

**Report of:** Projects, Programmes and Procurement Unit

**Report to:** Environment Programme Board

**Date:** 16 March 2017

**Subject:** Vehicle Telematics

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4(3)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Appendix 1, 2 and 3 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.

## Summary of main issues

1. Vehicle telematics have been purchased and used by different departments throughout the authority on a case-by-case basis over the years resulting in multiple providers with various systems in operation across the fleet profile.
2. The various systems have resulted in an inconsistent approach with varying costs, functionality and reporting. Currently there are c300 units in operation over 5 different software platforms, each with different contractual arrangements in place.
3. New systems on the market offer much improved intelligent functionality, and accurate, up-to-date Management Information (MI) covering a broad range of data. Systems also offer smart driver behaviour tools such as in-cab alerts and smartphone applications that are fully integrated to driver user profiles. This holistic approach allows for the benefits telematics offers to be maximised.
4. To understand the benefits that can be offered by newer technology a trial of upgraded units was undertaken on 15 vehicles in the housing repairs service. The headlines

from this trial demonstrate there are dramatic improvements in driver behaviour, driver safety, and fuel consumption when telematics are utilised to measure performance.

5. The price/quality/sustainability evaluation weighting is pre-determined by the framework being used, at 60/35/5 respectively.

### **Recommendations**

6. The Director of Environment and Housing asked to:
  - Note the content of this report.
  - Provide authority to procure via way of conducting a mini-competition using the YOR 589 Telematics Framework Agreement.
  - Ratify the evaluation weighting.

## **1. Purpose of this report**

- 1.1 The purpose of this report is to present a business case for the procurement of newer, intelligent vehicle telematics systems for the authority's entire fleet<sup>1</sup>.

## **2. Background information**

- 2.1 The cutting carbon breakthrough project was established in November 2014 and at September 2015's Executive Board, the scope of the breakthrough project was increased to also focus on improving air quality.
- 2.2 To this end the council has set a target to reduce its own carbon emissions by 40% by 2020 from 2008/9 baseline and has introduced the Leeds Air Quality action plan. This document sets out the actions the council intends to take to clean up air in Leeds, and to become compliant with legal standards relating to NO<sub>2</sub> emissions.
- 2.3 Vehicle telematics, or tracking systems, have been procured by services within LCC on a case-by-case basis over the years. This has resulted in a multitude of systems with varying costs both for initial installs and monthly charges.
- 2.4 Some of the oldest systems date from 2006, however some contracts have been agreed as recently as 2016. This is problematic because the systems have varying costs, function on varying platforms and offer no integration or holistic view of how the fleet is performing overall.
- 2.5 Systems on the market have significantly improved over the years, offering better functionality, usability, and a variety of data sets that allow for solutions to be tailored, meeting the overarching needs of organisations while also being able to produce very specific outputs down to an individual vehicle level. The MI produced is extensive however, dashboards have been developed to allow easy interrogation of data that can be used to improve the operational performance of the fleet.
- 2.6 The YPO framework meets the requirements in terms of technical aspects of the systems offering multiple options. Our specification shall include a set of minimum requirements for all council vehicles with options to tailor functionality according to the operational need.

## **3. Main issues**

### *Current position*

- 3.2 The sporadic and disjointed approach to telematics has resulted in multiple systems and the MI not being utilised to full effect. Additionally, smaller scale procurements prevent the council from maximising the value of its spending power.
- 3.3 Budget pressures require the council to make full use of its resources and to spend money wisely, therefore there is an urgent need to drive value out of its assets and resources.

- 3.3 The council has an obligation to meet its targets in regards to carbon emissions and air quality. The council can directly influence the CO<sub>2</sub> and NO<sub>x</sub> emissions of its fleet by making changes to the type of fuel used, and increasing fleet efficiency.
- 3.4 The fleet represents an area where savings can be made from both a capital and revenue perspective. Telematics offers a proven solution to improving vehicle efficiency, primarily by driving down fuel consumption, reducing accidents, and increasing utilisation offering revenue savings. Capital savings can be made through recovering stolen vehicles, informing fleet reviews and rationalisation using intelligent utilisation data.
- 3.5 The council was recently award the ECO stars accreditation. ECO stars have produced a 'roadmap' for the council to introduce further emission benefits into the fleet – telematics features as a key driver for improvement in this report to enable the authority to achieve '5 star' status.
- 3.6 It is crucial that MI is used to feedback to drivers to ensure the benefits of telematics are maximised – this currently isn't being done on a consistent basis.

#### *Telematics trial*

- 3.6 PPPU and Fleet Services met with a number of telematics providers who currently have kit installed on our vehicles to understand what their technology currently offered, and what improvements were available.
- 3.7 Providers were able to evidence their systems collated MI but the council were not logging into the back office interfaces to interrogate data.
- 3.8 It was evident that this, coupled with the basic MI available was leading to a situation where the council was not achieving VFM in its use of telematics.
- 3.9 All providers were able to evidence that their technology had sufficiently developed to better meet the Council's strategic aims and objectives.
- 3.10 We explored the opportunity of upgrading a catchment of systems on a trial basis to prove the business case of upgrading and expanding telematics across the council. One supplier offered the upgrade of 15 units, assistance in driver training, and production of MI following the trial free of charge. Other providers had wanted to charge for upgrades on a trial basis.
- 3.11 Appendix 1 provides the detail of the trial.

#### *Business case*

- 3.18 The business case for this scheme was reviewed by the Financial Performance Group (FPG) in February 2017. FPG have provided approval for the procurement to go ahead, on the proviso that a revised business case is submitted for a review by Corporate Finance based on finalised costs, prior to Contract Award.

- 3.19 It is proposed that this project is funded by a reduction in service area budgets, offset by the savings generated. The business case is predicated on an anticipated 7% fuel saving as was found from the trial.
- 3.20 Prior to Contract Award, a decision will be taken by Corporate Finance as to whether this is a pure revenue scheme, or whether some elements will be capitalised (for example, installs of hardware).

#### *Ancillary benefits*

- 3.21 In addition to the statistical data telematics systems can produce, there are a number of ancillary benefits.
- 3.22 While it is recognised that industrial relations need to be sensitively handled, it is commonly understood that what gets measured gets managed; it is not uncommon for organisations to monitor productivity to ensure efficiencies. Examples of this in the council include the corporate contact centre and time-master. Measuring productivity leads to improved staff performance. Applying this rationale to telematics, (evidenced through research of case studies/benchmarking/trial data) leads to increased driver safety through better driving and location tracking, increased managerial confidence in the safety of staff, the ability to deploy resources related to real time demand, and reliable data on which to manage performance.
- 3.22 Other local authorities in the North of England have provided feedback about their use of telematics. Key benefits they have experienced include: eradication of speeding incidents, resolution of complaints, protection of lone workers.
- 3.22 Telematics systems are able to provide intelligent data on vehicle utilisation, informed by driver shift patterns, number of jobs, etc. Organisations are able to put forward bespoke information that should be accounted for when measuring utilisation to create data output. The data can be used to highlight and inform departmental decisions around staff shifts, fleet rationalisation and cross departmental opportunities based on real-world staffing operations.
- 3.24 Geo-fencing is a tool that can offer significant benefits when used correctly. Essentially, a geo-fence is a virtual barrier. This can be particularly useful to ensure drivers stick to pre-defined routes, for example when spreading grit during cold weather. Optimising routes ensures fuel efficiency and cuts down on maintenance costs. Geo-fencing is also used to create boundaries. This could offer a benefit to the council for the management of vehicles entering the upcoming CAZ, in the event there are any non-compliant vehicles left on the fleet at the time the CAZ is introduced. Geo-fencing can also be used to immobilise vehicles that exit a pre-defined boundary, this is a particularly useful security feature to negate against theft and aid the recovery of stolen vehicles.
- 3.26 A core function of telematics is GPS navigation. Knowing where our assets are at all times offers financial protection, especially in the instance of theft.

- 3.27 Data supplied from the Insurance section shows that LCC settle on average, over £450k per annum on third party insurance claims. Appendix 1 of this report (above) shows that driver safety increased by 25%. Therefore, a conservative assumption of a 15% reduction in accidents and resultant claims has been worked into the business case<sup>ii</sup>.
- 3.28 And finally, the overarching benefits of improved driving result in reduced maintenance costs (more efficient/steadier driving reduces stresses on vehicles and therefore reduces excessive wear and tear), less speeding incidents and reductions in collisions. As well as this being a public safety benefit, the image of the authority's drivers and reputation of the organisation is also improved.

## **4. Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 There are several strands to the stakeholder consultation process for this procurement. Key stakeholders are the unions, HR, operational staff, Heads of Service, and Environment Programme Board from a governance perspective.
- 4.1.2 Chief Officers of Highways, Construction, Refuse, Waste, Localities and Ground maintenance have been involved in specific meetings with Fleet Services to review the fleet replacement programme in anticipation of Clean Air Zone (CAZ) being introduced, details of the CAZ have been discussed at length and the potential impact on services has been explained.
- 4.1.3 Heads of Service have also been consulted to understand the requirements of the CAZ, opportunities to save money on fleet replacements, utilisation and emission / fuel savings.
- 4.1.4 Transport leads in all service areas have discussed requirements for a telematics system in the transport high hazard group. It is well recognised by this group of specialist officers that telematics offers a number of benefits.
- 4.1.5 A number of union shop stewards and convenors have been consulted as part of the draft LCC policy and protocols for telematics. This is being led by the Chief Officer Facilities and Fleet. A working group comprising of Fleet, PPPU and the union shop stewards has been set up to develop and agree the protocols. This will happen in parallel with the tender phase.
- 4.1.6 Fleet Services have held discussions with other public bodies on systems and other authorities in the North of England in a dedicated fleet working group. A number of organisations have shared information about their consultation process with unions. The feedback generally indicates that unions, once understanding the reasons for introducing telematics have been supportive. Notably, Leeds is the only authority in attendance at this meeting that doesn't have a corporate system from a single provider.
- 4.1.7 The council's Health and Safety team have been involved in the development of the draft Telematics Policy, in order to understand and support the benefits to council drivers and the members of the public in Leeds with improved driver

behaviour resulting in reduced accidents and the possibility post-accident data analysis. This would allow for resources in both safety and vehicle safety and compliance to be more focused in areas where this is deemed necessary while improving driver safety and fleet and operator licence requirements.

- 4.1.8 Heads of Service for all vehicles in scope have been consulted with and their operational requirements obtained for the purposes of feeding in to the specification. They have also had the opportunity to comment on the Telematics Policy document.
- 4.1.9 Operational staff were involved in the trial at LBS, so were consulted in regards to the objectives of introducing telematics and also for comment on the Telematics Policy. HoS shall retain responsibility for informing their operational staff about the introduction of telematics in those areas where no trial has taken place.
- 4.1.10 Environmental Programme Board (EPB) have been consulted on 9 January and were supportive of telematics being rolled out based on a sound business case.
- 4.1.11 Due to the value of anticipated annual spend, the decision to procure is Significant Operational Decision, as such relevant governance protocol applies.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The equality impact assessment for this procurement can be found at attached In summary, it concludes there are some minor implications for one equality strand, disability (hearing and sight (those who are colour blind).

## **4.3 Council policies and City Priorities**

- 4.3.1 The introduction of Telematics contributes to the Council's cutting carbon and improving air quality breakthrough project. Key drivers for the breakthrough project include a reduction in energy consumption and emissions and the promotion and encouragement of energy efficiency. The introduction of Telematics will support a reduction in vehicle emissions through better driving and reduced fuel consumption.

## **4.4 Resources and value for money**

- 4.4.1 There is an opportunity to mitigate the impact of having multiple suppliers by introducing a single supplier for large segments of the fleet, where there are no existing contractual arrangements in place. This would allow the council the opportunity to test the viability of using a single supplier, with a view to a corporate roll out where feasible when contracts expire.
- 4.4.2 The customer benefits of using a Framework include quality assured supplier standards, shorter lead-in times and pre-defined terms and conditions. This allows for the council to achieve value for money, while ensuring its requirements are fully realised while reducing its exposure to risk.
- 4.4.3 It is proposed that a procurement exercise should take place to procure a single supplier and establish a standardised, telematics system in order to fully exploit the

benefits the technology can offer. There is a Framework Agreement in place established by the YPO (Yorkshire Purchasing Organisation, Vehicle Telematics - 589). This framework allows for mini-competitions to be conducted among 11 providers.

- 4.4.4 This Framework also allows for blanket procurements to be initiated. This means we can ask the market to supply 'up-to' a set volume of systems without this being a contractual commitment. This provides us with the flexibility to meet the immediate requirements of departments, and have a mechanism in place to roll out across the organisation as and when business needs require and existing contractual arrangements expire. Further, we can take advantage of this being a market area where there are a lot of suppliers. Due to this being a high value procurement (anticipated annual spend to exceed £100k), this will allow us to apply leverage and drive value out of the procurement.
- 4.4.6 Customers can enter into Long Term Agreements (LTAs) under the Framework Agreement for their specific requirements for a period of up to five (5) years. In entering into a longer term contract the council can protect itself against market forces and save costs in respect of re-procuring at regular intervals however, it exposes the council to the risk of sticking with a solo supplier. On this basis, it is likely we will specify a shorter contract term with an option to extend (2+1).

This procurement is a high value procurement that exceeds the OJEU threshold, as such CPR 9 and 10 shall be adhered to (CPR 10 is satisfied by way of utilising the YPO Framework).

- 4.4.7 The contract is to be tendered to using a 60/35/5 price/quality/sustainability split as this is pre-determined by the Framework, pricing is more heavily weighted to telematics solutions being 'off the shelf' products. Applying more weighting to price allows the council to drive value out of the procurement to ensure the most economically advantageous tender wins the contract.

## **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 The information recorded by the vehicle tracking system is considered to be personal data because it allows anyone accessing the system to identify an individual, the driver and their behaviour. The use of the vehicle tracking system, its functionality and the information it holds, must be proportionate, transparent and reasonable. Driver data on the operation of a specific vehicle will only be used where there is evidence of low productivity, variations in performance (good and poor), unexpected movements, traffic or conduct incidents.
- 4.5.2 Personal data must be processed in accordance with the Data Protection Act 1998 and Council policy, in particular the Data Protection Policy. Accordingly, relevant drafting has been created for inclusion in the Corporate Telematics Policy and drivers are to be informed of the Council's intentions in this regard via Fair Processing Notices.
- 4.5.3 The data recorded by the vehicle tracking system will be kept for a minimum of 6 years to comply with the Council's information retention policy, and to help provide



management information about vehicle use for insurance claims and if necessary resolve any complaints or allegations made against the Council or its employees.

#### **4.6 Risk Management**

- 4.6.1 The council is currently operating its fleet 'at risk' in respect of not having in place a telematics system in all vehicles, as there is currently no mechanism in place to fully manage all aspects of the fleet's performance and have an oversight of where its assets are at all times.
- 4.6.2 A significant risk of introducing corporate telematics, is the possibility of failing to realise the benefits through failure to effectively utilise the MI data. This risk shall be mitigated by the introduction of an agreed policy and protocols, with regular updates provided to the Environment Programme Board.
- 4.6.3 A risk register capturing the full range of risks has been developed and is found at Appendix 3.

#### **5. Conclusions**

- 5.1 The evidence in support of introducing a telematics managed fleet is robust and compelling.
- 5.2 It is therefore proposed to advertise this as an opportunity to pre-qualified providers on the YPO Framework.

#### **6. Recommendations**

- 6.1 The Director of Environment and Housing asked to:
- Note the content of this report.
  - Provide authority to procure via way of conducting a mini-competition using the YOR 589 Telematics Framework Agreement.
  - Ratify the evaluation weighting.

#### **7. Background documents**

- 7.1 N/A.

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<sup>i</sup> Where suitable based on operations

<sup>ii</sup> WYP experienced a 25% reduction in collisions in Year 1, and a total of 34% since implementation. North Lincolnshire Council have eradicated speeding incidents in their entirety. Gateshead Council experienced a 30% reduction in collisions.