

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Cabinet                                   **DATE:** 20 March 2017

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**WARD(S):** All

**PORTFOLIO(S):** Commissioner for Transport and Highways  
Cllr Fiza Matloob

### **PART I** **KEY DECISION**

#### **PROCUREMENT OF FLEET FOR ENVIRONMENTAL SERVICES LOCAL AUTHORITY CONTROLLED COMPANY (LACC)**

##### **1. Purpose of Report**

To request that following its consideration of this report that Cabinet approve the proposed approach to procurement of the Local Authority Controlled Company (LACC) vehicles, plant and supporting components to enable the organisation to meet delivery of services as of 1st December 2017.

##### **2. Proposed Action**

The Cabinet is requested to resolve:

- (a) That officers be instructed to commence the procurement of vehicles, plant and supporting components for the new LACC.
- (b) That the Council's approach to the procurement of vehicles, plant and supporting components for the LACC be considered and approved.
- (c) That delegated authority be provided to the Head of Paid Services to enable the award of contracts to be given following due process by Corporate Procurement and contract(s) award in accordance with Framework(s) rules.

##### **3. The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

###### **3.1 Slough Joint Wellbeing Strategy Priorities**

Slough Borough Council has stated through the Sustainable Community Strategy in the Environment and Regeneration section that it will pursue steps to:

- move up the waste hierarchy and increase the amount of waste recycled;
- reduce the overall amount of waste produced; and
- reduce dependency on landfill for final waste disposal.

The primary environmental commitment and statement made by the Council through the Slough Sustainable Community Strategy is that the council has set itself the target of recycling 60% of its waste by 2028. This is a core driver behind the Waste Strategy and defines the strategic horizon period.

Furthermore, the provision of vehicles to this enables these services is critical for the service delivery.

### 3.2 Five Year Plan Outcomes

The Five Year Plan's outcomes the proposal will help to deliver are:

- **Outcome 3: *Slough will be an attractive place where people choose to live, work and visit***

**Ensure that the gateways to the town, prominent places and green spaces are clean and well maintained**

A fully functioning and dedicated public realm service is a key deliverable working towards keeping the gateways to the town, prominent places, parks, memorial gardens, cemeteries, roads and pavements clean. It improves the visual amenity of the town, prevents additional waste being flytipped and is a fundamental component of civic pride in the area.

The Highways infrastructure including maintenance of the asset and ongoing repairs together with winter maintenance is critical to ensure a fit for business transport infrastructure.

- **Outcome 5: *Slough will attract, retain and grow businesses and investment to provide jobs and opportunities for our residents***

**Ensure that a revolutionised approach to household waste collection is in place**

The Environmental Services contract is key to the provision of collection of materials collected via a dedicated waste collection service that provides a residual waste, recycling and green waste kerbside service and to the provision of an ad hoc clinical waste disposal from the kerbside collection and the provision of the services from the Household Waste Recycling Centre.

## 4. Other Implications

### (a) Financial

2017/18 Fleet	Cost
Refuse collection vehicles	£4,419,500
Grounds plant equipment	£1,200,000
Mayrise installation	£33,000
<b>Capital Funding:</b>	<b>£5,652,500</b>

2017/18 Fleet	Cost
Fleet Manager – Grade 8	£65,000 (including on costs)
<b>Revenue Funding:</b>	<b>£65,000</b>

The £4,419,500 is the capital cost to procure the vehicles. This figure includes the purchase of trade waste vehicles. However, if the Council does not negotiate a commercial purchase of the existing Amey commercial waste service then this figure will be lower. Maintenance will be a revenue cost and ongoing. There is a comparative cost of buying versus leasing in Appendix B for Heavy Commercial vehicles which has reinforced that capital purchase is the more economically incentivised route for the authority.

The £1,200,000 is required for this is the capital cost to procure the grounds machinery and does not include maintenance. Maintenance will be a revenue cost and ongoing.

(b) Risk Management

<b>Risk</b>	<b>Mitigating action</b>	<b>Opportunities</b>
<p>Finance – return on Capital investment.</p> <p>There are concerns that there will not be a ‘payback period’ on the capital expenditure. However, the +spend is justified on being cheaper than leasing the heavy commercial vehicles over the proposed period of the initial contract (10 years).</p>	<p>A Capital Strategy Business Case has been compiled and signed off which reinforced the division between where spend should be allocated between capital and revenue for different vehicle types.</p>	<p>The visibility and breakdown of the fleet through the business case has ensured that the ‘Fleet Challenge’ can consider a capital purchase for light vans across the Council to maximise best value.</p> <p>Therefore, while this paper recommends leasing of light vans there is likely to be a future review of this in 2018 in line with the authorities’ wider fleet challenge and corporate fleet / transport management considerations.</p>
<p>Legal – Traffic commissioners are responsible for licensing and regulating operators of heavy goods vehicles (HGVs), public service vehicles (PSVs) and local bus services.</p> <p>The proposal to purchase and lease the heavy commercial vehicles, light commercial and light vans are covered under ‘Public Vehicles’ in the Public Passenger Vehicles Act 1981</p>	<p>It is proposed that either the LACC or the authority will hire a dedicated Transport / Fleet Manager.</p>	<p>If the Transport Manager post resides within the Authority it provides for a more aligned corporate function for managing all of the Council fleet providing efficiencies within insurance costs, risk management and corporate visibility.</p>

<p>Legal - State Aid Requirements as set out in the Treaty of the Functioning of the European Union (TFEU).</p> <p>Article 107 (1) TFEU confirms that there are aspects that must be present for State Aid and the Council will ensure that State Aid rules will not be breached.</p>	<p>Arrangements between the Council and NewCo to be correctly structured so that State Aid does not arise.</p>	<p>Service Delivery Contract between Council and LACC to include schedule within contract for vehicle provision, costs and transparency.</p> <p>All costs to be covered with LACC Business Plan and base business accounts.</p>
<p>Legal - State Aid Requirements as set out in the Treaty of the Functioning of the European Union (TFEU).</p> <p>Commercial arrangements including funding for NewCo can be implicated through State Aid provisions.</p>	<p>The structure of any financial arrangement between the Council and NewCo will be required to be in a manner which is permitted under the TFEU and European Directives, European Commission decisions from the European Court of Justice.</p>	<p>Exact funding arrangements are decided by the Council, potential for an independent report to assess the relevant risk in relation to any loan is obtained and it is confirmed that that the interest rate applied is consistent with that which a private lender would require in the same circumstances and that the non-financial element of the loan complies with the terms and conditions which a private lender is likely to require.</p>
<p>Legal - Vehicle Excise Duty (road tax) changes from budget 2015.</p>	<p>There are no current plans in place to change road tax on commercial vehicles and vans, the current process in place is a fixed price for 6 or 12 months for both euro 4 and euro 5 vans.</p>	<p>Will need to be considered as part of wider fleet challenge review of the Council grey fleet and salary sacrifice schemes for fleet hire / purchase for staff.</p>
<p>Procurement – Consideration that the procurement might be less competitive through use of frameworks.</p>	<p>The frameworks identified for utilisation (as set out in sections 5.7, 5.8 and 5.9 of this report) have been through robust processes to secure best value. Furthermore, due to procurement</p>	<p>The Fleet consultant has undertaken a Briefing Note to identify that OJEU Procurement vs Framework procurement has been considered considering the following factors:</p> <ul style="list-style-type: none"> <li>- Best value;</li> </ul>

	timetables there is insufficient time to undertake a dedicated OJEU procurement process.	<ul style="list-style-type: none"> <li>- Market engagement;</li> <li>- Timescales;</li> </ul>
Procurement – Resource constraint due to major corporate contract procurements taking place for Environmental Services, RMI and Leisure.	Dedicated Fleet Procurement consultant to compile and collate primary documentation and to streamline process with Head of procurement.	N/A
Service Delivery - Risk of capital purchase vehicles unavailable on first day of service.	The specifications for the framework will include the call off from the supplier for temporary leasing arrangement if the vehicles are unavailable.	Will need to ensure that 'Liveries' and Mayrise infrastructure for any leasing vehicles are still available. Fleet consultant to oversee.

(c) Human Rights Act Implications

It is not considered that there are any Human Rights Act Implications.

(d) Equalities Impact Assessment

N/A

5. **Supporting Information**

- 5.1 As a Unitary Council Slough Borough Council is responsible for collection, management and disposal of all municipal waste generated within the borough and all street cleaning, gully and channel sweeping, litter picking and detritus sweeping operations within the borough, grounds maintenance in public spaces including parks, cemeteries and open spaces and highway maintenance including winter maintenance. These statutory service functions are delivered by Amey under the Environmental Services contract which runs until 30 November 2017.
- 5.2 In September 2016, Cabinet approved the insourcing of the services currently undertaken via the Environmental Services Contract to deliver these statutory services through a Local Authority Controlled Company via a Teckal exemption from 1 December 2017.
- 5.3 Since the approval to proceed with insourcing via an LACC the Council has begun facilitation of mobilisation to form the company, commencing engagement with the contractor and have set up a dedicated project management team to lead this transition which is overseen by the Programme Board with interim Chief Executive as sponsor.

- 5.4 In order to ensure delivery of the statutory services, the LACC will require a suitable range of vehicles, plant and supporting components.
- 5.5 The Council has undertaken some preliminary options appraisals and the current Amey fleet is structured using short-term hire, contract hire and finance lease arrangements and some owned assets. The age of the current fleet will be at the end of its life cycle for each vehicle type, and little (if any) will be in a condition to carry over into the new arrangement, this is further complicated by the current Amey fleet being mainly of lease type arrangements. Therefore it has been decided at an early stage that the use of the existing Amey fleet is not viable.
- 5.6 This places SBC in a unique position of needing to replace its vehicle fleet and grounds maintenance equipment along with supporting assets in readiness for delivery of services from 1 December 2017. Each of these frameworks has been set up to facilitate procurement of a specific range of vehicle types. Each type of vehicle the council requires can be procured through the identified frameworks. Therefore, it will be necessary to use more than one framework. Great detail is provided in Appendix A and in sections 5.7, 5.8 and 5.9 below.
- 5.7 The light van fleet are the highest proportion of the fleet in respect of the number of vehicles and although the annual maintenance required is low by comparison to the other two fleets, there are no in house facilities to undertake the maintenance apart from running repairs. Therefore, the **light van fleet** vehicles should be leased via contract hire with maintenance for a **3 – 5 year period**. It is proposed that these vehicles will be procured via Crown Commercial Services (CCS), Eastern Shires Purchasing Organisation (ESPO) or the Yorkshire Purchasing Organisation (YPO).
- 5.8 Light commercial vehicles fall into the new business operator licence category and carry specialist body types such as road sweeping equipment which often requires specialist manufacturer repair. These vehicles are low in numbers and at present do not lend itself to the investment needed to maintain them using internal facilities. The **light commercial vehicles** should be leased via contract hire arrangement for a **5 year period**. It is proposed that these vehicles will be procured via CCS, ESPO or the YPO.
- 5.9 **Heavy commercial vehicles** consist of the refuse collection vehicles and waste transportation vehicles (hook lift). The current Amey arrangement of obtaining the manufacturer to maintain them on site at Chalvey makes best use of the limited facilities and ensures better vehicle availability as the vehicles would not be required to travel to an alternative location for maintenance. The life cycles for these vehicles are 5 – 7 year for the hook lift and 7 – 10 years for the refuse collection vehicles. It is proposed that these vehicles will be procured via the Crown Commercial Services (CCS). Section 1.5 of Appendix A provides a summary of the procurement plan for the approach by vehicle type to the proposed purchase and leasing arrangements.
- 5.10 The authority must recognise and make provision for the LACC to have the ability to manage the fleet either through access to a Fleet Manager within the authority or through the LACC itself. There is a wider benefit for the provision of this service from Local Authority. More details regarding the Vehicle Management and licensing can be found in Appendix A section 1.3.

- 5.11 **Heavy commercial vehicles** should be **procured via capital purchase** and an inclusive maintenance/repair contract set up with the manufacturer. Appendix B reinforces the economic business case which was provided to the Capital Strategy Board. These vehicles are high usage engine run time and are procured outright with the maintenance being provided separately via a revenue contract with the manufacturers as they are high cost front line vehicles that are complicated to maintain. This arrangement also includes replacement vehicle for vehicles being unavailable due to technical or parts availability. Appendix B
- 5.12 Environmental performance and quality considerations have been appraised as part of the procurement business case. Heavy commercial vehicles are to be procured that have as minimum Euro 6 diesel engines. The LACC will be required to ensure that 'gas migration' and onward consideration is made towards this transition and shall form part of both their Business Plan and Directors annual report to the Shareholder Committee.

6. **Comments of Other Committees**

N/A

7. **Conclusion**

The Cabinet is requested to resolve and instruct officers to commence the procurement of vehicles, plant and supporting components for the new LACC so that services can be delivered for 1 December 2017.

The Cabinet is requested to approve the Councils approach to the procurement of vehicles for the LACC as identified in the report and provided in greater detail in Appendix A.

To request that following Cabinet's consideration of this report, delegated authority is provided to the Head of paid Services to enable the award of contracts to be given following the completion of the procurement process to be led by the Corporate Procurement team and the Fleet Consultant.

8. **Appendices Attached**

'A' - Proposed Procurement for Fleet / Vehicles for Local Authority Controlled Company

'B' - Options Appraisal for Capital Purchase and Contract Hire for Heavy Commercial vehicles

9. **Background Papers**

None.