 2											
• Action #3	5-days				0%	On Schedule		Team Member 3											
• Correction Plan Developed	5-days			42	0%	Future Task		Project Manager											
• Solution Design and Development Completed	5-days			46	0%	Future Task		Project Manager											
• Solution Testing Completed	5-days			70	0%	Future Task		Project Manager											
• Training Completed	5-days			74	0%	Future Task	CARA XXX	Project Manager											
• Solution Deployed and "Live"	5-days			78	0%	Future Task		Project Manager											

Risk and issues log

REL	STATUS	TYPE	Severity	RAISED	DESCRIPTION	PROGRAM IMPACT	OWNER	RESOLVED	RESOLUTY
1	Open	Action	Low	New Misc - OBS	Temporary holding of CARA. Main review will take 45 days, not yet having a table report. Currently per email on later day will be needed to be part of process.	QMS/Program	Project Manager		
2	Open	Action	Medium	OBS/1	Monitoring and oversight of the timeliness of MCR process the completion of all open computers.	QMS/Program	Project Manager		
3	Open	Action	Low	New Misc - OBS	Service being delivered in MCR web interface.	QMS/Program	Project Manager		
4	Open	Action	Low	New Misc - OBS	How do we store operations (i.e. MCR act) and what are the service requests?	QMS/Program	Project Manager		
5	Open	Action	Medium	OBS/3	Review of associated risks and actions to not be testing.	QMS/Program	Project Manager		
6	Open	Action	Medium	OBS/3	Review of team requirements sheet.	QMS/Program	Project Manager		
7	Open	Action	Low	New Misc - New	Human Factors how does our UI, usability and training account for user input? Usability Testing	QMS/Program	Project Manager		
8	Open	Action	Medium	OBS/1	Solving problem and when stopped, documented evidence needed.	QMS/Program	Project Manager		

Program status report

Program Status Report		Work stream					
		Plan	Resource	Risk	Deliverable	Budget	Overall
Customer Segmentation		G	G	G	G	G	G
Weekly reporting: Monday 7 July 2012 – Friday 11 July 2012							
Activity Summary		Critical Team Risks and Issues					
Insert Activity Summary for the reporting week including:		Description & Mitigation/Recommendation					
• Important completed/incomplete tasks							
• Further information for major issues/risks							
Next Steps		Resources					
Insert the next steps/activities the team will be focusing on.		Type status of resources here					
Decisions Required							
Decision:		Decision:		Decision:		Decision:	
Background:		Background:		Background:		Background:	
Recommendation:		Recommendation:		Recommendation:		Recommendation:	

Having established processes and a toolkit of templates and tools (outlined above) will help the PMO to:

- Capture and report information in a consistent way across implementations
- Provide visibility into status of individual implementations
- Facilitate reporting and decision making at the Executive level
- Identify, track and effectively manage risks / issues across implementations.

Our recommendations (3 of 3)

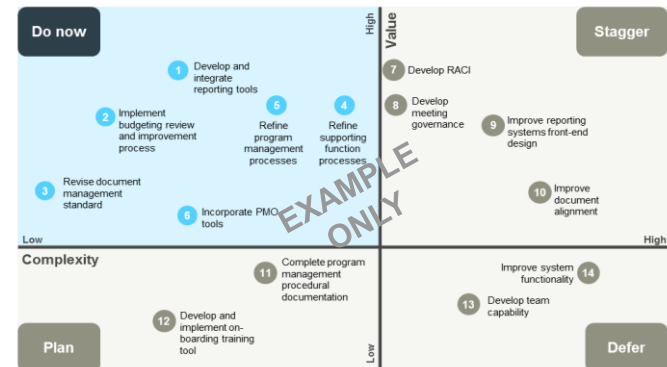
4

Extend the City's current Project Management framework to include prioritisation of identified opportunities and, the capture and management of benefits

Opportunities that are identified during the service reviews should be prioritised to determine when they should be implemented to ensure there is a balance between effective use of resources and realising benefits. For example, the list of opportunities may be plotted on a matrix that rates the potential saving opportunity against the implementation complexity. Each opportunity will then fall in one of the following categories:

- i. Do now- Quick wins to be implemented in the short term
- ii. Stagger- Implementation of opportunities should be prioritised and staggered due to its high value and complexity
- iii. Plan- Implementation should be planned over a longer time period so as not to impact the implementation of those that are of higher value
- iv. Defer- These opportunities should be deferred to focus implementation efforts on more opportunities that are of higher value.

Example of a prioritisation matrix



A Benefits Management process should also be developed and implemented to quantify the potential savings for the improvement opportunities and monitor the benefits realised during implementation. The Benefits Management process should seek to:

- Define benefits tracking requirements for the service reviews
- Collect and enter data on a recurring basis
- Provide for ongoing reporting, communication and follow-up.



Inherent Limitations

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed.

Recommendations and suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Joondalup personnel. We have not attempted to verify these sources independently unless otherwise noted within the report.

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Progress of the Cost Efficiency and Service Reviews Program**CITY'S FLEET UTILISATION AND OPERATING COSTS****Review Scope**

To review the utilisation and operating costs of light vehicles (including utility vehicles and those with commute and/or private use).

The aims of this review is to identify opportunities for:

- Service and activity improvements
- Assisting longer-term financial sustainability
- Ensuring value for money and operational efficiency
- Service level adjustments
- Considering alternative modes of service delivery
- Improved utilisation of available resources

Summary of Findings (William Buck)

The purchasing of fleet and fuel is through WALGA, but the open market has not been formally tested to ensure value for money is optimised and that paying cash for vehicles is maximising the City's working capital.

Although the second driver of recruitment and retention is important, we have identified that in some areas this appears to have taken precedence, as practice has deviated from strategy, leading to:

- Purchase of vehicles with engine sizes larger than set out in strategy, leading to higher purchase and operating costs;
- A lack of appropriateness of vehicles for proposed use, with the potential for a change to a smaller vehicle and cost savings; and
- Selection of vehicles based upon user preference rather than the evaluation criteria, which has led to more expensive vehicles being purchased.

We have also noted some instances where a lack of information makes it difficult to determine the true benefit that the City derives from the provision of fleet, such as the overall level of business usage of light vehicles as there is limited analysis of log books, the vehicle booking system cannot produce reports to assess daily usage and GPS has not yet been implemented. Provision of such information would help to highlight to Management if the fleet is fit for purpose and utilised effectively. In addition our work highlighted that there are some vehicles with very low business usage and also low usage overall for which the business case should be assessed.

Our work has also highlighted a number of other areas that should be considered:

- The level of user contributions does not cover operating cost as originally intended;
- Regular external consultant review is not performed;
- Vehicles are licensed for a year even if the intention is to dispose within the year;
- Fleet management are not involved in the processes for hiring or monitoring costs incurred on rental vehicles and own car usage costs; and
- Vehicles are auctioned and alternative methods of disposal have not been reviewed in the recent past.

Progress of the Cost Efficiency and Service Reviews Program

CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....**Recommendations (William Buck)****1. Level of Vehicle Use**

Management should review the usage of the vehicles to determine if the level of business and overall use is sufficient to support a business case for the provision of low usage vehicles by the City. Monitoring of this nature should be performed periodically and in particular when new or replacement vehicles are being assessed.

In order to gain more meaningful information in respect of the utilisation of fleet for business purposes and advise strategy, consideration should be given to employees providing more detail within logbooks at all times and for all journeys taken in a fleet vehicle. The logbooks should be regularly reviewed and the level of business use analysed for all light vehicles and the information considered alongside exception reporting of fuel use; kilometres; and other costs of running the fleet vehicles by Fleet Management. This will help to ascertain if vehicles are the most appropriate use of the City's resources and enable greater visibility of compliance with the City's usage policies and the efficient use of fleet. This will inform strategy with regards to the provision of vehicles and whether vehicles should be replaced at the end of their useful life if it is deemed there is insufficient benefit to the City.

There is potential for the use of the GPS system to overcome some of the shortcomings of both the logbooks and the lack of reporting from Outlook and should be considered as part of the upcoming GPS implementation review.

Management Comments

- The logbook details satisfy the Australian Taxation Office requirements for Fringe Benefit Tax purposes. Private and business use is separately recorded. Officers granted restricted private use will have a higher percentage of non-business use but that use is part of their employment package or conditions.
 - Vehicles usage not linked to an employment contract are reviewed prior to replacement of the vehicle.
 - The City is currently trialling GPS technology.
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2. Vehicle Booking System

Detailed review of custodian usage should be performed to ensure that it is appropriate and that sufficient business usage demand during the day exists.

Management Comments

- The City's new fleet management system now produces a monthly report showing the maintenance costs and costs per kilometre. This report is reviewed by Directors and Managers.
- It is envisaged that the GPS tracking system will also be a useful tool to monitor usage.

Progress of the Cost Efficiency and Service Reviews Program**CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....****Recommendations Cont'd....****3. Strategy and Guidance**

Management have identified the need to update the strategy on a regular basis and this is scheduled for 2014/15 as is a review and update of HR0007 [internal protocol]. This should include the user schemes offered, the importance of the use of user schemes from a Human Resource pooled fleet perspective and an expected level of business usage, not just cost of the fleet and planned purchases and disposals.

Consideration could also be given to greater use of salary sacrifice and novated leases and the frequency upon which the suppliers to fleet are reassessed, such as WALGA or open market purchase of vehicles and fuel, along with other findings raised within this report.

Management Comments

- Due to the limited number of fleet vehicles, reducing the fleet would disrupt operational requirements. Unlike other local government authorities, the City requires the Executive and Management Teams to provide their own vehicles, which represents significant cost savings.
 - The use of novated leases would then remove the vehicle from being part of the pool fleet which would also disrupt operational requirements.
 - The internal protocol HR0007 (City Owned Motor Vehicle Allocation and Usage) is scheduled for review by 30 June 2015.
-

4. Size of Vehicle

Since the strategic direction of the City is to downsize all light fleet vehicles to 4 cylinders, the purpose of the three vehicles which do not fit with strategy should be reviewed to establish whether smaller vehicles would be fit for purpose.

Management Comments

- The City's *Fleet Asset Management Plan* states that there is a focus to downsize to 4 cylinder vehicles to lower fuel cost but they must also be fit for purpose. The two 6 cylinder wagons run on LPG and fuel running cost is comparable to 4 cylinder vehicle cost (these vehicles are required to carry large items/equipment). Vehicle specifications are reviewed when replacements are considered
- The third vehicle is allocated to the Mayor; which is a personal choice and approved by the Council.

Progress of the Cost Efficiency and Service Reviews Program

CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....

Recommendations Cont'd....

5. Appropriateness of Vehicle

When replacing or purchasing new vehicles greater consideration should be given to the true use of the vehicle and whether operational role requirements can be met through the allocation of a sedan as opposed to a utility vehicle. This consideration should also include if a vehicle is required at all or if pooled vehicles could be used given the low business utilisation of some of them.

Management Comments

- Noted – utilities used for commuting use are exempt from fringe benefit tax, whereas sedans incur substantial fringe benefit tax cost (approximately 20% of the purchase price per year). This issue is examined with each vehicle replacement.

6. External Consultants

Consideration should be given to engaging Uniqco to undertake a detailed review of the City's fleet as previously performed in 2008. The information provided by Uniqco in recent newsletter updates relates to optimum turnover of vehicles based on cylinder size as well as the best replacement vehicles based on whole of life costs, but is not tailored for the City. This would also inform the revision of the Fleet Strategy.

Management Comments

- A review of the whole of life costs was completed by Uniqco in September 2011, which informs all motor vehicle acquisitions. This information will also be used when updating the City's *Fleet Asset Management Plan*.

7. Vehicle and Fuel Suppliers

An exercise should be performed to identify if the best value for money is obtained through using the WALGA panel for purchasing vehicles and fuel. This should include comparison to the open market and the finance available to the City, as opposed to paying cash for vehicles, which would free up working capital.

Management Comments

- WALGA do not have a light vehicle common use contract, however they have been able to negotiate special discounts on certain limited vehicles.
- Vehicles are purchased using the WA State Government Procurement Contract (CUA37804) and fuel is purchased using the WA State Government Procurement Contract (FUE2013) – pricing on these contracts is the lowest available.
- Quotes received for leasing of vehicles rather than purchasing have shown to be more expensive; there are hidden costs with leasing that are identified at the end of the term. Leasing normally provides a company tax deduction although local government authorities are exempt from company tax.

Progress of the Cost Efficiency and Service Reviews Program

CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....**Recommendations Cont'd....****8. Vehicle Evaluation and Approval**

Vehicle evaluation should be the only criteria by which vehicles are selected, with the highest scoring vehicle on evaluation being automatically selected for purchase, as opposed to user preference. If the evaluation criteria does no longer fit with the requirements of the City these should be reassessed.

Human Resource recruitment and retention considerations should be included when determining strategy in this area.

Management Comments

- The three vehicles trialled were the top three from the Uniqco scoring system and as the scoring results were reasonably close a trial was arranged to gain feedback from the business unit custodians. The unanimous drivers' evaluation showed that the Hyundai i30 was the superior vehicle.
 - The review of the whole of life costs has commenced for the 2014/2015 Light Vehicle Replacement Programme and will inform the decision making process.
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9. Vehicle Licensing

We recognise that there is some value in the resale of vehicles which are licensed versus unlicensed, however it should be considered whether it is necessary to license a vehicle for a full 12 months, as opposed to a shorter term, if there is the intention to dispose of the vehicle.

Management Comments

- Noted – although the date of sale cannot be predicted at the start of each financial year. There is a risk that the licence could expire prior to sale and result in a lower resale value.

Progress of the Cost Efficiency and Service Reviews Program

CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....

Recommendations Cont'd....

10. Vehicle Hire

While we appreciate that in many instances short term rental is a better option for the City than buying outright, rental expenses should be monitored for appropriateness and considered when reviewing strategy and in particular when assessing the replacement of vehicles or acquiring new vehicles.

The monitoring of use and costs of buses should be undertaken by Fleet Management in order to enable reporting on the total life costs of each bus, as well as manage the end of life and potential replacement of such vehicles. This will assist in ensuring the effective overview of all Fleet and in determining the most efficient strategic approach.

Consideration should also be given by the procuring department as to whether the services for which the rental vehicle is being obtained are required and provide value for money to the City.

Management Comments

- Bus running costs are captured in the fleet system and in the replacement programme and are monitored/reviewed by the Director Infrastructure Services.
- The cost to purchase another bus would be in the vicinity of \$250,000 therefore the hire cost is considered reasonable.
- The Community Development buses are committed to providing approved programmes and when being serviced or repaired an officer examines the need to hire or reschedule the service. In some cases other local government authorities have been contacted to request the use their bus – external hire is the last option due to the recognised high cost.

11. Disposal of Vehicles

We recommend that alternative disposal methods are investigated for potential returns on disposal, such as buy-back and trade-ins to ensure that the City is achieving the highest possible net return on disposed vehicles.

A documented limit of authority should be determined for the Coordinator Fleet Management, such as a percentage under the original reserve price to which vehicles can be sold without further approval. Any further difference would then need to be approved by the Operations Manager or the Director of Infrastructure Services.

The City should also develop its own expectation as to the proceeds on disposal based upon experience and use of websites such as RedBook against which to build an expectation of the auction price.

Management Comments

- Buy-backs are no longer being offered by the industry due to the unpredictable used vehicle market.
- The City is bound by section 3.58 of the *Local Government Act 1996* when disposing of property and public auctions are considered the most cost effective.

Progress of the Cost Efficiency and Service Reviews Program

CITY'S FLEET UTILISATION AND OPERATING COSTS CONT'D....**Recommendations Cont'd....****12. User Contributions**

There is a need to reassess the level of contribution if the desire is still to cover the average operational cost of total or personal use.

User schemes in use should be assessed, including the level of contributions in order to ensure that the City is deriving the benefits it requires in terms of delivering the requirements of the City and a fit for purpose fleet in the most economical manner.

Management Comments

- Agreed – this will be incorporated during the review of the internal protocol HR0007 (City Owned Motor Vehicle Allocation and Usage).
-

13. Use of Own Vehicle

With respect to the reimbursement of an employee's own vehicle for business purposes, Fleet Management has no visibility of these instances and associated costs. It is recommended that the policy includes the requirement for the employee to first review the availability of suitable pool vehicles for use and/or discuss with Fleet Management, before approval is given for the use of their own vehicle. This will also enable Fleet Management to consider whether fleet is able to service the needs of the City or whether additional vehicles are required.

Management Comments

- Noted, although the use of an employee's own vehicle for business purposes is appropriate if the activity attended is at the beginning or end of the day, as this reduces the need to collect and return the pool vehicle.