

Pwyllgor Cyllid

Cynulliad Cenedlaethol Cymru

Ionawr 2015

Adroddiad ar gynllun ceir fflyd a theithio a chynhaliaeth Swyddfa Archwilio Cymru – adroddiad gwerth am arian.

Cefndir

1. Penderfynodd Pwyllgor Cyllid Cynulliad Cenedlaethol Cymru gomisiynu archwilwyr allanol Swyddfa Archwilio Cymru, sef Baker Tilly (RSM Tenson bryd hynny), i ymgymryd ag adroddiad gwerth am arian ar geir fflyd y Swyddfa Archwilio a'i lwfansau teithio a chynhaliaeth, a hynny yn ystod gwanwyn 2013.
2. Cododd hyn o'r pryderon a ddaeth i'r amlwg wrth graffu ar amcangyfrif yr Archwilydd Cyffredinol ar gyfer y flwyddyn a ddaeth i ben ar 31 Mawrth 2013¹. Cwmpas y gwaith oedd gweld a oedd trefniadau ceir fflyd Swyddfa Archwilio Cymru a'r cynllun teithio a chynhaliaeth yn addas i'r diben ac yn cyd-fynd â chynlluniau sefydliadau eraill yn y sector preifat a chyhoeddus. Gwnaed y gwaith maes yn ystod haf 2013 a chyhoeddwyd yr adroddiad ar 18 Medi 2014. Mae'r adroddiad ynghlwm yn atodiad A.

Adroddiad Tilly Baker

3. Mae'r adroddiad gan Baker Tilly yn gwneud tri argymhelliad i Swyddfa Archwilio Cymru, sef:
 - Mae angen ddiffiniad llawer manylach o dargedau arbed costau yn y dyfodol a dulliau cytunedig o fonitro llwyddiant;
 - Dylid datblygu gwybodaeth reoli ar gyfer rheolwyr islaw lefel Cyfarwyddwr;
 - Dylid ailystyried y meini prawf cymhwysedd i benderfynu a ellid lleihau cost y fflyd heb amharu ar allu'r Swyddfa Archwilio Cymru i recriwtio a chadw staff allweddol.

¹ [Adroddiad ar amcangyfrif swyddfa'r Archwilydd Cyffredinol o incwm a gwariant ar gyfer y flwyddyn a ddaeth i ben ar 31 Mawrth 2013](#)

4. Ar ôl cyhoeddi adroddiad Baker Tilly ystyriodd Bwrdd Swyddfa Archwilio Cymru sut y byddent yn ymdrin â'r argymhellion.

5. Yng nghyfarfod y Pwyllgor Cyllid² ar 10 Rhagfyr 2014 ystyriodd y Pwyllgor adroddiad Tilly Baker a'r modd roedd Swyddfa Archwilio Cymru yn bwriadu ymdrin â'r argymhellion. Er mwyn ystyried y camau roedd Swyddfa Archwilio Cymru yn bwriadu eu cymryd i ymdrin â'r pryderon a nodwyd yn yr adroddiad, cymerodd y Pwyllgor dystiolaeth lafar gan:

Isobel Gardner, Cadeirydd Swyddfa Archwilio Cymru,
Kevin Thomas, Cyfarwyddwr Adnoddau, a
Nicola Evans, Rheolwr Cyllid.

6. Mae nodyn briffio³ Swyddfa Archwilio Cymru yn dweud bod Swyddfa Archwilio Cymru yn bwriadu:

- Sefydlu grŵp gorchwyl a gorffen i sicrhau gwerth am arian yn barhaus o ran y darpariaethau teithio roedd Swyddfa Archwilio Cymru yn eu cynnig i'w staff. Bydd y grŵp hwn yn gwneud argymhellion i Fwrdd Swyddfa Archwilio Cymru erbyn Chwefror 2015, er mwyn sicrhau arbedion pellach. Bydd yr argymhellion hyn yn cynnwys materion fel cymhwysedd i fod yn rhan o'r cynllun yn y dyfodol, trothwyon milltiroedd, diogelwch trosiannol a mesur gwerth am arian parhaus, fel yr argymhellwyd yn yr adroddiad.
- Ymgynghori â'r undebau llafur er mwyn rhoi'r gorau i'r cynllun ceir prydles wrth i'r prydlesi cyfredol ddod i ben. Disgwylir na fydd car prydles ar gael wedi i'r brydles ddod i ben ac y bydd angen i'r staff dan sylw ddefnyddio'u cerbydau eu hunain.
- Trefnu i gynnal adolygiad gwerth am arian arall ar lwfansau teithio yn 2016-17.

7. At ei gilydd, mae'r Pwyllgor yn derbyn y camau y mae Swyddfa Archwilio Cymru yn bwriadu eu cymryd i fynd i'r afael â'r pryderon a nodwyd yn adroddiad Baker Tilly. Me'r Pwyllgor yn bwriadu monitro canlyniadau'r grŵp Gorchwyl a Gorffen, a byddem yn falch o gael gwybod am hynt y gwaith hwn.

² Yn dilyn Deddf Archwilio Cyhoeddus (Cymru) 2013 y Pwyllgor Cyllid yw'r pwyllgor sy'n awr yn gyfrifol am oruchwylio gwaith Swyddfa Archwilio Cymru

³ [Papur briffio Swyddfa Archwilio Cymru ar Adroddiad Baker Tilly](#)

Argymhelliad: Mae'r Pwyllgor yn argymhell bod Swyddfa Archwilio Cymru yn darparu gwybodaeth lawn am waith ac argymhellion y grŵp gorchwyl a gorffen wedi iddo gyhoeddi'i adrodd ym mis Chwefror 2015.

8. Gofynnodd y Pwyllgor a oeddent yn ymwybodol o unrhyw resymau pam roedd wedi cymryd dros flwyddyn i gyhoeddi'r adroddiad ar ôl casglu gwybodaeth dros yr haf 2013. Dywedodd Swyddfa Archwilio Cymru wrth y Pwyllgor fod rhai camgymeriadau ffeithiol mewn rhai adrannau o'r drafftiau cychwynnol a arweiniodd at rai sylwadau ac argymhellion camarweiniol. Awgrymodd Swyddfa Archwilio Cymru fod hyn wedi digwydd oherwydd diffyg profiad rhai aelodau o'r tîm archwilio o ystyried cymhlethdod a sensitifrwydd y materion dan sylw.

9. Mae hwn yn fater sy'n peri pryder i'r Pwyllgor; byddem yn disgwyl i archwilwyr allanol Swyddfa Archwilio Cymru fod yn ddigon cymwys i sylweddoli pa sgiliau oedd yn angenrheidiol i gyflawni'r gwaith a gomisiynwyd. Mae hyn yn bryder gan ei fod posibilrwydd i ffynonellau allanol ddylawnadu ar y gwaith a wneir. Mae'r contract â Baker Tilly wedi'i adnewyddu am dymor arall, ac mae hyn yn rhywbeth y bydd y Pwyllgor yn ei fonitro a'i adolygu yn ystod oes y contract.

10. Yn ystod y sesiwn tystiolaeth lafar, dywedodd Swyddfa Archwilio Cymru wrth y Pwyllgor mai costau cyffredinol y cynllun oedd oddeutu £1 miliwn y flwyddyn.

Argymhellion: Mae'r Pwyllgor yn credu y gallai'r wybodaeth am gost gyffredinol y cynllun fod yn fwy tryloyw yn yr adroddiad a'r cyfrifon blynyddol, ac mae'n argymhell bod y wybodaeth hon yn gliriach mewn adroddiadau a chyfrifon blynyddol yn y dyfodol.

11. Holwyd Swyddfa Archwilio Cymru am y penderfyniad i drosglwyddo i system a oedd yn caniatáu i staff hawlio lwfansau teithio a chynhaliadaeth ar-lein. Dywedodd Swyddfa Archwilio Cymru wrth y Pwyllgor eu bod wrthi'n gweithredu'r un system â'r GIG, ac y dylai helpu i brosesu taliadau'n gynt a lleihau camgymeriadau. Mae'r Pwyllgor yn croesawu hyn, a byddai'n falch o glywed am hynt y gwaith wedi i'r system gael ei ehangu drwy'r sefydliad.

Value for Money Report 2013: Fleet Cars and Travel & Subsistence

Wales Audit Office: Swyddfa Archwilio Cymru

18th September 2014

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1. Executive Summary

Objectives

This Value for Money (VfM) review was commissioned to identify whether the Wales Audit Office (WAO) fleet car scheme and Travel & Subsistence arrangements are fit for purpose and in line with other organisations in the private and public sector. The WAO requested that the VfM review benchmarks the WAO's arrangements to other public and private sector organisations. Five objectives were agreed for this review, as follows:

- Compare the WAO's fleet scheme arrangements with those in place in other public / private audit agencies taking into account the cost, the specific operational environment (e.g. geography and logistics), the WAO's corporate priorities and its Corporate Social Responsibility (CSR);
- Assess whether controls are well established in terms of management of the fleet car scheme;
- Assess whether the introduction of the fleet scheme in 2011 has resulted in the cost savings predicted at the time;
- Assess the quality of the management information provided to the managers responsible for the fleet car scheme; and
- Compare the WAO's travel and subsistence arrangements with the reimbursement offered by other public bodies.

Conclusions

- Our review has concluded that there is evidence of increased social responsibility by the WAO in respect of the Health and Safety, wellbeing and environmental responsibility to their staff. Carbon emission reductions have significantly exceeded the target. There is also a robust governance process implemented by the WAO in order to control and monitor the fleet and staff travel arrangements.
- We found that the WAO is proactively looking to reduce the costs of the fleet and travel and subsistence, and that the task was taken seriously by management with a clear desire to improve value for money.
- Opening up the scheme to more staff (trainees and technicians) and the removal of a minimum qualifying annual mileage has led to an increase in the cost of the scheme. This practice is more generous than observed elsewhere, although it is recognised that there are non-financial benefits of offering the scheme to these individuals.
- Allowing staff to claim a protected transport allowance rate for 24 months in comparison to the minimum 13 week notice for changing terms and conditions led to an additional cost of circa £98,000 in the first two years.
- The targets set for the reduction in costs of the lease car scheme and travel and subsistence were insufficiently defined, therefore the WAO has not been able to demonstrate whether it has achieved the improvements targeted.

1. Executive Summary (continued)

Therefore our overall conclusions are as follows:

- **Fleet scheme arrangements** – overall the VfM of the WAO's scheme compares well with other benchmarks and the arrangements contribute towards the goal to improve Corporate Social Responsibility. However there is the need to consider the eligibility of staff across the organisation and there is a potential to reduce costs by tightening the criteria for trainees and technicians
- **Management Controls** – we found that management controls are well established and are working effectively
- **Savings** – savings targets and plans were not tightly defined and therefore there was no mechanism in place to track the level achieved. Going forward the WAO needs a stronger process to agree and monitor targets for reducing costs
- **Management Information** – we found the current management information to be adequate for directors but there is a need to develop the information provided to those below director level
- **Travel & Subsistence** – these arrangements offer VfM and are less generous than others benchmarked

Key Recommendations

Our key recommendations are;

- There needs to be a much tighter definition of cost saving targets in the future with agreed mechanisms for monitoring achievement;
- Management Information should be developed for managers below Director level;
- Eligibility criteria should be re-evaluated to establish whether savings could be made to the cost of the fleet without impinging on the ability of the WAO to recruit and retain key staff.

More detailed recommendations are included in the body of the report.

2. Introduction

The purpose of this report

We were asked by the Public Accounts Committee (PAC) to benchmark the WAO's new fleet car arrangements against those of other organisations in the public and private sector to determine whether the arrangement was comparable with other organisations and if Value for Money (VfM) was being obtained.

It was agreed that we would consider fleet car and travel and subsistence arrangements for PAC consideration.

Our Approach

We obtained and reviewed evidence in addition to interviewing all relevant members of staff who are involved in the operational management of the fleet car scheme.

We gathered evidence from across the public and private sectors to establish whether the WAO's fleet car and transport allowance arrangements are in line with best practice. In addition, travel and subsistence policies and rates from a range of organisations were reviewed to establish whether these were comparable to those of the WAO.

A more detailed method annex has been provided to management with details of the testing undertaken.

Our Team

Our team principally comprised of:

Paul Brown	Engagement Lead
Helen Cargill	Director
Rhys Davies	Assistant Manager
Catrin Lewis	Auditor

Accordingly, for the avoidance of doubt, we emphasise that the work we have performed does not constitute an audit and that this report does not imply the expression of an audit opinion, or the satisfaction of an audit opinion, statutory or otherwise. The sole purpose of this report is to assist the WAO in the appraisal of internal management information used to manage the business.

Use of the report

This report is intended for the sole use of the Wales Audit Office, the Auditor General for Wales and the Finance Committee of the National Assembly for Wales. We understand that reports to Finance Committee are usually in the public domain.

We cannot accept responsibility to any third party in relation to our report and disclaim all liability to any third party in connection therewith. This report should not be disclosed to any third party without the prior written consent of Baker Tilly.

3. Background

Following the merger of the Welsh regions of both the Audit Commission and the National Audit Office (NAO) in 2005 a newly merged organisation called the Wales Audit Office (WAO) was formed. There were a number of ex Audit Commission staff who retained their entitlement to a fleet car or transport allowance as part of their remuneration package. Ex NAO staff, who had not previously been entitled to a fleet car or transport allowance, become eligible providing they travelled at least 5,000 business miles per year. The value of this transport allowance in 2005 was £4,070, rising to £5,750 by April 2010.

In September 2011, the WAO attempted to harmonise benefits, improve the cost effectiveness of the fleet and contribute towards the Health and Safety and Sustainability Agenda. At this point, c270 WAO staff were travelling over 1 million business miles per year, at an annual cost of £1.1m which produced around 1,000 tonnes of CO₂. The objective of the review was to:

- Reduce the value of the fleet car / transport allowance;
- Remove the perverse incentives created by the 5,000 miles qualifying criteria for transport allowance;
- Provide better management of staff Health and Safety;
- Increase Corporate Social Responsibility through a reduction in carbon footprint;
- Reduce travel by staff; and
- Increase the use of Technology for meetings e.g. video conferencing.

The WAO followed the Environmental Agency framework contract for lease cars. As part of the fleet review, the lease car contract was re-tendered through the Government's OGC procurement framework. Five leasing companies expressed an interest however only one company, Lex Autolease, submitted a tender. Extensive discussion took place in addition to the costs provided by Lex Autolease being compared and benchmarked against the WAO's existing supplier, Hitachi, and the contract was subsequently awarded to Lex Autolease. Further negotiations were held with Lex Autolease to minimise the risk of excessive end of term charges being applied. Consideration was also given to prior experience of the provider.

Once the tender had been awarded, a whole life cost analysis was undertaken on the entire range of fleet cars available to lease from Lex Autolease to identify the best options in terms of CO₂ emissions; NCAP safety rating; and the range of business appropriate cars.

3. Background (continued)

As a result of the whole life cost exercise, three brands of cars were identified as satisfying the WAO's criteria; Toyota, Peugeot and Honda.

The level of allowance and the criteria for eligibility to participate in the fleet car scheme (or to receive a transport allowance) were also reviewed as part of the exercise. Staff who did not meet the eligibility criteria would claim the HMRC private mileage rate. These changes included the reduction transport allowance for new staff; the removal of minimum travel threshold of 5,000 miles and the transport allowance for trainees and technicians.

Pay Bands	Old monthly car lease allowance	Old monthly travel allowance	New monthly lease allowance	New monthly travel allowance
Pay bands 7-10	£340	£480	£340	£430
Pay bands 3-6	£280	£480	£280	£370
Trainees	£0	£0	N/A	£370

The changes became effective from September 2011. Eligible staff were given the option of a lease car or transport allowance. Where staff selected the option of a lease car the criteria for the vehicle had already been established through the whole life cost exercise. Criteria were also defined for those staff opting to receive the transport allowance. Such criteria include that the car is fit for business purposes; emissions were limited to 140g/km and that the insurance of these vehicles was the responsibility of the staff at the WAO.

It was anticipated that, following recommendations arising from the fleet review, costs would initially increase by £50,000 in year one of the scheme (September 2011 - September 2012). However, it was anticipated that potential annual savings of up to £200,000 could be achieved in years two, three and four. In addition, the report specifically identified that some of the savings and income generation of around £80,000 per year for four years would arise from a number of sources. An HR Advisor from the HR team is responsible for the day to day management of the fleet scheme on behalf of the WAO also liaises between WAO and Lex Autolease.

In this report we have provided a detailed analysis of the changes made to the Fleet Scheme and identified the VfM of the arrangements and we have reviewed the Travel and Subsistence arrangements. These have been benchmarked against other organisations including both the public and private sectors.

4. Objective 1 – Comparison of Fleet Scheme

Comparison of Scheme objectives - Introduction

In this section we summarise our analysis of the WAO fleet car arrangements and benchmark against the research and findings identified from elsewhere, with specific consideration to the WAO's working environment. As identified previously, there were five specific objectives to this review, each will be analysed independently, although some of the findings will be relevant to a number of the objectives. This analysis compares the WAO's fleet scheme arrangements with those in place in other public/ private audit agencies whilst taking into account the cost, the specific operational environment (e.g. geography and logistics), the WAO's corporate priorities and its Corporate Social Responsibility (CSR).

WAO fleet car scheme - current situation

All staff who are eligible for the scheme are employed under the condition that they are a mobile workforce and travelling is a requirement of the role (eligibility will be revoked if staff refuse to travel). There are some ex Audit Commission staff who are on protected Terms and Conditions following the merger in 2005 and who are entitled to a fleet car or transport allowance as part of their remuneration package, this is despite not being required to be mobile and as such are Corporate Enablers. Eligible staff have a choice of three options which include; a lease car, a transport allowance or claiming of mileage through HMRC mileage rates for business miles.

At the time of this review, 188 members of staff were considered eligible for the current fleet car scheme, of which:

- 50 members of staff had lease cars with an average annual lease cost of £4,324 (plus on costs) per person with total monthly contributions from staff of £2,310 ranging between £40-£50 personal monthly contribution, equating to an annual cost of £100,700 for the cost of running the scheme;
- 121 members of staff claimed the Transport Allowance with a Gross annual cost of £530,157 as at September 2013; and
- 17 members of staff claimed the private mileage allowance at the HMRC advisory rate of £0.45 per mile, equating to an annual cost of £65,585.

Fleet Car Scheme key findings (Full findings in Method Annex 1)

In May 2012 the WAO put the contract out to tender to provide the lease car services for organisation as a whole; this process was undertaken in light of the findings in the fleet review in 2010. The WAO decided that the most cost effective exercise was to utilise the Office of Government Commerce (OGC) buying solutions framework, five suppliers expressed an interest, including the incumbent provider, however only Lex Autolease submitted a tender.

4. Objective 1 (Continued)

The contract, which was subsequently awarded to Lex Autolease, will run until May 2015 although there was due to be a review of these arrangements in May 2014 with approximately 50% of the staff with lease cars enlisting on this scheme. This low uptake is due to the fact that some of the contracts from the incumbent provider run until 2016 and consequently staff could renew old leases with this provider. In light of this it should have been considered whether leases could have been extended until the new arrangement was in place. Having Hitachi vehicles in the fleet for another three years makes it difficult for a timely review of the whole fleet arrangement.

We have subsequently been informed that the average cost of a fleet car in 2010 was £5,257 compared to the current £4,750 in 2013/14 and Travel Allowance of £4,440 or £5,160. It is questionable how much of a comparison the WAO was able to perform in assessing whether the arrangements offered VfM but is also acknowledged that prices were compared on OGC to provide assurance that the rates were competitive. The WAO Financial Management Handbook (June 2013) states that where insufficient verbal or written quotations are received, a single tender process may be followed. Although this was not in place at the time of the tender this is recognised best practice and consideration should have been given to obtaining further approval from the Executive Committee. We have been advised that the Executive Committee were fully briefed on the situation and this was evidenced by minutes.

Overall we believe that VfM was achieved despite only one tender being submitted; this is due to the provider being a part of the OGC framework and consequently would have been vetted appropriately.

Whole life cost analysis key findings (full findings in Method Annex 2)

The initial review in 2010 encompassed a whole life cost exercise of the vehicles that could be provided by Lex Autolease. The exercise was carried out by the Fleet Management Group to specifically identify the brands of car which would be efficient (in terms of fuel and maintenance); satisfy the corporate image and satisfy the CSR agenda. In addition to this the WAO determined which vehicle brands to include in the scheme, and which to exclude. Following this exercise, carried out by the Fleet Management Group, three brands of car were selected which met the criteria stated above and we can confirm that similar exercises have been undertaken elsewhere and is an example of good practice. It should be noted that the WAO has set additional caps compared to other organisations in terms of selecting the brand of vehicle in addition to the type (such as 4x4) in light of supporting the business image. It should be noted that the WAO has reviewed the fleet car arrangements in May of 2014 and intends to do this regularly and for future tenders.

We believe that the WAO has also achieved VfM during the whole life cost analysis.

4. Objective 1 (Continued)

Carbon Emissions key findings (full findings in Method Annex 3)

Prior to the fleet car review, the WAO fleet had an average CO₂ emission of 165g/km, however once this work was completed a cap of 140g/km was set with a 5g/km reducing figure being targeted. This cap is reviewed annually the current cap is at 130g/km. The table below shows how the four year average carbon emission of WAO compares to Central Government and the WAO providers:

	Number of Vehicles	CO ₂ g/km
Central Government	-	100
WAO Average	50	122
Lex Autolease	25	115
Hitachi	25	129

Continual improvement and development of new vehicles in the fleet will continue to bring the WAO's average emissions down to Central Government's definition of "low carbon" (which is set at 100 g/km). Based on our research, 120g/km was identified as the CO₂ benchmark set by other organisations. This is broadly in line with the WAO's overall fleet car average of 122g/km, but less than the current target.

Length of lease key findings (full findings in Method Annex 4)

The WAO leases vehicles over a four year period. The length of the lease was not part of the initial fleet review in 2010 as it was recognised within the industry, that longer lease periods reduce the lease cost and are therefore the most cost effective option. Although longer lease periods generally cost less than shorter periods, there is a potential downside as new vehicles become available on the scheme that are increasingly more efficient and a shorter lease period would allow the WAO to access efficient vehicles allowing them to reduce their carbon footprint further.

We identified a range of lease periods from 24 to 48 months. We further identified that flexible lease schemes have become popular, with a number of organisations opting for 3-12 month lease periods. However, it was noted that these would be impractical for the WAO as the lease cars have a lead time of four months.

4. Objective 1 (Continued)

'Non-controlled' vehicles key findings (full findings in Method Annex 5)

The only vehicles that are not managed by the WAO are those which are owned by the staff that claim the HMRC personal mileage, this relates to approximately 9% of the total staff at the WAO. We however did identify through our review that restrictions can be placed on non-controlled vehicles through organisations stipulating that cars must comply with CO₂ emissions criteria and that vehicles must be less than a defined age (generally seven years old). In line with good practice the WAO ensures compliance with health and safety by requiring staff that claim mileage for the use of their own vehicles, must provide their MOT and insurance certificate and evidence of a valid driving licence on an annual basis. Claims will not be paid unless this information is up to date.

Other public sector bodies reviewed tended to offer staff use of hire cars or provide access to pool cars when staff were required to undertake a lengthy journey. However, this option would not be practical for the operational WAO staff who would be predominantly mobile. However, this might provide a solution for staff who travel infrequently. Elsewhere in the public sector, where vehicles were provided, this was generally justified by reference to necessity and mileage. We were advised that management have considered the use of pool cars in further depth and that they believed there is a hidden cost of maintaining pool cars relating to the need to ensure that all are roadworthy at all times whilst the WAO will also need to pay the monthly rental cost, which could be £250 per month for the rental plus insurance premium. We also identified that a shared service organisation in Wales, with similarities in respect of patterns of staff travel, did not provide travel allowances or lease cars and staff were expected to provide their own vehicles and claim the HMRC private mileage rate.

Extension of transport allowance to trainees and technicians key findings (full findings Method Annex 6)

Prior the fleet review in 2010, trainees or technicians were not eligible to participate in the scheme. However, an outcome of the fleet review is that these staff can claim allowances. This was based on the fact that these staff would be expected to be mobile and salary is comparatively lower than other WAO staff and as such might struggle to afford a newer, more environmentally friendly vehicle. The context is that starting salaries at the WAO may vary from other organisations:

Band	Starting salary	Salary following successful 6 month probation	After Year 1	After year 2	After year 3
Technician	£14,750	£15,750	£16,500	£17,250	-
Trainee	£19,190	£20,705	£21,715	£22,725	£23,735
Private Sector (National Trainee starting salaries)					
SME	£17000 - £21,500				
Large organisation	£18,000 - £25,500				

4. Objective 1 (Continued)

Salary benchmark data identified that £19,500 was the average salary in Wales and South West for public sector, foundation qualified trainees and £21,000 for part qualified ACCA trainees. In the private sector the salaries appear within the median for the SME and bottom of the scale for larger organisation. The salaries offered by WAO are comparable before consideration of the additional transport allowance of £4,440 per annum.

There were 11 members of staff claiming transport allowance of £370 per person, per month and based on the business miles travelled in 2012/13 we identified that the additional cost to WAO would be circa £55,000 for transport allowance and mileage. If these trainees and technicians had been paid based on HMRC private mileage allowance of £0.45 per mile then the cost would have been £16,917 to the WAO. Through general research and knowledge from our own organisation and competitors, it is not common practice to provide a transport allowance or lease car option to staff below management level, especially trainees. The WAO scheme has therefore extended further than the other organisations reviewed.

There is a clear cost to the WAO of widening the eligibility of the fleet car scheme to include technicians and trainees, but this is offset by the improvements to health and safety in ensuring that trainees/technicians have access to appropriate, roadworthy vehicles and the knowledge that all staff are geographically mobile and supports recruitment and retention. In terms of the VfM we conclude that the decision to extend the eligibility has added to the cost of the scheme but that there are some offsetting non-financial benefits.

Removal of the 5,000 business miles eligibility criteria key findings (full findings in Method Annex 7)

Prior to the 2010 review, staff had to demonstrate that they travelled over 5,000 business miles per annum in order to be eligible to claim transport allowance. This qualifying threshold was removed as it was considered that staff were effectively being incentivised to travel in order to reach the 5,000 mile target. Analysis of the transport allowance payments since 2010/11 identified that 35 staff (23% of the total currently claiming transport allowance) had not claimed an average in excess of 5,000 miles in the last three years. The cost of providing the transport allowance along with the average miles completed at the average rate of £0.17 would be £168,547 for the next 12 months. This compares to a cost of £42,228 if the average mileage was paid at the HMRC rate of £0.45 per mile. The introduction of transport allowance for staff not travelling above 5,000 miles has therefore resulted in an increased cost. Four members of staff had not claimed over 1,000 business miles in total over the same three year period. In these cases, the total transport allowance and mileage payment, paid at an average of £0.17, for the next 12 months would be £17,236, whilst if paid at the HMRC rate of £0.45 the cost to WAO would only be £1,217.

The removal of the 5,000 business mile threshold has resulted in an additional cost to the WAO, as more staff are now eligible to claim although it is noted that this may be offset by staff not now having a target mileage to achieve for eligibility purposes. The cost should be reviewed where staff are non-operational or travel infrequently. The use of thresholds is common place and in the public sector the essential criteria user defined by HMRC sets business miles as over 5,000. Similar practices were identified through our review with one organisation stating that employees must travel at least 10,000 business miles per annum to qualify for an allowance / fleet car. With regards to VfM we believe that efficiency and effectiveness are being met but economically there could be a substantial cost to the WAO due to the movement eligibility thresholds. In light of this we have made recommendation 1 in section 5.

4. Objective 1 (Continued)

Protected Transport Allowance key findings (full findings see Method Annex 8)

The WAO identified that their transport allowance payments were excessive when compared against other public sector organisations. The transport allowance was reduced from £5,750 to £5,160 or £4,440 dependant on staff grade. We found through comparative analysis that £5,000 was the annual average payment for transport allowance; therefore the WAO rates are more reflective of practice elsewhere.

It was noted that the statutory notice for informing staff of a change in terms and conditions was 13 weeks, however the WAO opted to provide a 24 month payment protection period to those staff claiming transport allowance. If the WAO had paid the 64 members of staff who were protected for 13 weeks at the old transport allowance rate and then continued to pay them the new rate until September 2013 £43,015 would have been saved. From the Fleet Management Review there was no justification provided to why the transport allowance was protected for 24 months instead of the 13 week statutory period. We can therefore not identify that any VfM was achieved through extending the protected period from 13 weeks to 24 months.

It was noted that management has to achieve a balance between employee relations and cost savings and that in the longer term, certain cost saving actions would reduce staff morale and potentially impact productivity. There is also a potential impact on staff retention.

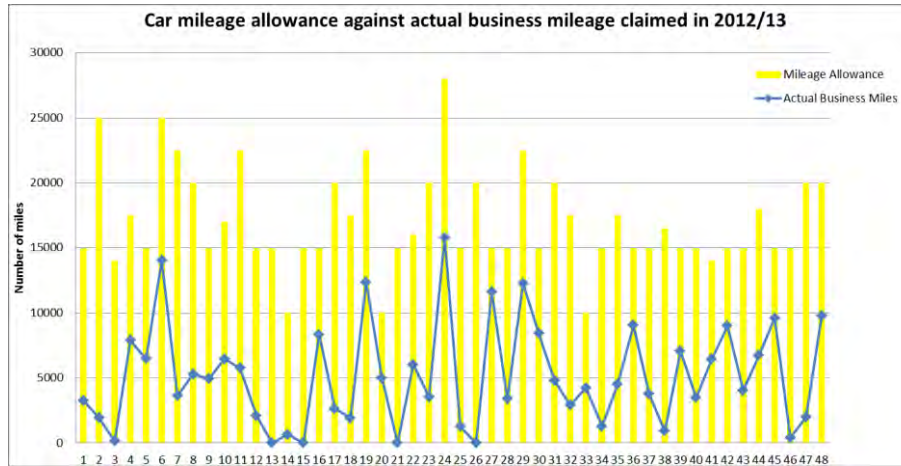
In terms of VfM we conclude that efficiency and effectiveness have been achieved but the additional cost of £40k and the lack of justification for this shows that economic VfM was not achieved.

Analysis of lease car mileage allowance key findings (full findings in Method Annex 9)

Lease cars have an average set mileage of 15,000 miles per annum; above this rate excess mileage charges will be applied. We were informed there is an element of netting off as part of the contract in addition to identifying that, in practice, there is a variety of mileage arrangements in place with the Fleet Management Company. The increased allowance is agreed at the individual's discretion and approved by the HR Advisor who monitors the scheme. This has a cost implication as the higher the mileage allowance, the higher the lease cost.

We analysed the business mileage of staff with lease cars in April 2012 and March 2013. The Table below demonstrates the mileage allowance for each of the vehicles and the amount of business miles claimed by each staff member with a lease car.

4. Objective 1 (Continued)



It is evident from the graph that annual mileage allowance on the lease cars is high in comparison to the actual business miles claimed by WAO staff. However, there is scope to reduce the annual mileage allowance of the lease cars which in turn could mean a reduction in cost of the lease payments to WAO. We identified through testing that if the members of staff who claimed less than 5,000 miles (approximately half) were paid at the HMRC private rate rather than the mileage allowance then a saving of approximately £29k would have been realised in a 12 month period. There is scope to review individual staff business miles to identify if certain staff undertake sufficient business miles to warrant a lease vehicle. As with the transport allowance, consideration should be given to the reintroduction of a minimum number of miles to be eligible for a lease vehicle under the scheme.

Staff pay up to £50 monthly contribution (was £30) towards the private use of the leased vehicles, however, this may not be representative of the proportion of private mileage to business mileage actually travelled given the low levels of business miles identified in the table above.

With regards to VfM we believe that efficiency and effectiveness is being achieved, however the additional costs to the WAO from the mileage allowance is not good economic sense. In light of this we have made a recommendation which can be seen in section 5 (recommendation 2).

4. Objective 1 (Continued)

Insurance

The WAO pays a vehicle insurance charge of £22,500 which is effectively £450 per vehicle. We were informed that the annual insurance cost has not increased in the last few years; however there could be an opportunity to achieve further savings by reducing the number of drivers on policies; having age restrictions and share driver safety arrangements. In addition, there could be further consideration to providing advanced driver training, by third parties, which may result in a further reduction in insurance premiums and also result in more efficient driving styles (as observed elsewhere). At present WAO bears the whole cost of insurance for their employees, although it was noted that WAO drivers are responsible for excess payments. In light of this we have made recommendation 3 in section 5.

Objective 1 - Overall conclusion

The WAO wants to be considered as the benchmark for the public sector and therefore should be seen to be setting best practice within Wales. In terms of CSR, the WAO has taken steps to ensure that the fleet meets the highest NCAP rating and that staff undertake mandatory online driver training. The scheme is designed to be environmentally friendly with a clear target for reducing carbon emissions each year and the selection of vehicles which meet these criteria. These policies contribute to the WAO's Green Dragon level four accreditation.

However, there have been decisions in respect of the extension of the scheme to trainees and technicians and the removal of the 5,000 business mile eligibility criteria that have led to increased costs with limited justification in context of the mileage travelled and practice elsewhere. This is an area that requires further attention from management to determine whether the decision taken can be justified in the context of other organisations, particularly within the public sector, or in terms of the cost and savings achieved.

4. Objective 2 - Controls

Introduction: Fleet Management process and procedure

The WAO has a Fleet Transport Handbook which provides staff with all necessary detail regarding the scheme. A handbook is provided to each new employee who is eligible to take part in the fleet scheme with the HR Advisor being the main point of contact with the lease companies.

The full procedure is stated within Method Annex 11; however the key points to note are that the member of staff completes a number of forms and documentation which confirms the understanding of the applicable schemes and payments, without this signatory the payments with regards to the scheme will be suspended. Records are maintained by HR of all staff who claim transport allowances and also a register of the leased vehicles and those who lease them.

All drivers, must complete an online Health and Safety safe driver plus course, initially on commencement of employment and this is included as part of the induction programme and bi-annually thereafter. Results are reported within the annual Health and Safety report to the Executive Committee.

	Number	Percentage
Safe driving plus	189	95.45%

The introduction of technology to track leased car usage, for business and private mileage and also for style of driving, which can also influence insurance premiums was considered by the WAO. However, it was rejected on the grounds of promoting a 'Big Brother' culture, cost, effectiveness and staff dissatisfaction, and the decision was made not to progress with this option.

Overall conclusion

We are satisfied from our review that the process in place is well defined and managed with clear responsibility for overview of the arrangements.

4. Objective 3 - Savings

Introduction

Objective three focuses on whether the introduction of the fleet scheme in 2011 has resulted in the cost savings predicted at the time.

Scheme identified savings

The Fleet Management Review in 2010 set out that following the changes to the fleet car arrangement, the potential cost savings would be a loss in Year One of £50k with £200k savings in Year 2 – 4. However, it should be noted there was insufficient evidence as to the breakdown of the savings or costs which have been declared in the review. The new scheme has been in operation for two years (at the time of this report) and as such the savings should have been achieved. However, there has been no formal review or analysis of the savings or costs to date by the WAO. We were advised that this could be due a number of changes being made which makes it difficult to calculate the true savings.

The one saving that has been formally identified relates to the cessation of the protected rate of transport allowance as of September 2013. This will provide an annual saving to WAO of £64,409 however this needs to be pro-rated in light of the time of year the allowance was removed.

We identified through the Fleet Management Review that the costs in years 2, 3, 4 were anticipated to be circa £845,000 per annum with an additional opportunity to save £80,000 per year across the four years through savings and income generation activities. With regards to the savings we identified the following:

Additional drivers' income

£6,000 income from additional drivers at the time of the exercise, to continue having access to the vehicle a payment of £100 per annum was required. Staff were not willing to pay the additional charge and only £700 of income in 2013/14 has been generated from this decision compared to the anticipated income of £6,000 per year.

Increased insurance excess payments

In the last 6 months there have not been any insurance claims by staff. Consequently no income has been generated towards the £12,000 anticipated by the WAO. However, the WAO would also not have been required to pay any excess payments in this period. We were advised that insurance costs overall have reduced.

4. Objective 3 (Continued)

Change in mileage allowance

HMRC increased the mileage allowance from £0.40 to £0.45 for private mileage from April 2011. This has meant that the WAO was unable to achieve the potential saving of up to £20,000 after reducing their mileage reimbursement in line with the HMRC rate at the time which was £0.40, as the rate had subsequently increased. The WAO is now paying mileage at HMRC rates, albeit that the planned saving from reducing the rates was short lived as the HMRC rates were increased shortly after this change took place.

As noted above, discussion with Management identified that an analysis of the savings to date was difficult due to key variables; examples of this include the number of staff in post and the policy of rotating staff to different clients (hence movement in mileage claims).

Based on the information reviewed and data received during our review we are unable to provide any data demonstrating if the WAO has been able to achieve the financial cost savings as initially set out in the 2010 fleet review. However, we understand that efficiencies have been obtained in respect of emissions and promotion of health and safety.

Overall Conclusion

Savings targets were agreed in outline but were not sufficiently defined and therefore we have been unable to verify whether they were achieved. A number of income generation ideas have failed to materialise and the analysis of additional costs arising from the change in eligibility all indicate increased costs. In light of this we have made one recommendation in section 5 (recommendation 4).

4. Objective 4 – Management Information

Introduction

This objective was to assess the quality of the management information provided to those responsible for the fleet car scheme. The study assesses the extent to which the information provided allows managers to evaluate whether; staff are making the best use of resources, cost management is effective and whether it supports agreeing the operational changes that would lead to cost reduction.

Management Information key findings (full findings in Method Annex 12)

We identified that historically management information has been limited to financial aspects of the fleet car scheme. The Executive Committee receives headline figures of actual income and expenditure against budget on a monthly basis and Group Directors receive more detailed information. Finance is able to produce more detailed information if requested to do so. There is no further formal financial reporting to management below Director level.

The 2013/14 budget was being revised in September 2013 to reflect the changes arising from the removal of the protected transport allowance and to ensure that the savings are reflected in individual Group budgets. However, it was known at the time of setting the budget that the protected rate ceased in September 2013 and this should have been built onto the budget setting exercise rather than requiring mid-year revision. The fact that it was not considered and the budget must now be reviewed could have been avoided. HR is also producing a new Health and Safety report for Directors. This report monitored staff to ensure they are not driving excessive miles and to ensure WAO's duty of care and the table below shows the timeliness of submitting expense claims.

	WAO	Highest	Lowest	Mode
Timeliness of claim	6 months	6 months	35 days	2 months

However, we noted that expense claims can be submitted up to six months after the date of occurrence; as such the information may not be up to date. At other organisations we found that, on average, this timeframe was two months. The HR Advisor who is responsible for the day to day operation of the fleet car scheme receives an operational dashboard of statistics from Lex Autolease on a monthly basis. In light of these findings we have made two recommendations in section 5 (recommendation 5 and 6).

Overall Conclusion

Management information is adequate, but needs development to meet the needs of managers below director level.

4. Objective 5 – Travel and Subsistence

Introduction – Travel and Subsistence key findings (full findings in Method Annex 13)

A comparison of WAO's travel and subsistence arrangements with the reimbursement offered by other public bodies was made to ascertain appropriateness.

Travel payments

The WAO travel and subsistence policy is currently under review. The comparisons provided within this review should allow WAO to identify if their current arrangements are in line with others and if potential savings or changes can be identified. As it stands HMRC's travel rates are £0.45 per mile up to 10,000 miles and £0.25 above this, these rates are also in place at the WAO.

The rates for company car miles is reviewed by HMRC four times per year, the new rates were published on the 1st September 2013 and WAO's revised travel and subsistence policy will be amended to reflect this as part of a quarterly review.

These advisory rates were applicable from 1st September 2013 to 30th November 2013. New advisory rates are in place from 1 December 2013. Our review of rates paid by other organisations for "company cars" indicated that in some cases only a flat rate per mile was paid no matter what the engine size, usually in the range of 15p – 17p. Setting an average flat rate, could support the WAO in reducing large engine vehicles and reduce administrative time when checking claims against each claimant's engine size.

In order to encourage car sharing and subsequently reduce the cost of miles claimed and the CO₂ emissions, the WAO along with a large proportion of the public sector organisations reviewed, pay a supplement of £0.05 per mile for passengers. We noted that private sector firms generally make no additional payment for passengers with an expectation that staff travel together, unless there is a valid reason not to. However, the payment is an incentive to encourage car sharing.

WAO line managers should review work plans and agree travel arrangements at that time, encouraging car share, in order to proactively manage travel costs.. This would contribute towards a reduction in mileage payment and in carbon emissions.

4. Objective 5 (Continued)

Subsistence payments

The WAO is broadly in line with HMRC rates with the variable being the journey allowance rather than an afternoon allowance.

HMRC subsistence rates:

Morning (Earlier than a 7.30am start): £5

Afternoon (5 hour absence over the period of 12-2): £5

Evening (10 hour absence period): £10

WAO comparison:

Morning (Earlier than 7am start): £5

Evening (Later than 20:00, must be eaten out): £10

Journey (Which are greater than 2 hours): £5

There was a wide variety of rates identified in other organisations with some private sector organisations paying higher allowances than the HMRC rates. The £5 paid by the WAO for journeys over 2 hours was unique to the WAO, but represents a decision made to promote the health and safety of staff when driving long distances. Payments for absence over the lunch period were common in the public sector organisations reviewed, however are not paid by the WAO.

The WAO has set a maximum hotel cost of £90 per night from September 2012 to August 2013, with the average hotel cost being £76.48 per night during this period, so it is encouraging that actual costs are significantly below the cap. In comparing the WAO maximum rate of £90 to other organisations in Wales that were included in the comparison, there was a range of between £75 - £150 per night (see table below). The WAOs maximum cost is much higher than the average and should be reduced. It is acknowledged that the average cost of £76.48 per night indicates that this is well controlled. The below table shows the hotel costs comparisons.

	WAO	Highest	Lowest	Average
Hotel Allowance	£90	£150	£70	£83

A number of organisations have set a specific tariff for London hotels, which in most cases is around £20-£40 higher than the usual hotel allowance per night. The location of the hotel is based on where the member of staff is going in London, with the closest, cheapest hotel booked in order to reduce the need for taxi fares. On discussion it was ascertained that there is a policy on use of London hotels in practice, but it has not been documented in the T&S Policy.

4.Objective 5 (Continued)

Hotels are booked through an agent Expotel, which we recognised was used by other public sector bodies. However, WAO Business Services has negotiated a preferential rate with up to 10% off the room price per night for four frequently used hotels. We would question the need to use a third party provider such as Expotel to book WAO accommodation, as there is a cost to using a third party provider for booking. With the accessibility of price information through the website it is possible that this would provide a better solution, so a cost benefit analysis should be considered. Incidental payments (see Table below) are common in the public sector when staying away with the payment of £5 not requiring a receipt in line with HMRC guidance. The table below shows the analysis of payments in 2012/13 of incidental expenses and Family and Friends

	WAO	Highest	Lowest	Mode
Friends and Family Overnight Payment	£25	£25	£10	£25
Incidental	£5	£5.17	£3.63	£5

The only difference identified to practices undertaken by WAO was that in one organisation a receipt had to be provided, evidencing that a gift had been purchased as a “Thank you”.

Based on the average cost of a hotel stay over the same period, the total cost for the 35 stays with family and friends would have totalled £2,677. Therefore, the family and friends scheme has effectively saved the WAO £1,802 over the last 12 months.

Overall conclusion

Our review indicates that the WAO’s rates for payment of travel and subsistence are in line with the HMRC guidance and less generous in comparison to other public sector bodies, which we found were often above these rates. We have made one recommendation that may lead to a further improvement in the value for money achieved (recommendation 7).

5. Recommendations

Recommendation	Accept/reject	Management response
<p>Recommendation 1</p> <p>Management should judge the eligibility of non-operational staff to the scheme on the basis of all relevant factors. Consideration should be given to 'buying out' any legacy contractual arrangements.</p>	Accept	<p>Management will complete a fundamental review of the Fleet and Travel Scheme by March 2015. Eligibility criteria will be reviewed in some level of detail and considering all relevant factors e.g. potentially significant changes to our client base, options to enable a more agile workforce, etc.</p>
<p>Recommendation 2</p> <p>The annual mileage allowance for staff should be reviewed and applied for all staff unless there is evidence that the member of staff is likely to exceed the 15,000 mile (or a new lower level) annual allowance because of the high business mileage claimed. Consideration should be given to increasing the private usage contribution from staff who are not currently achieving a reasonable level of business mileage (say 5,000 miles).</p>	Partially accept	<p>We accept that we should review and compare private versus business mileage, and consider introducing a threshold for acceptable private use. We will consider whether staff exceeding this threshold for private use should pay a higher car contribution. We will also consider whether there are savings to be made by introducing a lower total annual mileage limit for lease cars.</p> <p>With regard to business mileage, one of the specific priorities of the new scheme was to avoid the perverse incentives created by the operation of a minimum mileage requirement under the previous scheme, together with the associated operational, cost, sustainability and health and wellbeing problems. As such we would not wish to re-introduce a threshold for minimum business use.</p> <p>This will be considered as part of the fundamental review for completion by March 2015.</p>
<p>Recommendation 3</p> <p>The insurance cost paid by the WAO should be reviewed to identify if any potential savings could be made through restricting the scheme from the current open policy and also to reflect the changes made to the fleet itself. Emphasis should be placed on the training provided and the low level of claims.</p>	Accept	<p>Although the current policy is 'open', restrictions are placed on users in line with those proposed in the report. Our current insurers have, however, indicated that the cost of the policy would not differ if additional restrictions were placed on the policy itself. We are currently re-tendering for insurance and we will test the market by asking for quotes with both an open and restricted policy to test whether or not any savings can be made.</p>

5. Recommendations

Recommendation	Accept/reject	Management response
<p>Recommendation 4</p> <p>The WAO should develop a mechanism to test the on-going value for money of the scheme.</p>	Accept	<p>We agree that we need to further develop existing mechanisms to test the on-going VFM of the scheme now that the protection period for allowances has lapsed, and which could be applied to any future schemes. The mechanisms will need to strike a balance between cost, efficiency and effectiveness, while also considering our strategic aims involving reducing environmental impact, health and safety, and social aspects e.g. equality. This will be done as part of the fundamental review for completion by March 2015.</p>
<p>Recommendation 5</p> <p>There is limited reporting of information to Managers below Director level. This restricts the opportunity for managers to effectively monitor staff mileage or to identify opportunities to make savings. Consideration should be given to providing monthly reports to Line Managers.</p>	Accept	<p>From 1 April 2014, we will provide quarterly mileage reports for Line Managers. This change is being timetabled so as to coincide with changes to our travel and subsistence arrangements which will require staff to submit travel claims at least quarterly. Quarterly claims will ensure that Line Managers have accurate and up to date mileage data for review.</p>
<p>Recommendation 6</p> <p>Staff should be required to submit claims within two months of incurring the expense to provide more timely management information and to allow management to have a better opportunity to challenge claims on authorisation.</p>	Accept	<p>We have halved the deadline for submission of claims from 6 months to 3 months.</p>
<p>Recommendation 7</p> <p>When next tendering for third party providers for the administration of hotel bookings, management should also consider the costs of providing this service internally.</p>	Accept	<p>When we review our options for re-tendering, we will consider whether there are benefits or efficiency savings to be made by completing all bookings in-house. Following an internal recommendation in the same vein, we will also consider whether there are savings to be made from staff sourcing their own hotel bookings.</p>