

## Decision Report – Officer Key Decision

Forward Plan Reference: FP/24/02/02

Decision Date – 2<sup>nd</sup> September 2024

Key Decision – Yes

Confidential Information – None



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### **SFS Additional Outsourced Vehicle Maintenance – Bridgwater & Minehead.**

Executive Member: Cllr Richard Wilkins – Lead Member for Transport and Digital

Local Member(s) and Division: N/A

Lead Officer: Lisa Hand – Interim Head of Fleet

Author: Lisa Hand

Contact Details:

Email: [lisa.hand@somerset.gov.uk](mailto:lisa.hand@somerset.gov.uk)

Tel: 07795 113 280

### **Summary / Background**

The former Somerset County Council (SCC) gave notice on their external maintenance contractor (Milestone Infrastructure) in March 2023 prior to vesting day and becoming a Unitary Authority. The intention was to deliver an in-house vehicle maintenance service for the 215 vehicles currently outsourced to Milestones and Weeks.

The former District Councils had a mixture of in-house and externally provided maintenance. The current in-house maintenance is provided through the Lufton and Bridgwater workshops and the external contractor Specialist Fleet Services (SFS).

The decision made by during the LGR process prior to vesting day April 2023 was to bring the maintenance in-house through the existing two workshops at Lufton and Bridgwater and develop the Minehead and Frome workshops. However, this is not a financially viable option now due to a range of issues including capital cost of workshop improvements needed, new equipment and challenges in recruiting suitably qualified staff. There is a considerable gap between market salaries for skilled mechanics and that which the Council is currently able to offer, even taking account of the ability to apply recruitment and retention allowances.

Both Minehead and Frome workshops need financial investment of approximately £150,000 at each site. The cost includes various workshop items such as vehicle ramps, brake roller testers, diagnostic equipment, plus other pieces of equipment to operate a workshop and there are also costs to upgrade welfare facilities and the building in general requires significant repairs. No investment in these buildings has been completed for around 40 years.

The Milestone contract ended on 31 March 2024, with several staff transferring to the Council under TUPE.

Short-term temporary agreements have been reached with several local garages to maintain the proportion of the fleet which we are unable to accommodate in-house whilst a medium-term interim arrangement is put in place, and a thorough sourcing review undertaken to inform the long-term service delivery model.

**Table 1.**

<b>Current Maintenance Arrangements</b>				
<b>Depot</b>	<b>Vehicle No's</b>	<b>Plant No's</b>	<b>Maintenance</b>	
<b>INTERNAL</b>				
Lufton	181	300	In-house	
Bridgwater (Colley Lane)	50	40	In-house	Most is outsourced due to insufficient staff numbers
<b>EXTERNAL</b>				
Wellington	158	250	External - SFS	
Taunton	2	0	External - TM Commercials	2 x EV minibus
Taunton	62	0	External - Montaz Engineering	Minibus, 7.5T Library vans and highways vans
Minehead	12	0	External - Beaver Ford	All minibus
Frome	31	0	External - Weeks Transport	To remain due to location Minibus & vans
Bridgwater	39	0	External - Volvo Truck & Bus	Minibus and coaches Plus Mechanical Sweepers
Bridgwater	0	93	External – Bridgwater Mowers	Small plant and mowers/tractors
Bridgwater			External - Hickleys	All vehicles for electronic diagnostics
Bridgwater			External – C & C Motors A1 MOT's Taunton	MOT's class 4, 7 Class 5
<b>Total</b>	<b>535</b>	<b>683</b>		

The Council own a further 250 vehicles, these are currently operated and maintained by the appointed contractor.
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Current maintenance arrangements require the contract management of 9 external contractors. The SFS contract is currently the only contract not operating under with a waiver.

1. As a medium-term solution (18-24 months) The SFS vehicle maintenance contract allows for additional vehicles to be added and removed to allow flexibility with vehicle maintenance provision. This contract was tendered for and awarded by the former Somerset West & Taunton Council in October 2021 and is valid until October 2028 with the option to extend for a further 7 years.

Fleet provide vehicle maintenance to over 30 different services. All these services have statutory responsibilities. To provide a safe, legal and timely service with regards to the vehicle maintenance provision Fleet are proposing to add a further 170 vehicles plus 133 pieces of plant to the SFS contract.

The vehicle maintenance will be completed in a new facility leased directly with a third party by SFS in Wellington comprising 3 x HGV bays, 6 x LCV bays, 25 HGV parking spaces plus additional parking for LCV's. In addition, there will be hot desking availability for SC staff to use whilst waiting for repairs to the vehicles they operate.

The Lufton workshop will remain operating an in-house service to a further 91 vehicles, bringing the total to 175 vehicles.

**Table 2.**

<b>Proposed medium-term maintenance arrangements from July 2024</b>				
<b>Depot</b>	<b>Vehicle No's</b>	<b>Plant No's</b>	<b>Maintenance</b>	
Lufton	175	300	In-house	
Wellington (current contracted vehicles)	158	250	External - SFS	
Wellington (Bridgwater/Taunton vehicles, supported by mobile technicians)	141	133	External - SFS	Additional to existing contract
Wellington (Minehead vehicles supported by mobile technician supported)	29	0	External - SFS	
Frome (To remain with Weeks due to location of vehicles)	32	0	External - Weeks	
<b>Total</b>	<b>535</b>	<b>683</b>		

2. This proposed arrangement will allow for a thorough comparison of in-house maintenance v's outsourced maintenance with similar vehicle types as part of

our development of a long-term sourcing strategy over the next 18 months or so. The current contract with SFS expires in October 2028. By June 2027 at the latest Somerset Council will need to have decided on the long-term sourcing strategy considering the following options:

- a. award the next 7 years of the contract to SFS with or without the addition of the Lufton based vehicle maintenance,
- b. bring all maintenance in-house,
- c. tender for new outsourced contract to include all vehicle maintenance at all locations.
- d. The sourcing strategy will also need to consider whether changes to the Council pay and grading structure are likely to be able support a viable in-house operation in the long-term as part of any corporate review of pay and grading.

### **Recommendations**

3. The Service Director – Infrastructure & Transport agrees to add the additional 170 vehicles and 133 pieces of plant to the SFS contract with the management of the Bridgwater workshop and Mobile technician in Minehead.

### **Reasons for recommendations**

4. The proposal seeks to maintain service delivery with vehicle maintenance to allow over 30 services areas to maintain service delivery that relate to statutory responsibilities. These services include: SEND, LD and Adult Social Care bus routes, the lack of vehicle maintenance will affect these bus services plus many other statutory services.
5. There are no confidential appendices
6. There are no urgency provisions

### **Other options considered**

7. The alternative options are:
  - a) To maintain the additional vehicles in-house. This is not considered to be a viable option at present due to the capital cost of improving workshop facilities and the challenges in recruiting additional suitably qualified staff.
  - b) Outsource to multiple local workshops. This has been put in place as a short-term arrangement but is not considered to be sustainable in the medium or long-term without a compliant procurement process due to the values associated with a sustained volume of work. Local workshop rates are currently significantly higher than available through the SFS contract.

### **Links to Council Plan and Medium-Term Financial Plan**

8. The cost of vehicle maintenance is paid for by the service area operating the vehicle from the revenue budgets via recharges from Fleet. The current Medium Term Financial Plan includes a commitment to reduce the cost of fleet purchase and utilisation over the next 18 months, and a fleet review process is being put

in place to achieve this. The process is likely to reduce the numbers of vehicles requiring maintenance in due course, but a significant fleet is still likely to remain in place.

## Financial and Risk Implications

9. The cost of the current contract with SFS includes leasing vehicles, Fixed Price Maintenance and Pay as You Go maintenance. The additional 170 vehicles and 133 pieces of plant will initially be priced on a PAYG recharge until SFS have established the current roadworthiness before offering a Fixed Price Maintenance cost. All vehicles over 8 years old will remain on PAYG.

The additional cost through the SFS contract is expected to be in the region of £600,000 per annum which is equivalent to the annual cost of the previous contract with Milestone, so the arrangement is expected to be broadly cost neutral.

The difference in cost between in-house v's outsourced maintenance at the moment vary.

Labour rate – In-house = £44.55 per hour

Labour rate – SFS = £54 per hour

Whilst there is a £10 per hour labour rate difference, this doesn't really reflect the current arrangements for in-house. Because SC cannot recruit fully qualified workshop technicians SC are having to outsource vehicle maintenance to multiple local garages where the labour rate varies from £60 to £88 per hour.

The original expectation for the first seven years of this contract was a cost of £5.273M (excluding damage recharges). This cost includes the lease hire costs for vehicles already in operation and lease vehicles currently on order waiting for delivery. The contract awarded by Somerset West and Taunton Council was a joint award with North Devon District Council. The published value of the award was £50m. (see App 1) With the increase of these additional vehicles and plant the contract is not expected to exceed the published value and be at risk of challenge

The current SFS contract originally awarded by Somerset West & Taunton has an annual cost to the Council of £600k, by awarding the additional vehicles and plant to SFS the expected annual costs for this contract will be estimated to £1.2m.

10. The table below details the main risks if the medium-term arrangement is not put in place:

Risk and mitigation description	Likelihood	Impact	Risk Score

<b>Communication with parents</b> - In the event that maintenance is impacted the parents of SEND and LD children will need to be contacted to advise of a change. The changes may include the cost of providing taxis or the parent will need to find alternative ways to get the children to school.	<b>5</b>	<b>4</b>	<b>20</b>
<b>Service Disruption</b> – Disruption to multiple services, street cleaning, grounds maintenance, highways, street works are just some that will be impacted by the lack of maintenance	<b>5</b>	<b>4</b>	<b>20</b>
<b>Increase in vehicle breakdowns</b> – A reduction in vehicle maintenance repairs would increase the likelihood of vehicle breakdowns on the public highway; this would lead to vulnerable users being stranded and waiting for vehicle recovery and a bus swap.	<b>5</b>	<b>4</b>	<b>20</b>
<b>Reduced defect reporting</b> – With a lack of workshop maintenance to support vehicle users this could lead to drivers using defective vehicles illegally which may incur fines and/or points for the driver and the council.	<b>3</b>	<b>4</b>	<b>12</b>
<b>Customer Services Impact:</b> All impacted service areas are likely to receive more complaints which will impact Customer Services volume of work. Fleet will work with the various services areas to advise of vehicle turnaround times. This will allow services time to make changes in routes and planning of work to improve communications to residents.	<b>4</b>	<b>3</b>	<b>12</b>
<b>Legal challenge:</b> Current arrangements with local garages may be challenged if utilised for an extended period of time such that values reach thresholds for competitive tender	<b>3</b>	<b>3</b>	<b>9</b>

### Legal Implications

11. This proposal is to provide a reliable and efficient vehicle maintenance contract to allow Council services to maintain delivery of statutory services.
12. The SFS maintenance contract is a compliant contract with over 4 years remaining on the contract with an option to extend a further 7 years.

### HR Implications

13. There are currently 3 x workshop fitter and 1 x workshop administrator employed by Somerset Council based at Bridgwater and Minehead.

These four staff members would all be subject to Tupe transfer to SFS if the proposed is approved.

There are no redundancies with this option.

### **Other Implications:**

#### **Equalities Implications**

14. Having had due regard to the Public Sector Equality Duty (PSED) should the decision not be taken a reduced maintenance provision could potentially directly impact the transportation of 400 vulnerable children and 300 vulnerable adults daily. In addition to the vulnerable children and adults there are also a number of bus routes operating in very rural areas that could be impacted by reduced bus availability.

The workshop would need to communicate with Transporting Somerset daily to advise of any bus Vehicle Off Road (VOR) to allow the Transporting Somerset team to re-schedule and maintenance service delivery.

#### **Community Safety Implications**

15. There are no Community Safety implications

#### **Climate Change and Sustainability Implications**

16. There are no Climate Change and Sustainability Implications. The proposed arrangements will enable maintenance for alternative fuelled vehicles as well as the fossil-fuelled fleet. There is a wider programme to reduce the proportion of the fleet powered by fossil fuels.

#### **Health and Safety Implications**

17. If the provision of vehicle maintenance was to remain in-house there is potential, due to a lack of qualified vehicle technicians, for an increase in vehicle breakdowns with all vehicle users however, the significantly higher risk group is with the Transporting Somerset. The service carries approximately 400 vulnerable children and 300 vulnerable adults daily, roadside breakdowns and recovery plans would need to include the onward transportation of the passengers.

By approving the additional outsourcing of vehicle repairs to SFS the risks of reduced maintenance and increased vehicle breakdowns would remain at a normal low level.

#### **Health and Wellbeing Implications**

18. The Transporting Somerset service also operates several buses across the County to Musgrove Park Hospital. Many users rely on the bus service for life saving appointments.

## Social Value

19. If the request to outsource further vehicles and the management of the Bridgwater Workshop and Minehead mobile van is approved, SFS will need to recruit between 3 and 5 additional workshop technicians, a workshop manager and administrators.

### Scrutiny comments / recommendations:

20. None

## Background

21. See summary/background point 1 & 2.

## Background Papers

22. Appendix 1 - SWT & NDDC Contract Award Notice [App 1](#)

## Assurance checklist

	Officer Name	Date Completed
Legal & Governance Implications	David Clark	10/06/2024
Communications	Peter Elliott	19/06/2024
Finance & Procurement	Nicola Hix	19/06/2024
Equalities	Tom Rutland	04/03/2024
Workforce	Alyn Jones/Dawn Betteridge	07/06/2024
Asset Management	Oliver Woodhams	19/06/2024
Executive Director / Senior Manager	Mickey Green	12/08/2024
Strategy & Performance	Alyn Jones	19/06/2024
Executive Lead Member Transport & Digital	Cllr Richard Wilkins	12/08/2024
<b>Consulted:</b>	Councillor Name	
Local Division Members	N/A	N/A
Opposition Spokesperson	Cllr Diogo Rodrigues	19/06/2024
Scrutiny Chair	Cllr Martin Dimery	12/08/2024