

- Legal Alison Hallworth
- Finance Mahendra Wadhwana
- Other Chief Officers
- District Councils
- Health Authority
- Police Richard Elkin
- Other Bodies/Individuals

FINAL DECISION **NO** *(If 'No' complete Suggested Next Steps)*

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet Further reports as required
- To an O & S Committee
- To an Area Committee
- Further Consultation

Cabinet – 17 March 2011

**Proposed collaboration with Warwickshire Police
– Fleet maintenance and Management**

**Report of the Strategic Director for
Environment and Economy**

Recommendation

That Cabinet give authority for such work as may be necessary to develop a business case for a Joint Venture between Warwickshire County Council and Warwickshire Police to deliver fleet maintenance and fleet management for both organisations.

1. Background

- 1.1 County Fleet Maintenance (CFM) is Warwickshire County Council's in house provider of vehicle maintenance services. CFM currently employ 26 full time staff. CFM is accounted for as a business unit and its charges to customers have to reflect the full cost of providing its services, including an apportionment of appropriate central and departmental overheads.
- 1.2 CFM has traded successfully since its creation over 25 years ago and provides vehicle maintenance services to the majority of WCC directorates and a wide range of external customers. CFM's most significant external customer is Warwickshire Police. CFM's current trading with the Police is governed by a competitively awarded contract that has been in place since 2003. Over the past five full financial years CFM has derived an average of 33% of its total trading income from Warwickshire Police.
- 1.3 Beyond direct vehicle maintenance (service and repair work) other staff within both WCC and the Police are involved in fleet management activities. In total Fleet Management activities account for six staff within WCC and a further five within the police.

1.4 The increasing pressure to make savings in both WCC and Warwickshire Police, together with the ongoing drive for greater efficiency, has highlighted the potential for greater collaboration between the County Council and the Police. Early discussions between both parties have suggested that ultimately this collaboration could take the form of a Joint Venture between WCC and the Police, designed to deliver a combination of both vehicle maintenance and fleet management activities.

2. Possible Structures For Collaboration

2.1 Joint Ventures between public bodies can be constructed in a number of ways. Early discussions with the Police have suggested that both organisations favour a structure in which risks and benefits are both shared. For both parties the objective of collaboration is to improve service delivery, share expertise and reduce overall costs.

2.2 Possible structures that have been considered in early discussions have been a Joint Committee and a company with limited liability by shares. At this early stage the Police have favoured the idea of forming a limited company as a means of providing the overall framework for collaborative working.

2.3 The likely advantages associated with forming a limited company to deliver a Joint Venture compared to a Joint Committee are as follows: -

- (i) It would be a separate legal entity in law.
- (ii) Relationships clearly defined by the shareholdings with shares held by WCC and Warwickshire Police.
- (iii) Risk is limited by the shareholding.
- (iv) Consistent with the strategy of “facilitating” rather than “providing” services.
- (v) Allows for long term stability of service availability and preserves existing benefits.
- (vi) Greater flexibility for options of ownership and expansion.
- (vii) Provides a separate entity which can let contracts and employ staff without the need for a “lead authority”.

2.4 Conversely there are potential disadvantages associated with using a limited company to deliver a Joint Venture. These include: -

- (i) Additional burdens associated with compliance with Company Law.
- (ii) Additional burdens relating to the management of potential Corporation Tax liabilities.
- (iii) Diluting the control of the business. The Council currently has a 100% controlling interest in CFM and would have to share management decisions with another organisation.

- 2.5 If Cabinet supports further exploration of a proposal for collaboration, further work will be required in order to establish the most suitable and effective structure for the delivery of a Joint Venture. Various options will be formally assessed in greater detail as part of the business case and the findings brought to Cabinet in due course. The business case will also consider whether a Joint Venture is in the best interests of Warwickshire County Council.
- 2.6 In practical terms, the delivery of the business case within WCC will involve the engagement of staff from a number of other Directorates.

3. What range of services would the Joint Venture deliver?

- 3.1 If progressed, the Joint Venture could be responsible for delivering the services currently provided by CFM together with a range of fleet management activities. The services currently provided by CFM include the following major activities: -
- (i) Vehicle repair, maintenance and servicing, including plant repairs.
 - (ii) Provision of spares, including appropriate stock holding policies.
 - (iii) Recovery, collection and delivery of vehicles.
 - (iv) MOT testing and inspection work, including presentation for Ministry Testing.
 - (v) 24 hour call out support to major customers / events.
 - (vi) Welding and steel fabrication work .
 - (vii) Commissioning and decommissioning of vehicles.
- 3.2 In addition to the maintenance and repair work, fleet management could also be provided at a number of levels. The service offered could range from administrative and technical support through to a full fleet management service.
- 3.3 Typically, the range of fleet management activities would be determined by the fleet operators needs and could include any or all of the following: -
- (i) Maintenance of all records associated with vehicle operations, including those required for compliance with the demands of the County Council's Operator's Licence.
 - (ii) Manage external supply contracts for the provision of fuel, tyres, windscreens and other miscellaneous items.
 - (iii) Manage external contractors undertaking specialist repairs such as accident damage.
 - (iv) Payment of Excise Duties.
 - (v) Management of insurance policies and insurance claims.
 - (vi) Managing acquisitions and disposals, including acquisitions policy and strategy.
 - (vii) Provision of pool vehicles.
 - (viii) Maintenance of driver records including licensing.
 - (ix) Professional advice to vehicle users on vehicle, traffic and licensing related matters.
 - (x) Management of Occupational Road Risk.

- (xi) Specialist driver training and assessment (e.g. MIDAS training).
- (xii) Determining the content and scheduling of all service and inspection regimes.
- (xiii) Collation, analysis and reporting of total and unit fleet costs (including whole life costs).
- (xiv) Management of fleet costs within agreed revenue and capital budgets.

4. Why collaboration is attractive to both parties?

4.1 In brief the objective of the Joint Venture would be to provide WCC and Warwickshire Police with a comprehensive, effective fleet management and maintenance service at a lower overall cost than is currently the case. The potential benefits can be summarised as follows: -

- (i) Reduced overall fleet administration costs by rationalising staffing arrangements.
- (ii) Provides greater stability for CFM's trading position.
- (iii) Provides a stable base for the procurement of maintenance services to Warwickshire Police.
- (iv) Provides for potential benefits associated with rationalisation of the two fleets.
- (v) Retention of local knowledge and expertise.
- (vi) Retains WCC's influence within the context of facilitating rather than providing services.
- (vii) Preserve goodwill and good working relationships between key customers.
- (viii) Preserves the goodwill of staff, key suppliers and other customers.
- (ix) Maintains WCC's influence in the local market..
- (x) Allows for the longer term development of a new business with the potential to generate added value and profits.

5. Actions required to progress this proposal.

5.1 The principal objective of this report is to alert Cabinet to the potential offered to both WCC and Warwickshire Police by collaborating to form a Joint Venture for the delivery of vehicle maintenance and fleet management services.

5.2 In order to fully assess the feasibility of this proposal it will be necessary for both the Police and the County Council to commit existing in-house staff resources to develop a business case and delivery options. The potential complexity of delivering this service by way of a Joint Venture will demand significant input from staff within the following disciplines: -

- (i) Legal Services
- (ii) Finance
- (iii) Procurement
- (iv) Human Resources
- (v) Information Technology
- (vi) Trade Union Representatives

5.3 Beyond these in-house teams it may also be ultimately necessary to commission specialist external advice in the following areas: -

- (i) Legal advice re: Company and Competition Law.
- (ii) Tax advice re: Corporation Tax issues and general compliance issues.

Any external advice will generate charges / fees from the appropriate providers.

5.3 If Cabinet decides to proceed with the development of this proposal, members will be kept informed of progress and, where necessary, further reports will be produced where Cabinet approval is required.

6. Financial Implications

6.1 As indicated in paragraph 5 above the initial costs of exploring the feasibility of this option will be limited to the time spent by the staff engaged in the project. As indicated above this will include the staff of other directorates beyond Environment and Economy.

6.2 The likely costs of any specialist advice cannot be precisely determined at this point in time. Any costs of this nature will only be incurred once a full business case has been developed.

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25th February 2011