
Report to: Cabinet **Date of Meeting:** 20th June 2013

Subject: Vehicle Maintenance Stores Operation & Spare Parts Procurement Update

Report of: Director of Street Scene **Wards Affected:** All

Is this a Key Decision? Yes **Is it included in the Forward Plan?** Yes

Exempt/Confidential No

Purpose/Summary

To update Cabinet regarding the previous proposal to outsource the operation of the vehicle maintenance stores and also to make arrangements for the procurement of spare parts necessary to maintain the Council’s vehicle fleet. To now seek further approval for the operation of the stores to remain in-house, and for discounted parts to be sourced from a range of suppliers as opposed to a single source.

Recommendation(s)

1. That Cabinet note the changes made to in-house service delivery.
2. That Cabinet decides to rescind the decision to award a contract, made on 14th February 2013, for the operation of vehicle maintenance stores and the procurement of spare parts, for the reasons provided within paragraphs 8 to 15 of this report.
3. That Council resolves not to award a contract for the operation of vehicle maintenance stores and the procurement of spare parts

How does the decision contribute to the Council’s Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity		✓	
3	Environmental Sustainability		✓	
4	Health and Well-Being		✓	
5	Children and Young People		✓	
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities		✓	
8	Improving the Quality of Council Services and Strengthening Local Democracy		✓	

Reasons for the Recommendation:

Approval was given by Cabinet on February 14th 2013, to award a contract for the operation of vehicle maintenance stores and the procurement of spare parts. Subsequent to this decision, work which has through necessity been ongoing for many months within the Vehicle Maintenance Section whilst the procurement exercise was being undertaken, has led to the realisation that there is now no need to award a contract.

Whilst the rationale for developing and undertaking the original procurement exercise was still valid, the way in which the in-house service is operated had changed so much during the extended procurement period, that the need for such an 'exclusive' agreement is no longer essential or desirable.

During the extended procurement period the following in-house activities have been undertaken:

- Staffing structures and responsibilities have been amended, resulting in a saving of over £40k per annum.
- A new IT system has procured, developed and installed. This system has produced assisted in shaping new operational procedures which have so far produced savings in excess of £50 a year.
- The physical layout of the stores has been redesigned to accommodate alternative usage, thereby providing opportunities for development and rationalisation of other services within the Council, and contributing to an additional cost recovery target of £125k per annum in that particular service area.
- New suppliers for vehicle parts and services have been identified, and whilst the proposed pricing structures are yet to be formally confirmed, it is believed that the purchasing function can be retained in-house and still deliver additional savings against current spending levels.

As such, a recommendation is now being made to Cabinet not to award this particular contract on the basis that the savings which it was proposed would arise from the award have already been met, and will be met in future, via revised operating practices within the vehicle stores, and by the proposed procurement of vehicle parts from a variety of newly established sources.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no revenue costs associated with this decision, and it is further expected that additional savings will be achieved through product prices identified via the procurement process.

(B) Capital Costs

There are no capital costs as the proposal for a private contractor to operate the Depot stores is no longer required.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal

Even though a tender process was undertaken, the documentation received by all interested parties was explicit in relation to the instructions to all potential tenderers:

The following quotes are taken from the tender documentation:

“The Council is not committed to any maximum or minimum expenditure through the contract, and does not commit to maintaining current, or any level of spending. Any indicated contract value is based on historical data and subject to fluctuation both through demand and budgetary variation; figures are provided for illustrative purposes only.”

“Sefton Borough Council will not be liable for any costs incurred by your organisation in connection with this tender process.”

“The Council reserves the right not to accept the lowest, or any, tender.”

As such, the Council has a right to make the decision not to award a contract in this case.

Human Resources

There are no HR or TUPE implications.

Equality

- | | | |
|----|--|-------------------------------------|
| 1. | No Equality Implication | <input checked="" type="checkbox"/> |
| 2. | Equality Implications identified and mitigated | <input type="checkbox"/> |
| 3. | Equality Implication identified and risk remains | <input type="checkbox"/> |

Impact on Service Delivery:

The level of service available within the Vehicle Maintenance Section has been enhanced as a result of this exercise due to an amendment in existing working and operational practices, coupled with a reduced cost to service and maintain the Council’s vehicle fleet.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD 2337) has been consulted and notes the report indicates no direct financial implications of not accepting any tender. Documentation in the tender process stated

- *“Sefton Borough Council will not be liable for any costs incurred by your organisation in connection with this tender process.”*

- *“The Council reserves the right not to accept the lowest, or any, tender.”*

The Head of Corporate Legal Services (LD 1654) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Not at this stage, although the level of savings will be monitored accordingly to ensure that the Council receives Best Value in continuing to operate the vehicle stores and parts procurement services in-house.

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet/Cabinet Member Meeting. During this period, all tenderers will be informed of the decision not to award a contract.

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Background Papers:

There are no background papers available for inspection.

BACKGROUND

1. Under the Public Procurement Regulations 2006 (as amended), the Council opted to carry out a European Union Open Procurement Procedure to secure a contract against the service requirements of the Vehicle Maintenance and Fleet Management Service. The Open procedure was deemed appropriate as there are a relatively small number of operators in the marketplace to cater for this requirement.
2. The Open Procedure required that the Council compile an Invitation To Tender (ITT) document setting out:
 - i) The Requirement
 - ii) Objectives
 - iii) Service Specification
 - iv) Pricing Schedule
 - iv) Evaluation Criteria including:
 - Mandatory document checks
 - Pass/Fail 'Hardgate' assessments (Financial, Equalities, Health & Safety)
 - 'Softgate' assessment (References)
 - Price / Quality scoring
 - v) Sample evaluation scoring method
 - vii) Terms and Conditions
3. The tendering opportunity, managed via the Council's Procurement Unit, was publicised and managed electronically within the North West opportunities portal, 'The Chest'. This in turn allowed the creation and publication of a contract notice in the Official Journal of the European Union.
4. Under the Open Procedure, interested providers were afforded a minimum of 40 calendar days to access the electronic ITT documentation within the Chest. Once the ITT was downloaded all bidders had access to a question and answer facility within the chest. Various questions were posed by a variety of bidders and answers were provided accordingly for all to see. The Council took a decision that as the answers to the questions raised were beneficial to all bidders, they should be published to all bidders. This ensured openness and transparency.
5. A total of 36 potential providers accessed the ITT document via The Chest portal. Of that number 23 showed no further interest, 9 formally opted out of the process, and 4 submitted formal bids. The relatively low response from an initial high level of interest demonstrates how narrow the marketplace is for this specific service.

SERVICE AMENDMENTS

6. The low number of submitted bids, coupled with the competitive nature of the industry and those operating within it, led to quite a number of procedural and technical enquiries being made between the tenderers and the Council. This resulted in some lengthy delays in the procurement process whilst the Council's Procurement Unit sought necessary advice and clarification.

7. The potential to utilise an external contractor to operate the Council's vehicle stores, and exclusively provide parts for the vehicle fleet, was first developed some two years ago. Due to a variety of factors it was a considerable amount of time before tenders had been thoroughly evaluated in order for a recommendation to award a contract to be made to Cabinet. As a result of further dialogue between the Council and tenderers following the announcement of the decision, a contract has not, to date, been awarded.
8. During the intervening period, namely since the commencement of the tendering process and to date, the operation of the stores and the procurement of parts has still had to be undertaken and delivered by the Vehicle Maintenance and Fleet Management Section.
9. A new IT system was introduced in anticipation of working alongside an external contractor in procuring vehicle parts. This system was to allow full stock and item reconciliation, as well as the production of individual job cards per vehicle and per employee, or fitter. It was also to provide a range of management data through which it could be ensured that the service was meeting the necessary outcomes required to generate savings and further efficiencies. During the procurement period this system has been fully introduced, developed, and operated in-house. There is no longer a need to rely upon external partners to deliver savings associated with utilising this type of system. This system has been utilised in-house over the past financial year to generate efficiency savings in excess of £50k.
10. A staffing review was also undertaken with amended roles being developed and introduced in anticipation of new working practices following the proposed contract award. These new structures have in the intervening period generated savings in excess of £40k per year, and can continue to do so if, as per the recommendation, the decision to award a contract for the operation of vehicle maintenance stores and the procurement of spare parts is rescinded.
11. It was anticipated that the physical layout of the stores would be altered following the award of contract to facilitate their operation by an external contractor. During the extended procurement period, physical changes were made to the stores through necessity which have generated significant ongoing benefits to the Council. The Emergency Planning Equipment Store has been relocated from Sefton Security HQ to Hawthorne Road Depot, thereby allowing the Council's Careline Installation Section to relocate to the area previously used for these emergency stores. This will allow for significant economies of scale to be realised between the alarm technician and assistive technology technician services, both of which now operate from Sefton Security HQ.
12. Each of the external contractors who submitted tenders did so on the basis of becoming the principal provider of vehicle parts to the Council. Irrespective of the specific operation of the vehicle stores, each of the companies concerned will obviously still wish to provide such parts, and as such will be keen to provide quotations and prices accordingly.
13. The procurement exercise has provided a number of new contacts for the Council for the procurement of vehicle parts, and these are relationships which the Council will be keen to develop further. This will ensure that the Council purchases

vehicle parts at very competitive rates, helping to meet the necessary ongoing savings targets.

14. Whilst individual companies may well have spent time in producing their tender documents, the Council clearly stated that it was under no obligation to award the contract, and as it has transpired, the level of savings which it was envisaged could be generated from 'externalising' the service have been achieved through alternative practices from within the service. However, the Council will continue to require competitively priced parts and it is envisaged that all of the companies that submitted tenders will still want to provide, or 'sell' parts to the Council.
15. As such, it is now felt that all of the benefits previously identified as accruing from awarding a contract to an external contractor to operate the stores, as well as that same contractor providing vehicle parts, are all being achieved without the need to now award the contract. During the time taken for the procurement exercise, the Vehicle Maintenance Section has through necessity reviewed, developed and implemented a wide range of service improvements, all of which have resulted in additional savings being generated. It is therefore now deemed unnecessary to award a contract as the anticipated savings are being, and will continue to be met, via a range of internal operational amendments made during the extended procurement period.

FUTURE OPERATION

16. Both the level of savings achieved, and the ongoing operation of the vehicle stores, will be monitored throughout the coming year and beyond. If at any time it is felt that Best Value, or the most efficient service, is not being received by the Council via the in-house operation, consideration will again be given as to how alternative methods of delivering the service and procuring parts could secure further savings and/or efficiencies.