

## READING BOROUGH COUNCIL

### REPORT BY DIRECTOR OF ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>14 JUNE 2021</b>		
<b>TITLE:</b>	<b>SPECIALIST VEHICLE MAINTENANCE CONTRACT</b>		
<b>LEAD COUNCILLOR:</b>	<b>TONY PAGE</b>	<b>PORTFOLIO:</b>	<b>STRATEGIC ENVIRONMENT, PLANNING &amp; TRANSPORT</b>
<b>SERVICE:</b>	<b>TRANSPORTATION</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 To highlight progress with the renewal of the specialist vehicles maintenance contract, outline some of the challenges of this renewal, set out considerations for the future and seek approval to award a new contract in June 2021 to avoid service disruption.
- 1.2 In order to operate the 82 specialist vehicles including refuse collection, street sweepers and the mobile library, an Operator's Licence is required by law. Failure to have a maintenance contract in place is a breach of the licence undertaking. As the existing contract expires on the 31 August 2021, any break in contact would result in service failure.

#### 2. RECOMMENDED ACTION

- 2.1 That the Committee approve the award of the Specialist Vehicle Maintenance contract to Dennis Eagle via the YPO framework for a period of three years with an option to extend for up to twenty-four more months.
- 2.2 That further investigations be carried out into future options including a full business evaluation of bringing the maintenance service in house and a separate evaluation of the future of the Bennet Road Depot capacity issues.

#### 3. POLICY CONTEXT

- 3.1 In line with the Corporate Plan 2021-22 theme on Healthy Environment it is essential that the Council's vehicle fleet is maintained. Regular maintenance is

essential in keeping vehicles operating in a safe environment, preventing and rectifying issues which could cause harm to staff or others.

- 3.2 Regular maintenance of vehicles also helps to ensure the efficiency of vehicles is not compromised which in turn lowers emissions from the vehicle. This feeds in to the Climate Change Emergency and the Council Carbon Plan 2020-25 which outlines a pathway to an 85% cut in the Council's emissions by 2025.
- 3.3 A further element of both the Climate change Emergency and Council Carbon plan is the commitment of the council toward a greener vehicle fleet. This new proposed maintenance contract will ensure the contractor has capability to maintain the new electric specialist fleet vehicles starting with the first of the fully electric refuse collection vehicles that is due to be in service in August 2021.
- 3.4 Therefore a maintenance contract is required for specialist Vehicle maintenance for the council owned vehicles in this category (generally vehicles over 3.5 tons and including road sweepers, refuse collection vehicles and the mobile library amongst others).
- 3.5 Officers followed Contract Procedure Rules as adopted on the 16 October 2018. Due to the value of the contract this would be deemed a high value Procurement.
- 3.6 Having examined options in the relevant Governing Principals, officers selected and followed option point 2 (e) commissioning that includes use of relevant Frameworks as being the most appropriate.
- 3.7 Officers utilised the Yorkshire Procurement Organisation Framework Fleet Management Services - Framework ref 921 LOT 2 - Managed Workshops in order to conduct a mini competition in compliance the Councils Contract Procedures Rules and the Frameworks guidelines. This framework is compliant with UK / EU regulations having the OJEU Contract award notice ref no: 2018/S 247-570119
- 3.8 Policy Committee have authority to accept and authorise the award of this contract.

#### **4. THE PROPOSAL**

##### **Current Position:**

- 4.1 The initial contract term of 5 years for the existing specialist vehicle contract with Geesinknorba expires at the end of August 2021. This contract has two one-year extension options. However, when officers contacted Geesinknorba in late 2019 to discuss the potential for enacting these extension options, the response was that whilst they would honour the existing term, they would not extend beyond that date. The rationale was that they had made losses over the term of the contract, an issue that was common on several contracts, the result of which was to pull back from this market. They have pulled out of other contracts with local authorities, and even paid a penalty fee to pull out early from the contract with Hammersmith & Fulham Council. A new contract needs to be in place by late June 2021 to ensure service continuity.

4.2 Some of the losses experienced by Geesinknorba have been due to the changes in the specialist vehicle marketplace, there are now fewer companies and manufacturers are acquiring sections of the parts supply chain network, further reducing competition in this sector.

### Options Proposed

4.3 Over the renewal process of this contract, officers have looked at several sourcing options and the main three main options are detailed below:

- Option A. Joining the two main maintenance contracts (specialist vehicles and smaller vehicles) together to increase market leverage and potential for efficiencies on contract costs.
- Option B. Keeping specialist and smaller vehicle contracts separate (as they have been) and allow the specialist vehicle winning contractors to repair other organisations vehicles in the Bennet Rd depot workshop or allow public MOTs.
- Option C. Take the specialist vehicle contract or both contracts in-house and develop an income generation service from public MOTs/ other organisations/ taxi vehicle servicing.

4.4 An options appraisal is set out in the Appendix 1.

4.5 Due to the limitations of the footprint and existing infrastructure, commercialisation and insourcing of the workshop would not be viable as reflected in the tendering process by three of the contractors pulling out of the tender for these reasons.

4.6 The main issue impacting the viability of all three options is the workshop building and the space available at the Bennet Road depot. The building used as the workshop was designed to be used as an old cement storage shed that has been slightly extended in order that one of the refuse collection vehicles (RCV) could be accommodated under cover.

4.7 When this work was completed over a decade ago the specialist vehicle contract was only in place to maintain the 13 RCVs. At that time all the other vehicles were maintained in a mix of other vehicle dealerships. This scenario led to high costs in both maintenance and short-term hire requirements. In addition, there was poorer productivity for Council services, due to the delay and logistics when the vehicles needed any service and repair work.

4.8 When the existing specialist vehicle contract was let, one more section of the cement storage shed was taken into use as additional workshop space for the shorter vehicles. This enabled an increase in the number of vehicles that could be maintained on the current contract from 13 to 76. The new contract will cover 82 vehicles. The move to more income generation across the council and improvements to recycling rates including food waste has increased the number of operator licence/larger size vehicles, that also need to use the main extended part of the workshop and this trend is likely to continue. With the limitations of the workshop building and space available other vehicles due for MOT preparation and major repairs must go out to other contractors.

4.9 The additional high value specialist vehicles need to be parked securely when not in use. The number of additional vehicles is putting further pressure on the

Bennet Road depot. The depot is the Council's main hub for direct services and the main operating centre, consequently this has further reduced available space for any possible additional vehicles including the Council's smaller vehicles. Many of these smaller vehicles now need to be parked away from the Bennet Rd site. The limitations of space and increased requirement for vehicle parking needs to be fully considered in order that it does not become a future barrier to the electrification of the Council vehicle fleet.

## **Other Options Considered**

- 4.10 The short term of this proposed contract takes into account the major changes in the alternative fuelled vehicle market. It is likely for the duration of the time period this contract covers that there will be further reduction of competition in the specialist vehicle maintenance and parts market and the ability to control parts supply and costs would be very limited so fixing costs is beneficial.
- 4.11 Beyond this period, the market should start to grow again as has been seen in the electric car market. In the meantime, this contract will enable the council to continue its Zero carbon ambitions whilst minimising risk of service failure.
- 4.12 The limitations of space and increased requirements for vehicle parking on the Bennet Road depot needs to be fully considered in order that it does not become a future barrier to the electrification of the Council vehicle fleet. However, this sits outside the scope of this contract renewal.
- 4.13 The contract needs to be awarded imminently to avoid major service disruption with the new contractors not having sufficient time to order in the workshop equipment and specialist tool needed, which would also put the Council in breach of its Operator Licence agreement.
- 4.14 Officers have spoken to the existing contractor about running on the existing contract should there be any delays in appointing a new contractor, however it was made very clear that this was not a viable option.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 This proposed contract helps to contribute towards the Council's strategic aims.
  1. Keeping Reading's environment clean, green and safe
  2. Ensuring the Council is fit for the future
- 5.2 This decision contributes to the following strategic aims:
  - To Develop Reading as a Green City with a sustainable environment and economy at the heart of the Thames Valley.

This proposed contract allows for the movement away from diesel engine vehicle to electric vehicles maintenance this contributes towards the Council's zero carbon target.

3. Ensuring the Council is fit for the future  
The contract has been market tested in line with Contract and Procurement rules and ensures that the Council can deliver its key front line services.

5.3 This contract also contributes to:

- Sustainability  
Reducing the reliance on fossil fuels with the introduction of alternative fuels  
vehicle maintenance
- Health  
Support for electric vehicle maintenance to allow zero carbon vehicle use

## **6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).

6.2 A well maintained fleet of vehicles is not only a legal requirement, but also lowers the environmental impact as well. By ensuring the vehicle emissions targets are met as well as reducing noise pollution.

6.3 This proposed contract feeds into the Council zero carbon plan by supporting the move away from fossil fuel in the Council fleet of vehicles, to the use of fully electric zero carbon vehicles wherever possible.

## **7. COMMUNITY ENGAGEMENT AND INFORMATION**

7.1 There is no requirement for community engagement on a procurement of this type.

## **8. EQUALITY IMPACT ASSESSMENT**

8.1 The proposed contract is for vehicle maintenance and officers foresee this as having no equality issues

8.2 No formal equality impact assessment undertaken (see above)

## **9. LEGAL IMPLICATIONS**

9.1 The Yorkshire Procurement Organisation (YPO) framework (000921) Manged Workshop was used and from this the YPO ran a mini tender on the Council's behalf (FC1485S).

9.2 In order to operate these specialist vehicles an Operator's Licence is required by law. Failure to have a maintenance contract in place would be a breach of the licence undertaking and would result in vehicles being removed from operation which would seriously impact on the Councils ability to its supply front line services.

9.3 To enable continuous service delivery, a new contract must be in place by the end of June 2021, even though the current contract does not run out until the end of August 2021. This is to allow for the new contractor to:

- order in the required new workshop equipment and specialist tools
- allow a smooth contract handover process and the
- completion of the required Operator Licencing paperwork, to avoid service disruption.

## 10. FINANCIAL IMPLICATIONS

- 10.1 The impact of the proposed contract is an increase of £34.5k in 2021-22 part year and then an increase of £69k in 2022-23 & 2023-21.
- 10.2 This represents an average increase over the old contract of 19% in a full year, however, considering no RPI increases over the 5 years of the previous contract and no increase in the tendered contract, this equates to an annual increase of 2.4% over the eight-year period. This is below the market RPI rate over the same period.

### Revenue Implications

	2021/22 £000	2022/23 £000	2023/24 £000
Employee costs	0	0	0
Current Budget for existing contract.	365	365	365
Proposed Contract costs	399	434	434
Capital financings costs	0	0	0
<b>Additional Expenditure against Revenue code</b> 4552-3007-00000-00	34.5k	69k	69k
Income from: Fees and charges ( Grant funding (specify) Other income	0	0	0
<b>Total Income</b>	0	0	0
<b>Net Cost (+)/saving (-)</b>	+34.5k	+69k	+69k

The additional cost over the three years of the main term of the proposed contract will be £207k and service managers are aware of it and can manage it within existing budgets.

### Value for Money (VFM)

The proposed contract has been let via MINI Competition on one of the top procurement framework bodies (Yorkshire Procurement Organisation). This framework is used by many public and private organisations.

### Risk Assessment

The key financial risk is passing on these additional costs onto the service, who will not have budgeted for them as part of the Medium-Term Financial Strategy. Where these vehicles are used for commercial activity, additional costs may need to be passed onto the customer, which could reduce the competitiveness of the Council's offer.

## 11. BACKGROUND PAPERS

## 11.1 TENDER

Options	Pros	Cons	Constraints
<p>Option A: Joining the small vehicle maintenance with the specialist vehicle maintenance contract.</p>	<ul style="list-style-type: none"> <li>• A larger contract to take to the market.</li> <li>• Benefits of scale, wide base to spread costs.</li> <li>• Off-site maintenance leaving more space at Bennet Rd for other use.</li> </ul>	<ul style="list-style-type: none"> <li>• Two very different vehicle repair specialisms.</li> <li>• Higher skill sets needed on specialist vehicles driving up cost for small vehicle maintenance</li> <li>• Constraints of Bennet Road and workshop space.</li> <li>• Increase travel and fuel costs</li> <li>• Reduction in service unit's productivity.</li> <li>• Increased short term hire costs</li> <li>• Vehicle parking will still be needed at Bennet Road for day to day vehicle operation</li> </ul>	<ul style="list-style-type: none"> <li>• Bennet Road depot and workshop space</li> <li>• Small Vehicle Maintenance Contract has 3 years to run.</li> <li>• Time: new contract award by end of June 21</li> </ul>
<p>Option B: Allow the successful contractor to undertake additional commercial work at the Bennet Road Dept.</p>	<ul style="list-style-type: none"> <li>• Contractors could use this option to offset some of their costs over a wider customer base.</li> <li>• Ability for income generation work to be undertaken by the contractors.</li> <li>• Reduction in overheads for the contractors</li> <li>• Allows contractors to operate in a new location to better target new contracts.</li> <li>• More Contractors likely to tender for the contract in future</li> </ul>	<ul style="list-style-type: none"> <li>• Constraints of Bennet Road and workshop space.</li> <li>• Cannot currently park all council vehicles on the Bennet Road site.</li> <li>• Impact on service delivery, conflict of which vehicles are repaired first.</li> <li>• Security and Health &amp; Safety issues.</li> <li>• Risk to the plan for electrification of the Council fleet and zero carbon target</li> </ul>	<ul style="list-style-type: none"> <li>• Bennet Road depot and workshop space</li> <li>• Risk to Councils zero carbon target.</li> <li>• Resource's to find/cost additional depot and workshop space and work on a fully costed plan</li> <li>• Time: new contract award by end of June 21.</li> </ul>

Options	Pros	Cons	Constraints
<p>Option C: Take the Specialist Maintenance contract in house.</p>	<ul style="list-style-type: none"> <li>• With the market as it is Officers could not see any pros for this option at this time.</li> <li>• When the market settles down from all the current changes this will need to be revisited</li> </ul>	<ul style="list-style-type: none"> <li>• Fewer manufactures in the specialist vehicle supply and maintenance market.</li> <li>• Manufactures buying up sections of the parts supply chain</li> <li>• Reduced ability to control parts costs</li> <li>• Increased head count above that of the direct three maintenance staff that would be subject to TUPE.</li> <li>• Contractor supply support service via head office</li> <li>• The highly changeable vehicle and maintenance supply market.</li> <li>• Alternative fuels (electric) market is also changing at rapid rate.</li> <li>• Specialist tools and equipment can become quickly obsolete.</li> <li>• Increased training costs.</li> <li>• Bennet Road depot and workshop space constraint's means no opportunity for income generation work</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of Bennet Road depot and workshop space available.</li> <li>• Risk to Councils zero carbon target.</li> <li>• Resource's to find/cost additional depot and workshop space and depot design.</li> <li>• Look at the possibilities of an additional site.</li> <li>• Resource to work on a fully costed plan.</li> <li>• Time: new contract award by end of June 21.</li> </ul>