



Epping Forest District Council

Review of Fleet Provision

Revised Report – reflecting end of year position 2013/14

September 2014



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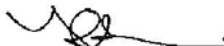
Document Control

Project: Supplementary Work – Transport Workshop
Client: Epping Forest District Council
Job Number: A088935-1
File Origin: N:\Projects\Epping Forest DC (E16000)\A088935-1 (Supp Wrk - Trans Wrk Shop)\Reports\EFDC - Fleet - revised 9.14.docx

Document Checking:

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Issue	Date	Status
1	September 2014	Draft

WYG acknowledges the assistance of service clients and providers in the production of this report.



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1.0 Introduction

1.0.1 WYG was commissioned in January 2014 to review urgently the Council's current Fleet Management Service and to provide a report by April 2014. This version of our report incorporates officer comments on the April version; and, in particular compared to our last report reflects the financial position at the end of the financial year 2013/14.

1.1 Council Brief

1.1.1 The Council provided the following brief for the review:

"To undertake a comprehensive review of the current service, assessing income and costs to establish whether the Service is providing value for money for the Council and to make recommendations to the Council for the future servicing and maintenance of its vehicle fleet and other aspects of the service currently provided by Fleet Operations.

1.1.2 Factors to be included in the review:

- Could the Service be provided more economically through an external contract?;
- The value of income from MOTs to offset the cost of maintaining the Council's vehicle fleet;
- The investment necessary to relocate the service from Langston Road Depot to a new location as part of the development plans for the Langston Road site;
- The value to the District of having an MOT testing station that does not offer servicing or repairs to the general public;
- Measures that could be taken to improve the cost effectiveness of the service for it to remain in house;
- If the service is to be externalised, what aspects should remain the client's responsibility to deliver and what resource would be required to achieve that."

1.1.3 Following consideration of our report submitted in May 2014, the Council requested that we also include in this version of the report further consideration of the option of delivering the service through an arm's-length management organisation (ALMO) as well as consideration of the final budgetary position for 2013/14.



2.0 Key Findings

- The workshop has provided a cost effective service for several years during which external income had held up a level whereby the unit represented a net benefit to the Authority.
- It is clear that the workshop operation has successfully traded in the past and offered the Council excellent value-for-money by generating a good deal of external income, which has been used to offset the costs of the operation (to the point where in 2010/11 the effective net cost of maintaining the Council's fleet was well below market rates). What is not clear is that it could dependably continue to do so in the future.
- We have noted above that this trading surplus (as we would call it; it might also be regarded as operating profit) has declined significantly in recent years.
- External income has fallen 23% in 2 years, persisting into a third year (2013/14); and we see no obvious reason as to why this situation will be improved.
- Fundamentally we see (in macro terms) falling external income against a relatively constant cost base to the point where it is not entirely clear whether the workshop currently offers any significant financial advantage to the Council: that said, for the present, other alternatives raise other questions, challenges and, potentially, risks.
- There are ongoing risks to the authority in directly operating a service during economically challenging times when its usefulness and viability depend critically on sustained levels of external income.
- These risks would not exist were the service transferred to a private provider. Such a provider would be better positioned to maximise income streams and operate at an appropriate economic scale, responsive to market conditions.
- There are various models of arms' length organisations (ALMO) that might free the unit to trade more freely, but unless the Council could be sure that some more flexible system of managing sales, profitability and costs would be introduced there seems no advantage and some possible liabilities and additional operating costs from this route; as compared with an arrangement contracted for a term of several years with the private sector, from which we



believe the Council would not be financially disadvantaged. Fundamentally, we see no case for an ALMO arrangement.

- Were the service to be subjected to a procurement process, additional accommodation options could be explored, as could the inclusion of sundry related duties (e.g. with respect to red diesel, generators etc.).
- The fundamental difficulty with simply externalising the process is, or appears to be, the lack (of appetite at least, if not in terms of actual skills) for providing an effective 'client' structure for managing the contract. This is a difficulty that would also exist with an ALMO arrangement.
- In terms of an overall recommendation, we believe that the Council needs to choose between either:
 - A continuation of the current arrangement: which has the benefit of not requiring a 'client/contractor' split but which carries risks regarding the certainty of external income and thereby the overall cost as well as risks regarding the legality of external trading; or
 - A contractual arrangement for external provision of maintenance of the current fleet plus such other services as the Council wishes to include in the contract (e.g. arranging Road Fund Licences and MOTs, procurement of new vehicles, arranging livery and special equipment, ad hoc hire, taxi inspections): which raises a challenge for the Council in providing a 'client' function (without which the contract may be much less effective) but gives cost certainty and risk mitigation for the risks associated with continuing the current arrangement.
 - It should be noted that the first option necessarily implies the Council investing in a new vehicle workshop; whereas the second may or may not – this could be covered within a procurement exercise.
 - It should also be noted that we feel that under the first option the Council could consider reducing the staffing level to reduce costs.



3.0 Existing Services, Customers and Operations

3.1 Services

3.1.1 The Council's website showcasing the workshop can be found at <http://www.oneshopslocal.com/langston-road-mot-centre/Service List>

3.1.2 There are currently 54 Council Fleet Vehicles at present; EFDC Fleet vehicles are liveried as such in accordance with the Council's design guidelines.

3.1.3 The Council's workshop is licenced to undertake MOT testing for the general public.

3.1.4 Each EFDC Fleet vehicle receives 2 no. services each year, one of which is combined with its MOT test, where required.

3.1.5 MOT maximum charges are dictated by VOSA, however it would appear that the Council's charges are generally c.£5 less than VOSA's maximum:

Vehicle class IV £49 – trade discount £45 (cars and light vans) (vs. VOSA £54.85)

Vehicle class V £55 – trade discount £51 (passenger vehicles and ambulances)

Vehicle class VII £55 – trade discount £51 (goods vehicles)

Winter safety checks - £15

Car Service - £50 ph

Driver Assessments - £60ph

Taxi Tests - £45, or £55 if combined with MOT

London taxi tests - £45 for first test, £40 for the second if within 12 months.

3.1.6 The (internal) charge per hour for work is £40.

3.1.7 The service is not intended to make a profit, nor required to make a notional rate of return, but is intended to cover its costs.



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- 3.1.8 There is no doubt that users trust the service provided by the Council workshop and that this contributes to perceived value for money on their part.
- 3.1.9 The Unit appears well managed, has a low level of staff turnover, no history of serious accidents, and routinely meets necessary quality and accreditation standards.
- 3.1.10 A more complete list of services including minor tasks is shown overleaf at Table 1.

Table 1: Long list of Workshop Services

List of Services
Procurement of new vehicles, including any special adaptations (periodic).
Supply of liveries to new vehicles.
Servicing/mechanical repairs to fleet vehicles.
Driver assessments (prior to use of Fleet).
Bodywork repairs.
Insurance.
Road Fund Licences.
MoT testing to fleet vehicles.
Undertaking/arranging installation of ancillary equipment (such as amber warning beacons, tow bars etc).
Arranging temporary hire vehicles as required.
Vehicle conversions as and when required.
Servicing and Repair of Trailers.
Purchase of red diesel for grounds maintenance and North Weald Airport.
Servicing / repair of Community Transport Minibuses (and some schools by direct arrangement)
Servicing and repair of vehicles use at North Weald Airport (Responsive repairs only).
Servicing and repair of Grounds maintenance small plant service and repairs.



Service and repair to Council members' and staff vehicles using spare capacity.
Servicing and repair of mow and grow and handyman / Voluntary Action Epping Forest vehicles
Servicing and repairs to standby generators at the Civic Offices and Sheltered Housing Schemes.
Taxi inspections and MoTs on behalf of Licensing team.
London taxi MOT tests (twice a year) using spare capacity.
Annual check for accuracy of taxi fare meters but not fitting (commences late 2014/15).
Some servicing work for City of London Corporation.
MoT tests for general public using spare capacity.
Winter Safety checks for general public using spare capacity.

3.2 Customers

3.2.1 Key internal customers include:

Table 2: Internal Customers, Contacts and Indicative Quantities

Customer	No. Vehicles / Assets	Contact
Housing Maintenance (Mears)	30	Mike Gammack
Housing Cleaners	2	David Barratt
Animal Wardens	2	Jim Nolan
Grounds Maintenance	10 (plus equipment)	Phil Hawkins
North Weald Airfield	4	Darren Goodey
Messenger Services	2	Sharon Lekha
Countrycare	1	Abigail Oldham
Emergency Planning	1	Peter Charman
Licensing (Taxi checks)	(574 registered vehicles)	Kim Tuckey
Neighbourhood Services -flytipping/roadkill -graffiti removal -Sight lines	1	Richard Gardner
FM (Generator servicing)	8 Units	Mike Bateman
Fleet Operations Manager	1	Paul Spencer



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3.2.2 Customers and their representatives are not permitted to drive any class of Fleet vehicles until they have shown a valid driver's licence and completed a driver assessment supervised by a member of workshop staff.

3.3 Operations

3.3.1 The existing workshop is located at the Langston Road Depot, Langston Road, Debden IG10 3UE: a site due for development as a retail park.

3.3.2 The service prides itself on being one of the last remaining local authority workshops offering MOT facilities. It is identified as such on moneysavingexpert.com. As such it is subject to VOSA rules and inspection.

3.3.3 The testing station is rated by VOSA in the upper quartile of performance of all testing stations in England and Wales.

3.3.4 The facilities comprise basic office accommodation and

- 1 MOT ramps for Class 4
- 1 MOT ramp for Class 5 (Hi-Top Transits, e.g.)
- 1 bay with 2-post lift

3.3.5 The current operation employs 1 fte. Manager and 5 fte Mechanics. When the manager is on leave, an experienced administrator is assigned for the day.

3.3.6 At the time of writing, it is felt generally that the workshop could handle more work. Whilst workload has reduced somewhat, no changes in the number of mechanics has been made, although the staffing levels have been reduced somewhat by removal in 2012/13 of a 0.5 fte admin assistant and the removal of all but Saturday working overtime. Were the current level of work to continue, or to decline further, there is an option to reduce by 1 fte through natural wastage (saving c. £35,000 pa).

3.3.7 If prospects of improved workload then come about, productivity might be increased by either:

- restoration of 0.5 fte admin support to the workshop, freeing mechanic time, or



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- installation of a second one-man MOT ramp (@£30,000).

or incrementally, through both of these measures. However it is entirely unclear to us how this increased workload could be secured; and we are unsure of the legal basis for doing so (although we are not lawyers).

3.3.8 New additions to the fleet are procured by the Fleet Manager periodically. The fleet is liveried in District Council colours (now generally using polymer skins rather than paint).

3.3.9 Additional orders made by customer departments are authorised and communicated through the *Marketplace* procurement system. Ad hoc charges are recovered from client departments using the sundry debtor system, *AIMS*.



4.0 Service Quality

- 4.0.1 Of the ten client managers, WYG interviewed face to face and individually the six managers with most demand on the services.
- 4.0.2 All internal Customers spoke very highly of the service received, and of the helpfulness and flexibility demonstrated by workshop staff.
- 4.0.3 Scheduled maintenance runs very smoothly, and a pool vehicle is usually made available where planned maintenance is scheduled.
- 4.0.4 Text alerts are sent to remind external MOT customers requesting the service that their next test is due soon.
- 4.0.5 It is worth noting that all customers expressed strong concerns over the location of any future workshop, above all other considerations as vehicle downtime is to be avoided at all costs. All customers had experienced maintenance problems that had been rapidly 'patched up' until the end of its working day when a fuller repair can be carried out, and it is universally felt that proximity of the workshop is key to the standard of service made possible.
- 4.0.6 The location of any new workshop is of particular interest to Mears who provide housing maintenance services to the Council using 30 no. vehicles and who are located at Epping Depot and will soon be required to move to another location due to redevelopment. This is a demanding service impressed with the support given by the workshop. Some stock increases of key parts might further improve things.
- 4.0.7 The standard of any vehicle/adaptation procured by client departments is decided individually by the client department in discussion with the workshop manager.
- 4.0.8 Where MOT testing services were provided to staff and the public, a high degree of trust exists that no unnecessary additional works will be undertaken or recommended by the Workshop.
- 4.0.9 There was a concern from the Licensing Manager that any potential distribution of taxi testing to albeit a small group of workshops might result in an inconsistency in testing standards.



5.0 Value Comparison

5.1 Overview

5.1.1 In benchmarking the overall operation we have adopted the following general sequence:

Establish the total annual cost of the service.

Deduct any attributed costs that would not be saved were the serviced outsourced.

Establish the true annual cost incurred by the Council.

Establish annual income from external sources (inc trends).

Anticipate relocation capital costs

Establish the net annual cost / benefit to the Council.

Q/ Can the service be obtained elsewhere for this or better?



5.2 Current Budgetary Position

5.2.1 At the time of our original report (May 2014) the current budgetary position was as follows, based on the probable outturn for the current financial year (see also Appendix A: Portfolio Performance Management: Finance overview 2009-2014 with estimated outturn 2013/2014).

	£
Employees	254,340
Premises	43,150
Transport*	86,560
Supplies & Services	28,140
Support Services	27,920
Total Expenditure 2013/14	440,110



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	£
Income from MOT tests	230,883
Recharge to EFDC users	156,290
Additional repairs – internal	49,208
Additional repairs – external	15,000
Vehicle hire charges	2,324
Cost centre recharges	3,210
<i>Estimated 2013/14 Total Income / Recharges</i>	456,915
Surplus	16,805

** includes MOTs, licences and the insurance premiums*

5.2.2 In terms of calculating the cost of maintaining the current Council fleet, the 'recharge' was noted as £156,290; but this included the recharging of Vehicle Licences (£12,000 included under the Transport heading) and insurance premiums (£40,460 included under the Transport heading). The cost of maintaining and servicing the Council fleet, including MOTs as appropriate, was therefore some £103,830. Adding back the cost of vehicle licences took this to £115,830.

5.2.3 We now have the final figures for the current financial year which are as set out below.

	£
Employees	252,537
Premises	43,220
Transport*	107,728
Supplies & Services	24,200
Support Services	28,014
Depreciation	1,613
Total Expenditure 2013/14	457,312



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	£
Income from MOT tests	219,077
Recharge to EFDC users	150,570
Additional repairs – internal	36,189
Additional repairs – external	12,135
Vehicle hire charges	2,535
Cost centre recharges	13,973
<i>Estimated 2013/14 Total Income / Recharges</i>	434,479
Surplus	(22,833)

** includes MOTs, licences and the insurance premiums*

- 5.2.4 In terms of calculating the cost of maintaining the current Council fleet, the 'recharge' is noted as £150,570; but this includes the recharging of Vehicle Licences (£11,168 included under the Transport heading) and insurance premiums (£39,213 included under the Transport heading). The cost of maintaining and servicing the Council fleet, including MOTs as appropriate, was therefore some £100,189. Adding back the cost of vehicle licences takes this to £111,357.
- 5.2.5 However, one should also add the deficit, since there is nowhere else to charge it (!) meaning that (effectively) the cost of maintaining and servicing the Council fleet, including MOTs as appropriate, was therefore some £123,022. Adding back the cost of vehicle licences takes this to £134,190.

5.3 Value for Money

- 5.3.1 The overall trading position is in many ways key to informing a value-for-money judgement regarding this service. The current position show in Table 3 on page 13 is that the Council would be financially better off if an external provider would maintain its current vehicle fleet for less than £187,063 per annum: but in previous years the external provider would have had to maintain the fleet for a much lower figure (and e.g. in 2010/11 would have had to maintain it for less than £63,000 for the Council to be better off in an overall sense). It should be noted that this figure of



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£187,063 is ca. £35,000 higher than that stated in our original report, reflecting a significant change in the actual financial out-turn to that estimated.

- 5.3.2 An in-house service presents some inherent advantages over an externalised system, including during better times, the ability to offset costs of maintenance to Council fleet through the generation of external income and more detailed control over priorities and management arrangements.
- 5.3.3 An in-house service also carries reduced predictability of costs over 3-4 years, and uncertainty over and the extent to which external income will be realised over the same period.
- 5.3.4 Whilst the required footprint for Fleet Operation and related parking and circulation space is modest, if accommodation is at a premium, this will also present an opportunity cost in terms of depot land take. Another alternative might be to identify, suitable accommodation off-site at a market rate, so long as income streams are sufficiently high.
- 5.3.5 However they are met, there will be one-off costs of relocation and accommodation for the service. Illustrative economical new accommodation estimates are as follows:

£15k	Groundwork, drainage, pad
£53k	'Temporary' Aluminium building (4m clearance and 200m2)
6k	Delivery and erection
6k	Decked office area
<u>25k</u>	Refitting and decorations
105k	Total

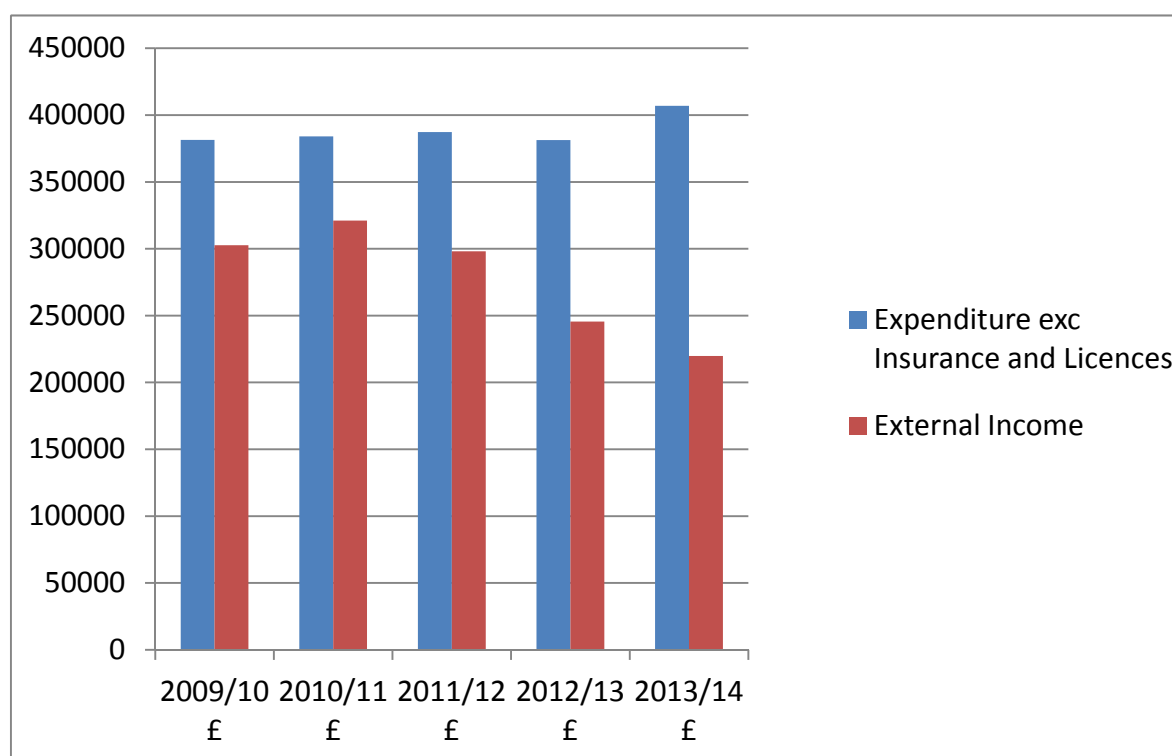
- 5.3.6 Table 3 below shows total expenditure to be fairly constant over the years (and is extremely constant once insurance premiums and Vehicle Licences are excluded); but that external income has steadily declined since 2010/11, with clear effects on the residual net cost to the Council.

Table 3: Gross Income and Expenditure

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £
Total Expenditure	448,913	448,800	440,020	423,330	457,312
Insurance / Licences	67,502	64,739	52,740	41,946	50,381
Difference	381,411	384,061	387,280	381,384	406,931
External income	302,619	321,067	298,064	245,561	219,868
Residual Net Cost	78,792	62,994	89,216	135,823	187,063

Figure 1: Net Expenditure v. External Income

(Data from Table 3)



5.3.7 The Council is faced with a decision as to whether it makes further investment in an operation made worthwhile by external income in circumstances where that external income continues to fall on a five-year pattern. It is not at all obvious to us that, if this were presented as a business case, it would be one where investment in new premises could be justified, even if amortised over 10-15 years.



- 5.3.8 In any event, the Workshop envisages no capital to be spent on independent analyser capabilities as and when the workshop relocates and will continue to rely on shared facilities.

5.4 Market Comparison

- 5.4.1 We are able, through examination of the rates for individual vehicles for these contracts, to provide an estimate of some £88,900 per annum for servicing, repairs, MOT testing and responding to call-outs, (prices detailed in Appendix B: Council Fleet List at April 2014 showing Current Open Market Maintenance Rates).
- 5.4.2 This Annual total of £88,900 includes for, MOT testing, routine servicing, road fund licences, all fair wear and tear repairs, and responding to call-outs. The total excludes driver damage, accident damage, any job caused by misuse of the vehicle or non-compliance with manufacturers' and other instructions, any job caused or compounded by unreported defects, and worn clutches and brakes where driver misuse has occurred.
- 5.4.3 To provide a fair comparison of costs, we must add to the open market vehicle maintenance rate of £88,900 an additional figure representing the costs incurred by the Council in non-routine additional repairs (e.g. to cover the driver damage and other items excluded above). In 2013/14 these additional rechargeable repairs amounted to £49,208, making our open market all-in cost $£(88,900+49,208)=£138,108$ a figure a good deal lower than the Council's costs of £187,063 identified above.
- 5.4.4 We understand that one of the barriers to the Council seeking an external supplier is that a new 'client' function would be required to manage the contract: and we are fairly sure that the cost of such a function could eat up much of the £48,000 or so which is the difference between the two figures. On that basis, this is a very close call in terms of a definitive value-for-money argument.

5.5 Market Conditions

- 5.5.1 External income to the Council continues to fall each year, and has done for around five years.
- 5.5.2 Diminishing external income makes an in-house operation less sustainable. In the past, a high volume of external work has effectively subsidised the Council's fleet maintenance costs. A significant, five-year reduction in external funding has made any net benefit to the Council of running the in-house unit negligible or negative.



5.6 The Council's Strategy: in-house, ALMO or external contract?

5.6.1 Were the Council not to invest in a new workshop, could the private sector service and maintain the vehicles for ca. £100,000 per annum (the current recharge for the service, excluding insurance and Vehicle Licence costs)? Since the current cost of delivering the services in-house is at or around that which would apply were an external provider engaged, then the answer is clearly 'yes'.

5.6.2 The Council must decide then either to

Incur the expenditure required to relocate the workshop to another local site (estimated at 4.3.4 excluding any land costs), **and**

proactively match the in-house staff resource more closely to fluctuating turnover, perhaps through the use of some agency arrangements, **and**

continue to formally review the service every year or two.

-or-

Consider in more detail an externalised arrangement through a targeted soft market test, given that potential service costs are not dissimilar to those in-house, whilst presenting less risk.

5.6.3 Current workload trends would have to reverse significantly and rapidly for the existence of an in-house service to provide significant benefits. Instead, the in-house operation faces increasing risk in this area, and the statutory impediments to its trading openly will disadvantage it when in competition with more freely scalable commercial operations.

5.6.4 For this scale of operation, we see no advantages either in exploring options around arms' length companies or Teckal type arrangements. There are various models of arms' length organisations that might free the unit to trade more freely, but unless the Council could be sure that some more flexible system of managing sales, profitability and costs would be introduced there seems no advantage and some possible liabilities from this route as compared with an arrangement contracted for a term of several years with the private sector, from which we believe the Council would not be financially disadvantaged. Sales of existing services are unlikely to increase (unless prices are severely cut) and the Council has no experience in costs management for new areas of work, representing a risk.



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- 5.6.5 We have been asked in this version of the report to expand more upon the Teckal or ALMO arrangement and how this might work; together with some greater reasoning as to why we do not recommend EFDC opting for this route. We offer the following thoughts.
- 5.6.6 The key advantages of an ALMO (as opposed to a 'simple' in-house DSO) are: first, that the ALMO can (to a point) determine its own terms and conditions for employees, including pay levels (thereby avoiding any additional costs in this area as discussed above); and, second, that there is a separate arms-length governance process, meaning that decisions can be taken within the ALMO that are more akin to decisions that might be taken in a (responsible) private sector company, thereby giving the ALMO a commercial edge (as compared to a DSO). Apart from these differences the situation is similar as for a DSO.
- 5.6.7 ALMOs are used fairly frequently by councils to deliver particular services, with housing a common choice of service: indeed, WYG has worked with a number of housing ALMOs (e.g. HF Homes, the ALMO for LB Hammersmith & Fulham, which includes e.g. cleansing on housing estates and which has a responsibility for grounds maintenance services on estates). We are also aware that some local authorities use the equivalent of an ALMO to deliver front-line and support services e.g. we have clients that are trading with Norse, which is owned by Norfolk County Council.
- 5.6.8 The key disadvantages of an ALMO arrangement (at least, as far as EFDC is concerned) are:
- First, the ALMO option raises exactly the same questions in terms of a suitable depot infrastructure that the current operation does;
 - Second it raises other questions as to the management structure and related infrastructure for support services, in particular for services such as payroll, purchasing, HR and financial services: meaning that cost reductions for these areas are unlikely;
 - Third, it is likely that these support services costs would increase, since there would be a need for separate accounting arrangements, including the calculation of taxation for the ALMO: and since improved management accounting arrangements would almost certainly be required – the deterioration in financial out-turn comparing actual to estimated in the period of this study demonstrates this point;
 - Fourth, there would be a need to set up not only a management infrastructure within the ALMO but the need to set up an infrastructure to manage the ALMO, which would add



further cost to this option: and these costs would be similar to those for managing a private contractor;

- Fifth, the very fact that management of the service would be through an ALMO means that there is less direct control than with an in-house service; indeed, it could be argued that a well-structured contract can give greater control;
- Sixth, there is, as far as we know, no existing ALMO structure for a service such as this and of this (relatively small) size: this means that EFDC would be an innovator in this area and would have no template to follow, meaning greater potential for costs to increase and greater risk;
- Seventh, if the ALMO was set up as a single-purpose organisation to deliver these services for EFDC alone, it is not at all clear whether the ALMO could have terms and conditions for its staff that would be (significantly) different to those enjoyed by EFDC's staff, meaning no obvious economies in this area (which is 55% of cost);
- Eighth, there seems no obvious reason as to why an ALMO would be better poised to generate additional external income than an EFDC operation – indeed, the reverse may be true since some organisations believe there is a value in trading with their local Council

5.6.9 Taking these points into account we can see no obvious advantage to such a model. We would estimate there would be one-off costs in setting up the arrangement, and also higher running costs, with no obvious benefit in terms of additional income. There would be some benefit in terms of legality, however.

5.6.10 Turning back to the option of an external contract, whilst regional framework contracts do exist for vehicle maintenance arrangements, we find these do not best serve Councils which seek to ensure a bespoke service at best price.

5.6.11 WYG has worked with a number of councils in market-testing vehicle maintenance operations in recent years and has procured contracts for fleet provision and maintenance, including for three councils in Essex (Basildon, Braintree and Colchester), all councils included their refuse fleets in the procurement process.



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5.6.12 We have additionally carried out some soft-market-testing with suppliers of these services. All three of the organisations approached, having been provided with a list showing ages and vehicle types (so that the details were anonymous) stated clearly that the annual maintenance-only cost (excluding unprogrammed repairs) would be less than £100,000.

5.6.13 In considering the external provider route, we believe that there are three actions the Council could take to make the package more attractive to suppliers:

- First, the Council could consider including the on-going supply of vehicles (with an inclusive supply and repair service) as an option within any contract;
- Second, as part of the above, the Council could consider the use of Prudential Borrowing (as it has done in the Waste contract);
- Third, the Council could require taxi operators to have their vehicles checked by its approved contractor and include this within the scope of the contract.

5.6.14 We discuss possible procurement options and a timetable in Appendix D.

5.6.15 In concluding this Section we offer the following thoughts and observations:

- In the past, the Council's in-house service has delivered good value for money overall, by successfully trading and using external income to offset the costs of its fleet services.
- In recent years the level of external income has declined, and no significant financial benefit gained.
- Additionally for the Council to continue to deliver services in this way requires investment in a new workshop when Langston Road is vacated.
- Other Essex districts have externalized this function and to date report good service quality as well as financial saving.
- The other Essex districts do, however, acknowledge that strong management of the external contractor is essential to deliver effective, value-for-money services: and it may be that EFDC is lacking in these skills for this service.



6.0 Other Aspects

6.1 Client Resource

- 6.1.1 Were the service to be outsourced there would be strong requirements around performance measures linked to a working methods and a payment mechanism. Combined with the day-to-day sensitivities to service failures we have no doubt that any quality shortcomings would be unlikely or short-lived.
- 6.1.2 If the opportunity is taken to include in the Contractor's duties sundry local tasks (such as management of red diesel stocks, or maintenance of generators on Council property), then all routine operational matters would have been transferred.
- 6.1.3 This would leave scope still for a central role to establish contract communication and billing protocols, especially and contract start and end, and any agreed annual price fluctuations. In these circumstances this function might most sensibly rest with the client with the largest dependency on the Contractor: in this case the Housing maintenance function. However, it is not at all clear that the appropriate skills or resource level exist there.



Appendices



Appendix A – Portfolio Performance Management: Finance Overview 2009-2014 with estimated outturn 2013/2014

Portfolio Performance Management: Finance Overview 2009-2014 with estimated overrun 2013/2014



SERVICE: FLEET OPERATIONS DSO ACCOUNT SPENDING CONTROL OFFICER: P.SPENCER					PORTFOLIO: PERFORMANCE MANAGEMENT				DIRECTORATE: CORPORATE SUPPORT SERVICES					ESTIMATE 2014/15						2014/15 OE		2014/15 RE						
ACTUALS					TO100				APPROVED ESTIMATE 2013/14					ESTIMATE 2014/15						2013/14 OE		2013/14 RE						
2009/10	2010/11	2011/12	2012/13	PROBABL E OUTTURN	VARIANCE 2012/13	DETAIL	JOB	DESCRIPTION	PROFILES	BASE	ADJ.	TOTAL	GUIDELINE ESTIMATE	PROBABL E OUTTURN	MOTS 0.74	FLEET 0.22	OTHER 0.04	TOTAL	ESTIMATE 2014/15	UP-DATE %	INFN	MOTS 0.74	FLEET 0.22	OTHER 0.04	ESTIMATED OUTTURN	2013/14 ORG	2013/14 ORG	
EMPLOYEES																												
240,754	235,349	241,394	232,985	233,280	-295	0100		Sals - Monthly	12	241,150		241,150		235,280	174,107	51,762	9,411	235,280	231,230	3.00		6,940	176,246	52,397	9,527	238,170	(2,980)	(5,870)
0	-86	-288	-344	0	-344	0100	GL010	Salaries - firs Leave/Flexi Accrual	12	0		0		0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
1,905	4,423	6,672	0	0	0	0110		Casual Staff	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
211	284	286	142	0	142	0140		Sals - Committee Attendance	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
0	0	172	139	0	139	0155		Medical Expenses	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
0	8,098	0	0	0	0	0191		Other Payments	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
308	82	0	0	0	0	0310		Training expenses	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
16,670	24,534	22,190	28,296	27,730	566	0340		Pension Fund Current Costs	AL	28,010		28,010		33,180	24,553	7,300	1,327	33,180	33,180	0.00		24,553	7,300	1,327	33,180	5,170	5,170	
-16,643	-17,043	-16,676	-16,661	-14,620	-2,041	0341		Frs17 Reversals Super Ets	AL	-15,910		-15,910		(14,870)	-11,004	-3,271	-595	-14,870	(14,870)	2.00	(300)	-11,226	-3,337	-607	-15,170	740	1,040	
990	920	870	800	800	0	0360		Sals - Emp. Related Ins.	AL	820		820		750	555	165	30	750	770	3.00	20	585	174	32	790	(30)	(70)	
244,195	256,560	254,620	245,357	247,190	-1,833			SUB TOTAL		254,070	0	254,070	0	254,340	188,212	55,955	10,174	254,340	250,310	8	6,660	190,158	56,533	10,279	256,970	2,900	270	
PREMISES																												
42,270	37,300	40,960	45,020	48,520	-3,500	1720		Depots	AL	48,170		48,170		43,150	19,418	23,301	432	43,150	41,410	1.97		820	31,250	9,291	1,689	42,230	(5,940)	(5,020)
42,270	37,300	40,960	45,020	48,520	-3,500			SUB TOTAL		48,170	0	48,170	0	43,150	19,418	23,301	432	43,150	41,410	2	820	31,250	9,291	1,689	42,230	-5,940	-5,020	
TRANSPORT																												
26,501	26,759	34,224	40,488	30,900	9,588	2210		Repairs parts	12	30,900		30,900	30,900	0	0	30,900	0	30,900	30,900	0.00		0	30,900	0	30,900	0	0	0
5,246	1,470	1,455	0	0	0	2310		Hired Trnsp/leased charge	12	0		0	0	0	0	0	0	0	-	0.00		0	0	0	0	0	0	0
44	38	58	119	100	19	2330		Petrol	12	100		100	70	100	100	0	100	100	100	0.00		0	100	0	100	0	0	0
8,982	11,239	11,808	11,229	12,000	-771	2360		Running Costs-Licenses	12	12,000		12,000	11,230	12,000	0	12,000	0	12,000	12,000	0.00		0	12,000	0	12,000	0	0	0
2,170	2,243	2,510	2,857	3,000	-143	2380		Running Costs-Ministry Test	12	3,000		3,000	3,000	3,000	0	3,000	0	3,000	3,000	0.00		0	3,000	0	3,000	0	0	0
69	55	57	60	100	-40	2510		Recharge fr.Trnsp&Plant A/C	12	100		100	60	100	0	100	0	100	100	0.00	(0.22)		0	100	0	100	0	0
58,520	53,500	40,932	30,717	30,720	-3	2930		Transport Insurance	AL	31,640		31,640	40,460	40,460	40,460	0	40,460	0	40,460	41,680	3.00	1,250	42,930	0	42,930	11,290	8,820	
						2950		Insurance Claims												-	0.00		0	0	0	0	0	
101,532	95,304	91,044	85,858	76,820	8,650			SUB TOTAL		77,740	0	77,740	44,800	86,560	0	86,560	0	86,560	87,780	3	1,250	0	89,030	0	89,030	11,290	8,820	
SUPPLIES & SERVICES																												
1,141	1,373	670	797	1,000	-203	3010		Equipment-New	12	1,000		1,000	800	1,000	0	0	0	1,000	1,000	0.00		0	1,000	0	1,000	0	0	0
979	1,196	1,211	979	1,340	-361	3020		Equipment-Hired/Leased/Rentd	12	1,340		1,340	980	1,340	0	1,340	0	1,340	1,340	0.00		0	1,340	0	1,340	0	0	0
5,560	6,218	6,119	5,922	6,000	-78	3030		Equipment-Maintenance	12	6,000		6,000	5,920	6,000	5,400	600	6,000	6,000	6,000	0.00		5,400	600	6,000	0	6,000	0	0
2,772	2,978	3,101	2,892	2,770	122	3080		Materials	12	2,770		2,770	2,770	2,770	1,385	1,385	0	2,770	2,770	0.00		1,385	1,385	0	2,770	0	0	
2,418	2,590	2,653	2,683	2,500	183	3210		Protective Clothing	12	2,500		2,500	2,500	2,500	1,675	825	2,500	2,500	2,500	0.00		1,675	825	0	2,500	0	0	
30	218	267	262	240	22	3300		Photocopier Recharges	12	240		240	240	200	40	0	240	240	0.00		0	200	40	0	240	(0)	(0)	
626	246	0	50	500	-450	3320		Stationery	12	500		500	50	500	300	200	0	500	500	0.00		300	200	0	500	0	0	
2,733	650	28	223	30	193	3420		A.A Cover	12	30		30	30	30	0	30	0	30	30	0.00		0	30	0	30	0	0	
999	997	1,320	1,438	910	528	3440		Cash Collection	12	910		910	910	940	940	0	940	940	0.00		0	940	0	0	940	30	30	
180	186	172	146	150	-4	3520		Telephones - Direct	12	150		150	140	140	70	70	0	140	140	0.00		70	70	0	140	(10)	(10)	
24	42	40	18	20	-2	3610		Subsistence Expenses	12	20		20	20	20	0	20	0	20	20	0.00		0	20	0	20	0	0	
0	0	119	690	160	530	3820		Advertising MOT Bay	12	160		160	160	160	0	0	0	160	160	0.00		0	160	0	160	0	0	
400	0	0	0	0	0	3850		Other Misc. Expenses	12	0		0	0	0	0	0	0	0	0	0.00		0	0	0	0	0	0	
11,122	12,357	10,967	8,200	12,500	-4,300	3890		MOT Bay	12	12,500		12,500	8,200	12,500	12,500	0	0	0	12,500	12,500	0.00		12,500	0	12,500	0	0	
28,984	29,051	26,667	24,300	28,120	-3,820			SUB TOTAL		28,120	0	28,120	22,730	28,140	23,630	4,510	0	28,140	28,140	0	0	23,630	4,510	0	28,140	20	20	
SUPPORT SERVICES																												
13,730	9,451	11,820	11,630	12,990	-1,360	5310		Managerial & Professional	AL	12,390		12,390	14,920	1,492	13,428		14,920	14,920	14,790	0.76	110	1,499	13,401		14,890	2,500	2,530	
3,660	4,805	4,330	3,061	3,110	-49	5330		Computer Costs (Central)	AL	3,090		3,090	3,440	344	3,096		3,440	3,440	3,580	9.12	330	391	3,519		3,910	820	350	
9,160	8,818	940	760	870	-110	5410		Office Services	AL	950		950	3,010	301	2,709		3,010	3,010	3,330	12.51	420	375	3,375		3,750	2,800	2,060	
980	1,110	1,230	1,010	1,000	10	5414		HASAW	AL	990		990	810	81	729		810	810	820	2.05	20	84	756		840	(150)	(180)	
0	1,405	1,477	1,580	1,570	10	5416		Facilities Management Recharges	AL	1,550		1,550	1,720	1,720	1,720	1,720	1,720	280	3.17	10				290	290	(1,260)	(170)	
532	223	232	525	0	525	5420		In-House Printing	12	0		0	50	50	0	50	0	50	50	0.00		0	50	0	50	50	50	
2,010	2,730	2,600	2,470	2,580	-110	5421		Telephones - Central	AL	2,620																		



Appendix B – Council Fleet List at April 2014 showing Current Open Market Maintenance Rates

Council Fleet List at April 2014 showing Current Open Market Maintenance Rates



Annual total of £88,900 includes for, MOT testing, routine servicing, road fund licences,

all fair wear and tear repairs, and responding to call-outs.

Fleet Number	User Department	Manufacturer	Model	Type	Fuel	Date of Registration	User Department	Maintenance
003	Street Scene	Ford	Ranger	Pick up	Diesel	september 30 2009	Street Scene	£ 1,250.00
004	Legal & Admin.	Ford	Fiesta	TDCI 1400	Diesel	April 23, 2007	Legal & Admin.	£ 1,200.00
005	Legal & Admin.	Ford	Fiesta	TDCI 1400	Diesel	April 5, 2007	Legal & Admin.	£ 1,200.00
409	Animal Welfare	Ford	Transit Connect	221 LWB 1.8 Tdd	Diesel	June 27, 2003	Animal Welfare	£ 1,600.00
410	Animal Welfare	Vauxhall	Combo Merit Van	LS Car Derived Van	Diesel	April 30, 1999	Animal Welfare	£ 2,000.00
810	Grounds Maintenance	Vauxhall	Bravo	2.5 DI Single Cab Pick-Up	Diesel	February 1, 2000	Grounds Maintenance	£ 2,500.00
900	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 9, 2009	Grounds Maintenance	£ 1,800.00
901	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 9, 2009	Grounds Maintenance	£ 1,800.00
902	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 9, 2009	Grounds Maintenance	£ 1,800.00
903	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 16, 2009	Grounds Maintenance	£ 1,800.00
904	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 24, 2009	Grounds Maintenance	£ 1,800.00
905	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	September 29, 2009	Grounds Maintenance	£ 1,800.00
906	Grounds Maintenance	Ford	Transit 140 t350l	Cage Sided Tipper	Diesel	JUNE 04 2011	Grounds Maintenance	£ 2,100.00
907	Grounds Maintenance	Ford	Ranger 2.5 TD	Double Crew Cab 4WD	Diesel	September 09 2007	Grounds Maintenance	£ 1,200.00
958	Grounds Maintenance	Ford	Transit 125 T351	Cage Sided Tipper	Diesel	June 28, 2002	Grounds Maintenance	£ 2,750.00
008	Emergency Planning	Ford	Ranger	4WD Double Cab Pick-Up	Diesel	September 29, 2004	Emergency Planning	£ 2,400.00
046	Countryside Care	Land Rover	Defender	111 td5 county	Diesel	september 22 2007	Countryside Care	£ 2,700.00
060	Housing Directorate	Ford	Transit	281 Panel Van	Diesel	May 17, 2012	Housing Directorate	£ 1,100.00
061	Housing Directorate	Ford	Transit	280Panel Van	Diesel	May 16 2013	Housing Directorate	£ 1,100.00
200	North Weald Airfield	Land Rover	Defender	111 TDI	Diesel	September 13 2006	North Weald Airfield	£ 2,750.00
199	North Weald Airfield	Land Rover	Freelander	Estate TD4 ES premium	Diesel	02.10 2004	North Weald Airfield	£ 2,400.00
215	North Weald Airfield	Ford	Ranger XLT	4WD Double Cab Pick-Up	Diesel	September 28, 2004	North Weald Airfield	£ 2,400.00
230	North Weald Airfield	LAND ROVER	Defender	4WD Double Cab Pick-Up	Diesel	April 4, 2009	North Weald Airfield	£ 2,900.00
319	Fleet Operations	Ford	Escort	1.8 Diesel Van	Diesel	February 1, 1995	Fleet Operations	£ 1,500.00

/continued...



Appendix C – Other Key Indicators 2011-2014

Other Key Indicators 2011-2014



Attribute	2011/12	2012/13	2013/14 Up to month 10
How many services for external customers	25	35	17
How many services for Staff?	18	36	30
How many fleet services?	104	104	104
How many fleet repairs o/s of management agreement?	145	132	98
How many vehicles hired?	10	16	13
How many generators serviced?	16	48	48
How many fleet MOTs (including North Weald Airfield vehicles)?	46	50	50
How many staff MOTs?	303	276	316
How many other MOTs?	5869	4541	3420
How many taxi inspections?	1223	1228	1059
How many North Weald Airfield vehicle safety checks / services?	8	10	6
How many North Weald Airfield vehicle repairs?	17	18	19
How many driver assessments?	18	18	8
How many grounds maintenance small plant repairs / services?	11	53	34



Appendix D – Possible Methodology for the Procurement of Vehicles Maintenance Services

Possible Methodology for the Procurement of Vehicle Maintenance Services



Our experience is that the best way to procure these services to enable maximum service and financial benefit to the authorities is to use the Competitive Dialogue (“CD”) process. This enables a variety of service delivery models to be tested e.g. supply only; maintenance only; supply and maintenance; passing the risk for supplying spare vehicles to the supplier; and taking different risks on ‘driver damage’.

A web link describing the advantages of this process, including the experience of councils that have used it, may be found at http://www.lapv.co.uk/news/fullstory.php/aid/264/Competitive_dialogue_opens_new_avenues_for_Councils_in_Essex.html

In our most recent procurement (we found that we could complete the CD procurement using only two stages: this would, we feel, also be possible for Epping Forest.

To give an idea of a timescale and how we could support the Council we offer the following thoughts:

1. An OJEU notice could be placed in April 2014 for the supply and/or maintenance of vehicles to the Council using the Competitive Dialogue process. At this time we would look to draft a PQQ including evaluation criteria: we have a variety of templates or we could look to adapt the documents used on the current Waste procurement.
2. We would suggest that the contract is divided into Lots to cover options for: the supply of vehicles; the maintenance of vehicles; and the supply and maintenance of vehicles. Within the maintenance Lots we could include various options for the allocation of risk for non-routine repairs including ‘driver damage’.
3. Allowing for PQQ shortlisting and the deadlines of an OJEU procurement process, contract documents could be issued in late May. We would recommend a Bidders’ Day to be held at this point: which would enable a viewing of the facilities.
4. The contract documents would include: a Descriptive Document, Draft Contract Conditions, Draft Specification and a Response Document. We would be able to produce these: but would require assistance from the Council in setting out details of the current fleet, expectations for the future etc. and details regarding the current service including TUPE data.
5. We believe that we should allow for a half-day’s dialogue with each bidder at this stage.
6. Following dialogue, it should be possible to receive Outline Submissions in July; and from these it should be possible to determine:
 - a) Whether there is any real advantage in the Council changing its arrangements with regard to the splitting of purchase and maintenance functions: we expect the current market conditions would mean that there is: but we would need to evaluate solutions to be sure.

Possible Methodology for the Procurement of Vehicle Maintenance Services



b) What the options are for developing a workshop facility: including the possibilities for the Council to share third party income.

c) Whether there might be some advantage in using Prudential Borrowing as part of the purchasing function.

d) Whether the contract conditions and related matters require amendment and whether the proposed changes are acceptable to the Council. Our experience is that the market's views on performance management arrangements and on the wording of Bonds are constantly evolving (reflecting current economic conditions).

7. There would be a need to revise the contract documents and then for further dialogue sessions before closure of dialogue and call for Final Tenders. We would anticipate receiving Final Tenders in September.

8. Unless the process is aborted or otherwise amended, we believe the whole procurement could be concluded by late autumn 2014.