

Slough Borough Council

Report To:	Cabinet
Date:	17 th April 2023
Subject:	Process to Procure DSO Vehicles
Lead Member:	Cllr Nazir, Transport & Local Environment Cllr Ajaib, Customer Services, Procurement & Performance
Chief Officer:	Richard West
Contact Officer:	Nigel Jakubowski
Ward(s):	All
Key Decision:	No
Exempt:	No
Decision Subject to Call In:	Yes
Appendices:	None

1. Summary and Recommendations

- 1.1 The council's environmental services team (DSO) provide waste collection, waste disposal, grounds maintenance, street cleansing and minor highways works and services. These teams require specialist and bespoke vehicles to enable delivery of these services.
- 1.2 The council has been leasing a fleet of vehicles through a contract with Enterprise since 2017 but this contract is due to terminate at the end of November 2023 for 32 vehicles and at the end of November 2024 for 4 vehicles. A twelve-month extension has already been taken for vehicles expiring in 2023. The vehicles are end of life and procurement of replacement vehicles now needs to take place.
- 1.3 Our preferred operating model is to continue to lease these vehicles, but this may be unaffordable. The alternative to leasing is to buy and maintain vehicles. This report proposes seeking prices for each of these two options. The findings will inform a contract award report which will be submitted to July Cabinet 2023.

Recommendations:

Cabinet is recommended to: -

- a. Approve the use of the national ESPO framework and mini competition for the procurement of leased/contract hire vehicles where this provides best value.
- b. Approve the use of the CCS framework and mini competition for the purchase of vehicles where this provides best value noting that vehicle maintenance would be provided by Dennis Eagle under our existing vehicle maintenance contract.
- c. Note that a contract award report will be submitted to July Cabinet 2023.

Reason:

The current contract with Enterprise for the leasing of 32 specialist DSO vehicles terminates on 30 November 2023 and the contract with Enterprise for the leasing of 4 specialist DSO vehicles terminates on 30 November 2024.

Commissioner Review

Commissioners support the approach set out in this report to ensure best value at the time of contract.

2. Report

Introduction

- 2.1 Slough Borough Council has a statutory duty to collect and dispose of waste, to keep a predominantly litter free environment and to ensure that our roads are maintained to a safe standard. The Council is committed to healthy lifestyles and part of this is to encourage the use of our parks and open spaces by keeping them safe and well maintained. The teams that we have in place to deliver these services rely on the provision of suitable vehicles which have come to the end of their vehicle lease period and need to be replaced. This can be done by taking out new leases for vehicles inclusive of maintenance or by buying vehicles and arranging, separately, for vehicle maintenance through our current vehicle maintenance provider, Dennis Eagle, based at our Chalvey Depot. The decision as to which approach to take needs to balance revenue, capital and operational considerations.
- 2.2 The council's Corporate Plan includes two priorities which are supported by the decisions described in this report:
 - **A council that lives within our means, balances the budget, and delivers best value for taxpayers and service users** – the proposal in this report balances the opportunity to buy and maintain vehicles versus the opportunity to lease vehicles inclusive of maintenance for a range of vehicle types and recommends which of these options to take for each vehicle type.
 - **An environment that helps residents live more independent, healthier and safer lives** – these vehicles are needed to provide essential services to collect and dispose of waste, to maintain an adequate standard of visual amenity within the public realm across the borough and to provide emergency and urgent repairs to our highways.

Options considered: -

Option	Description
A	Lease all required vehicles. This is our preferred operating model but soft market testing suggests that this may be unaffordable.
B	Purchase all required vehicles and maintain them through our existing vehicle maintenance contract with Dennis Eagle who operate from the vehicle maintenance facility at our Chalvey Depot. The purchase of vehicles is a capital cost and we have insufficient provision in our capital programme to purchase all of the 36 vehicles needed.
C	Market test both leasing vehicles and buying and maintaining vehicles (new or second hand) to enable a decision by vehicle type, balancing revenue, capital and operational considerations. Recommended.

Background

2.3 The DSO was created on 1 December 2017 following the decision to end the Amey Contract. The council procured vehicles to ensure the newly created DSO was able to perform the range of services within its remit, including refuse collection, street cleansing, ground maintenance, highways maintenance and household waste recycling.

2.4 Broadly speaking the Council can choose to buy vehicles and make separate arrangements to maintain them, or we can lease vehicles inclusive of vehicle maintenance. In 2017 the following choices were made: -

- **Buy and maintain vehicles** - Eighteen 26 tonne refuse collection vehicles and two 32 tonne hook lift vehicles were purchased and are maintained at the Chalvey depot by our vehicle maintenance contractor, Dennis Eagle, using a 1 to 2 bay workshop facility. These vehicles need to be replaced in 2027/28.
- **Lease vehicles inclusive of maintenance** - Forty-nine vehicles were leased, including 1 tonne panel vans, 3.5 tonne tippers, 7.5 tonne caged tippers, road sweepers and gulley tankers. The leased vehicle supplier was procured through a mini competition using a national framework (ESPO). The contract was awarded to SHB LTD who were acquired by Enterprise in 2021.

2.5 The vehicles which the Council leased in 2017 are now end of life and cannot be extended further. The Council needs to decide whether to enter new leases or, alternatively, whether to buy new or second hand and make separate vehicle maintenance arrangements. This decision needs to balance revenue, capital and operational factors.

2.6 The Council downsized its leased vehicle fleet in 2021/22 and in 2022/23 through implementation of service reductions / savings plans and now needs the 36 vehicles listed in the table below rather than the original 49. Of these, 32 vehicles need to be replaced in November 2023 and 4 in November 2024: -

Generic Vehicle Type	Number	Year of Replacement
Mechanical road sweeper	2	2024
LGV 18t Gully sucker	1	2024
7.5t Caged tipper/tail lift	3	2023
3.5t Caged tipper	4	2023
7.5t Arboriculture vehicle	1	2024
3.5t Highways flatbed tipper	1	2023
LWB Panel van	1	2023
3.5t Grounds double cab tipper	2	2023
3.5t Grounds single cab tipper	12	2023
Van Type 1	5	2023
Van Type 3 - Automatic	2	2023
Double cab 4x4 pick up	2	2023

- 2.7 While vehicle leasing inclusive of maintenance remains our preferred operational model for these vehicle types, soft market testing indicates a significant increase in leasing costs and long lead-in times for vehicle delivery. For this reason, it may be that we are better off buying and maintaining some of these vehicles, rather than leasing, particularly if we buy second hand. We need to test this by formally asking for prices to both lease inclusive of maintenance or alternatively to buy and make separate arrangements to maintain them using Dennis Eagle, our vehicle maintenance provider based at our Chalvey Depot.

3. Implications of the Recommendation

3.1 Financial implications

- 3.1.1 Our 2023/24 budget to lease DSO vehicles is £366k. Soft market testing suggests that if we continue to lease vehicles it may cost the Council £364k in 2023/24, giving an underspend of £2k, and that it may cost £442k in 2024/25 and if so this would bring a £76k pressure if we continue to lease all vehicles.
- 3.1.2 Competitive tendering needs to be carried out to obtain firm offers to lease vehicles inclusive of maintenance. This will determine the extent of any budget pressure, if any.
- 3.1.3 As a contingency, competitive tendering will also be carried out to establish whether it would be beneficial (compared to leasing) to buy new or second hand and to arrange for vehicle maintenance through our existing contract with Dennis Eagle.
- 3.1.4 The capital programme includes £500k for procurement of DSO vehicles and plant in 2023/24 and £500k in 2024/25 if needed.
- 3.1.5 The contract award report, to be brought to Cabinet in July 2023, will compare and contrast the price of the two approaches for each vehicle type to determine best value to the Council and identify any pressures that need to be managed to fit the affordability envelope.

3.2 Legal implications

3.2.1 The Council has statutory duties in relation to waste collection and street cleansing. Where these services are delivered in-house, it is necessary for the Council to procure vehicles to facilitate these services. The Council is required to comply with the Public Contracts Regulations 2015 and its own contract procedure rules in relation to the procurement of vehicles, whether such purchase is outright or via a leasing arrangement. Using a suitable framework is a compliant route to market.

3.3 Risk Management Implications

The following key risks have been assessed.

Risk	Assessment of risk	Mitigation	Residual Risk
Loss of continuity of service if vehicles cannot be replaced within given timescales	Medium Vehicles could be hired but specialist vehicles tend to be built to order and are not available to hire	Explore hiring options or extend current contract	Medium
No one bids for the contract if we go out to the market	Low Unlikely if national framework is used	Negotiate with incumbent provider for continued service	Low
Costs exceed estimated financial envelope	High Current market is volatile and demand significantly exceeds supply leading to long lead in times. Specialist vehicles are manufactured to order	Look at purchasing second hand vehicles to bring costs down and to access supply	Medium
Procurement timetable cannot be met	Medium Delays caused by preferred supplier not able to meet deadlines.	Mitigation plan to include contract extension and use of hire vehicles.	Medium

3.4 Environmental Implications

3.4.1 Newer vehicles will be better for the environment due to newer engines resulting in lower emissions and better fuel efficiency.

3.4.2 Options to lease / purchase electric vehicles will be investigated as part of this procurement with preference being to procure electric vehicles where they bring best value and are sufficiently operationally robust / reliable.

3.5 Equality implications

3.5.1 There are no direct equality impact implications arising from this report, particularly in relation to our residents.

3.6 Procurement Implications

3.6.2 Cabinet approval is required to go out to procurement and award a contract where the contract value is more than £1million for capital expenditure. The value is calculated over the term of the contract.

3.6.3 It is recommended to use a national ESPO framework and mini competition for the procurement of the leased/contract hire vehicles to achieve the best all round results, particularly regarding achieving the very best value for money. The ESPO national framework has been used previously.

3.6.4 It is recommended to use the CCS framework and mini competition for the purchase of vehicles.

3.6.5 It is recommended that the authority source and procure suitable used vehicles where it is economically suitable to do so.

3.6.6 The council's constitution and the PCR 2015, clearly define the approaches which the council can take when buying goods and services.

3.7 Workforce implications

3.7.1 There are no workforce implications because of this report.

3.8 Property implications

3.8.1 The existing vehicle maintenance facility at our Chalvey Depot is contractually committed to Dennis Eagle until 30 November 2027 so any requirement to maintain additional vehicles bought by the Council needs to take this into account. Prices to maintain vehicles cannot be guaranteed beyond 30 November 2027.

4. **Background Papers**

- None