

Public Report with Exempt Appendices
Cabinet

Committee Name and Date of Committee Meeting

Cabinet – 23 March 2020

Report Title

Review of Fleet Maintenance

Is this a Key Decision and has it been included on the Forward Plan?

No, but it has been included on the Forward Plan

Strategic Director Approving Submission of the Report

Paul Woodcock, Strategic Director of Regeneration and Environment

Report Author(s)

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Ward(s) Affected

Borough-Wide

Report Summary

The report relates to the options available for maintaining the Council's in-house vehicles and grounds maintenance machinery.

The Council currently contracts this service to a national supplier. This contract is due to end in September 2020. This presents an opportunity for the Council to consider its options for the future provision of fleet maintenance.

The report therefore assesses the historic and current position in terms of the service and outlines a number of challenges in terms of the current externalised model of delivery.

The report concludes that the preferred option for the future provision of fleet maintenance for the Council is to insource the fleet maintenance service in order to undertake a further review and to report back to Cabinet with the findings, and recommendations for the future delivery of the service, at a future date.

Recommendations

1. That approval be given to the proposal to insource Fleet Maintenance from 7th September 2020 at the latest.

2. That the findings of the ongoing review, and recommendations for the future of the service, be brought back to Cabinet for a decision at an appropriate future date.

List of Appendices Included

Appendix 1 Initial Equality Screening

Appendix 2 Exempt Finance Addendum to Report

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

N/A

Council Approval Required

No

Exempt from the Press and Public

Yes

An exemption is sought for Appendix 2 under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972, as this report contains detailed financial information relating to the current and potential future costs of the Council's fleet maintenance service.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because the Council's commercial interests could be prejudiced by disclosure of this commercial information.

Review of Fleet Maintenance

1. Background

- 1.1 The Council operates a number of vehicles across its services. The current breakdown of the Council's current Fleet Profile is listed as below:
- 31 Cars
 - 56 Heavy Goods Vehicles
 - 129 Light Commercial Vehicle
 - 21 Minibuses
 - 200 Grounds Maintenance Machinery
- 1.2 These vehicles are used across the Directorates of the Council; with Children's Services, Adults Social Care and Regeneration & Environment the major services being supported. The overall value of the Council's fleet assets is £12.5 million, costing around £1,000,000 per annum to maintain.
- 1.3 The maintenance of the Council's vehicle fleet was originally outsourced in 2004, under a 'supply and maintenance' contract, and awarded to TransLinc. Over the next 10 years the contractor was bought out on numerous occasions; initially by May Gurney in 2011, by Kier in 2013 and then by a private equity firm ('Endless') in 2015, who traded as Essential Fleet Services (EFS).
- 1.4 When the service was advertised for tender in 2014 the Council opted to only contract the maintenance arrangements, and to 'insource' the management and procurement of the supply of vehicles. The contract was awarded to EFS from 7th September 2015, for 5 years with an option of three further 12-month extensions. The tender process was conducted in compliance with the Public Contract Regulations 2006 (as amended) (as was the relevant legislation at the time) under three lots:
- Lot 1 – Maintenance, Inspection and Repair of Vehicles
 - Lot 2 – Operation of a MOT Testing Station
 - Lot 3 – Tyre Management Services
- 1.5 In September 2017 Endless merged EFS and Go Plant to create Go Plant Fleet Services, who are the current provider for the fleet maintenance contract.
- 1.6 Over this time, every organisation that has held the contract has raised issues with the Council regarding its financial viability.
- 1.7 The contract itself has required significant oversight and management throughout its life, in order to continue to ensure value for money and to ensure that robust accountancy measures are being followed.

2. Key Issues

- 2.1 There have been various issues with the performance of the supplier over the length of the contract. These related to a number of areas including:

- the accuracy of records;
- inconsistencies in rate billing;
- difficulties with the operation of financial accounting systems due to the various company mergers, giving rise to constant risk of duplicate invoicing and multiple charges for the same services; and
- the lack of robust management information against key performance indicators.

- 2.2 Three contract Default Notices have been issued to the contractor.
- 2.3 The contract stipulates that any extension periods must be mutually agreed. The initial 5-year contract comes to an end on 7th September 2020. Subject to satisfactory resolution of any issues, both the Contractor and RMBC originally considered an extension to the contract, subject to a review of service costs and related conditions.
- 2.4 The Council contacted the Contractor during January 2020 to confirm their intentions related to the extension option of the contract. The Contractor confirmed on 22nd January 2020 that they “will not be entering into an extension for any period of time”. The Contractor is not therefore prepared to extend the contract under any circumstances and will withdraw from the contract on 7th September 2020.
- 2.5 This decision has resulted in the risk of the Council not having a fleet maintenance service in place from 7th September 2020, and that would result in the Council not being able to fulfil its legal duty to maintain its vehicle fleet.
- 2.6 The award of a new contract would need to allow for a minimum three month mobilisation period post contract award. As the current arrangement is due to expire in September 2020, the award of any new arrangement would need to be made by the end of May 2020. In order to procure a replacement contractor for this service, time and resources are needed to:
- review actual requirements (including TUPE assessment);
 - develop a robust and detailed specification that is fit for purpose;
 - develop a comprehensive pricing model;
 - develop the tender documentation including the evaluation criteria;
 - run the procurement (minimum 30 calendar day from publishing the tender);
 - Undertake the evaluation of bids received;
 - Conclude due diligence with the top scoring bidder;
 - Apply the minimum 10 calendar day standstill period.
- 2.7 If a decision had been made to re-procure the service, detailed work was planned to begin in the early summer, using the extension period to fully review the contract requirements, design and run the tender and evaluation process and give sufficient time for mobilisation. Given that the current contract will now end on 7th September 2020 it is not possible to complete the work referred to at 2.6 in the available time. Replacing the incumbent contractor with an alternative contractor by September 2020 is not therefore a viable option. Other options are therefore now being considered.

3. **Options considered and recommended proposal**

- 3.1 Given the recent developments outlined above, the options open to the Council have now changed. The service is now required to focus on ensuring service continuity after 7th September 2020.

Given the timescales, and the position with the current contractor, three options remain:

- 3.2 **Option 1** - Undertake a procurement process with a limited specification to deliver a service externally from 7th September for a limited period (18 months) to enable the Council to undertake a full procurement for a longer-term service.

This option is likely to result in risk to the Council in terms of procurement, service delivery and costs. An under-specified contract is likely to mean that contract management and oversight would be particularly challenging. It is also likely that the price of such an arrangement would be higher than a long-term contract, given likely 'risk pricing' on a short-term contract. There is also a significant risk in terms of timescale and the procurement service has advised a compliant process with a mobilisation period is not achievable. This option would require an exemption to Financial and Procurement Procedure Rules, after an appropriate contractor were identified and, given the value of the contract, would present risk in terms of compliance with procurement regulations.

This option is not therefore recommended.

- 3.3 **Option 2** - Consider whether a neighbouring Local Authority could take on the service in the interim period whilst a procurement is undertaken.

Whilst all of the surrounding South Yorkshire Local Authorities run in-house fleet maintenance services, only Barnsley operate and maintain refuse collection vehicles. Sheffield has a very limited maintenance service, given that street cleaning, highways maintenance and waste are all external services. The waste service in Doncaster is externally run. The maintenance of refuse collection vehicles is a specialist area, and specialist equipment and resources would be required to undertake such a service. Of the South Yorkshire Councils, only Barnsley Council have this expertise.

In order to maintain productivity, it would be necessary for maintenance to take place at Hellaby Depot. Barnsley's depot is a 22 mile, 30 minute journey away. Given the 'remote' management of the service by another Local Authority, this model would be unlikely to increase management control, or deliver greater financial efficiency.

This option is not therefore recommended.

- 3.4 **Option 3** - Insource the current service from the 7th September 2020 for 12-18 months and use the period of time to benchmark the service against the market and collect and analyse performance data to consider an appropriate future delivery model. An 18-month period of time would allow the Council time to fully benchmark the service and to deliver an external procurement process should a decision to procure the service be made.

The insourcing will cover the services which are delivered and manage employee resources, i.e. maintenance, inspection and repair of vehicles and the operation of a MOT testing station, which would not require a detailed specification to procure them. The staffing and management of the services amount to approximately £435k of annual expenditure (see Exempt Appendix 2).

Procurement would still take place for serviceable parts, the supply and fitting of tyres and any required equipment, which are all currently sub-contracted by the current contractor. This amounts to approximately £675k of annual expenditure.

Whilst this option also carries risk in terms of cost, the risks in terms of service delivery are minimised. The Council would be able to maintain control over service delivery and ensure it's legal responsibilities are maintained. It also allows the Council to fully assess the costs of an in-house service compared to the market, and to make a more financially robust decision about the service in the future.

This is the preferred option.

- 3.5 A detailed assessment of the financial implications of the preferred option (option 3) is described in Exempt Appendix 2.
- 3.6 Table 1 shows the potential estimated future costs of insourcing the service, compared to the current contract cost.

Table 1 - In-house cost plan

	In-house £'000
Employees	435
Serviceable Parts	410
Fair Wear and tear	100
Tyres	80
IT/Equipment licences/maintenance ¹	85
Income	-100
TOTAL	1,010
Current contract cost	1,026
Difference	-16

4. Consultation on proposal

4.1 Consultation has taken place with officers across the organisation in ensuring compliance with legal, financial and procurement rules.

5. Timetable and Accountability for Implementing this Decision

5.1 Should the proposal be accepted by Cabinet, Fleet Maintenance will be insourced from 7th September 2020 at the latest.

5.2 Table 2 below outlines the timescales for the key workstreams required to deliver the preferred option to insource fleet maintenance services.

Table 2 – Key Milestones and Timescales

Description	Period	Implemented by	Responsible Officer	Date to be Implemented
Staff TUPE				
Consultation & Communication	3 Months	Go Plant Fleet Services & RMBC HR	Assistant Director Community Safety & Streetscene	1 st August 2020
Transfer Date	1 Month	Go Plant Fleet Services & RMBC HR	Assistant Director Community Safety & Streetscene	1 st September 2020
Procurement				
Specialist Contracts Procurement	2 Months	RMBC Transport Services & RMBC Procurement	Transport Services Manager	1 st September 2020
Workshop Equipment	3 Months	RMBC Transport Services & RMBC Asset Management	Transport Services Manager	1 st September 2020
Procurement and Stock of Fast Moving Parts	3 Months	RMBC Transport Services	Transport Services Manager	1 st September 2020
Systems Development				
IT Systems Development	3 Months	RMBC Transport Services	Transport Services Manager	1 st September 2020
Communications				
Corporate Communications	2 Months	RMBC Transport Services & RMBC Corporate Communications	Assistant Director Community Safety & Streetscene	1 st August 2020

5.3 A period of 3 months is expected to be undertaken from 1st April to communicate and consult with employees subject to Transfer of Undertakings (Protection of Employment) (TUPE) Regulations.

5.4 Information Technology (IT) to support an insourced service is already in place within the Council service. The current fleet management IT system can support the management and maintenance of fleet services through implementation of an existing module in the system. A cost would apply for this change which has been included in the overall costs of insourcing the service. No staff training would be required, as Go Plant Fleet Services currently use the same IT system.

- 5.5 A number of specialist contracts for parts, oils, hoses, tyres and windscreens would need to be in place for the service to be insourced. The procurement of vehicles parts to be available 'on stock' would be procured direct from dealers or national providers. The Transport Services Manager would work with Procurement to review appropriate routes to market for these commodities. This would require a minimum of three months for procurement to take place, including call off and standstill periods.
- 5.6 A number of items of workshop equipment would need to be procured, the costs of which have been included in the insourcing costs above, alongside contracts to maintain such equipment. Transport Services and Asset Management would work together to ensure that these are in place. This work would require around three months to conclude.
- 5.7 The change to an insourced contract would require communications with a number of stakeholders including the existing contractor, and any external customers including taxi and private hire operators. It is estimated that two months may be required to undertake this.
- 5.8 Following insourcing the service will be kept under review from September 2020. The service will use the next six months to benchmark the services and to collect more detailed performance and financial data to consider any appropriate future delivery models.
- 5.9 A report with the findings of this review, and recommendations for the future of the service, will be brought back to Cabinet in March 2021.

6. Financial and Procurement Advice and Implications

- 6.1 Limitations with the management information as detailed at 2.1 necessarily means there is some uncertainty over the value of a directly provided full fleet maintenance service and with estimating the cost of procuring other parts of the service. Using a fair basis for this and while acknowledging the cost risks inherent in the data, it is estimated that the value of the service being provided in-house equates to £1,010k
- 6.2 Exempt Appendix 2 provides additional information on the financial implications for bringing the service back under the control of the Council.
- 6.3 If insourcing is approved several procurement exercises will be required to support the inhouse activity, which must be undertaken in compliance with the Public Contracts Regulations 2015 and the Council's own Financial and Procurement Procedure Rules. As a large proportion of these contracts will be predominantly standard goods contracts for parts and supply for which there are a range of procurement options available (including collaborative frameworks) to explore, and these contracts will not require significant mobilisation periods.
- 6.4 As a result of this recommendation, where there is a requirement to procure other service contracts, this must be undertaken in compliance with the Public Contracts Regulations 2015 and the Council's own Financial and Procurement Procedure Rules.

7. Legal Advice and Implications

- 7.1 There are no significant legal issues in respect of the proposed direct delivery of the service.
- 7.2 The Council should ensure its exit arrangements with the outgoing provider are agreed.
- 7.3 There may be small contracts which the outgoing provider may wish to assign or novate to the Council. However, there would be no legal obligation on the Council to accept them.
- 7.4 The HR/employment issues are covered elsewhere in this report.

8. Human Resources Advice and Implications

- 8.1 Should the recommended option be supported, the Transfer of Undertakings (Protection of Employment) Regulations (otherwise known as TUPE) will apply.
- 8.2 In line with the above regulations, all GPFS employees who are employed immediately before the transfer on Fleet Maintenance would transfer to the employment of the Council.
- 8.3 The Council would inherit all rights and obligations arising from employee contracts of employment.
- 8.4 Liability for any GPFS acts and omissions in respect of the transferring employees would also transfer to the Council; therefore, employee liability information (ELI) and due diligence checks should be carefully undertaken.
- 8.5 Consultation and engagement with employees and Trade Unions will be necessary prior to and during any transfer taking place.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 There are no direct implications from this decision that would affect Children and Young People or Vulnerable Adults.
- 9.2 Whilst the Council operates vehicles that transport children, young people and vulnerable adults, these vehicles are currently maintained in line with 'O' Licence requirements and will continue to be under the proposed service model.
- 9.3 The insourcing of the service does however potentially given the Council greater control over vehicles being used to transport children, young people and vulnerable adults.

10. Equalities and Human Rights Advice and Implications

- 10.1 An initial Equality Screening Assessment has been undertaken and can be found in Appendix 1. This concludes that it is not necessary for a full Equality Impact Analysis to be undertaken to support the implementation of the recommendations.

11. Implications for Ward Priorities

- 11.1 There are no identified implications for Ward priorities.

12. Implications for Partners

- 12.1 There are no identified implications for partners.

13. Risks and Mitigation

- 13.1. There is a risk that the cost analysis may have underestimated the costs of delivering the service in-house. The service believes this risk to be low given the experience of other Local Authorities in delivering in-house services. The same risk would also apply to the costs of continuing with an external service, which could also fluctuate up or down. Whilst the costs are therefore estimates they represent the best information currently available to the Council, on which to base a decision.
- 13.2 There is a risk that the timetable for implementation may not be met, however this is assessed as low. The main issues for implementation are the procurements of serviceable parts and tyres, which will be delivered via framework contracts and are therefore relatively straightforward processes.
- 13.3 There is a risk that disruption to the contract results in disruption to vehicle maintenance and therefore risk vehicle compliance. Given the existing frontline maintenance staff are proposed to transfer into the insourced service under TUPE, this risk is again felt to be low.

14. Accountable Officers

Tom Smith, Assistant Director Community Safety and Street Scene
Martin Raper, Head of Street Scene Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	09/03/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	06/03/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	06/03/20

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