

## Slough Borough Council

<b>Report To:</b>	Cabinet
<b>Date:</b>	17 <sup>th</sup> July 2023
<b>Subject:</b>	Approval to Appoint Suppliers of DSO Vehicles
<b>Lead Member:</b>	Cllr Bedi, Transport, Housing, The Environment and <b>Environmental Services</b>  Cllr Chahal, Financial Oversight, Council Assets, <b>Procurement</b> and Revenues and Benefits
<b>Chief Officer:</b>	Richard West
<b>Contact Officer:</b>	Nigel Jakubowski
<b>Ward(s):</b>	All
<b>Key Decision:</b>	No
<b>Exempt:</b>	No – apart from Appendix 1 (para 3, Schedule 12A Local Government Act 1972 - financial or business information)
<b>Decision Subject to Call In:</b>	Yes
<b>Appendices:</b>	<b>Part 2: Appendix 1 – Offers Received</b>

### 1. Summary and Recommendations

- 1.1 The council's Direct Services Organisation (DSO) provides waste collection, waste disposal, grounds maintenance, street cleansing and minor highways repairs. These teams require specialist and bespoke vehicles to enable delivery of these services.
- 1.2 The council currently leases a fleet of diesel-powered vehicles through a contract with Enterprise, 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.
- 1.3 On 17 April 2023, Cabinet agreed to test through competitive tender two methods of vehicle procurement, namely, either to lease vehicles inclusive of maintenance or to buy vehicles and maintain them at SBC risk using our incumbent vehicle maintenance provider. The procurement exercises invited prices for electric vehicles as well as diesel powered vehicles with the strong preference to procure electric vehicles if practicable.
- 1.4 This report sets out the outcome of competitive tendering for each vehicle option and concludes that the best value option for the Council is to enter 5-year lease agreements for 32 diesel powered vehicles to commence in December 2023 and for 4 diesel powered vehicles to commence in December 2024.

## Recommendations:

Cabinet is recommended to: -

- a. Approve the leasing of 32 diesel powered vehicles from Company A for 60 months (5 years) at the new monthly rates set out in Appendix 1 from December 2023 at a total of £367,953 / annum.
- b. Approve the leasing of 4 diesel powered vehicles from Company A for 60 months (5 years) at the new monthly rates set out in Appendix 1 from December 2024 at a total of £159,152 / annum.

### Reason:

The contract for the leasing of 32 specialist vehicles terminates on 30 November 2023 and the contract for the leasing of 4 specialist 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 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 and 36 of these vehicles are now end of life and need to be replaced; 32 in December 2023 and the remaining 4 in December 2024 as set out in the table below:

Generic Vehicle Type	No.	Year Replace
7.5t Caged Tipper/tail lift	3	2023
3.5t Caged Tipper	4	2023
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
Mechanical Road Sweeper	2	2024
LGV 18t Gully Sucker	1	2024
7.5t Arboriculture Vehicle	1	2024

Total	36
Total November 2023	32
Total November 2024	4

- 2.2 Vehicles can be replaced 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. There is also the option to spot hire vehicles for up to 180 days. The decision as to which approach to take needs to balance revenue, capital, environmental and operational considerations.
- 2.3 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.

## Background

- 2.4 Procurement processes have been conducted under both the national ESPO framework of leased/contract hire vehicles and the CCS framework for the purchase of vehicles. Invitation to tenders opened on 16 May 2023 and closed on 16 June 2023.
- 2.5 Five contractors engaged in the procurement exercise but only three companies offered bids. These are set out in confidential Appendix 1 and are summarised as follows:

### Vehicles due in December 2023

- Lease 32 vehicles due in December 2023 – only one company bid.
  - Company A have offered to lease all 32 vehicles with 3 offered as a choice between electric or diesel and the remaining 29 offered as diesel only.
- Buy 32 vehicles due in December 2023 (arrange separate maintenance)
  - No bids received.

### Vehicles due in December 2024

- Lease 4 vehicles due in December 2024 – only one company bid.
  - Company A offered to lease all 4 vehicles either as electric or as diesel.

### Buy vehicles in December 2024

- Company B have offered to sell SBC either a diesel powered LGV 18t Gully Sucker or an electric powered one.

- Company C have offered to sell SBC two diesel powered Mechanical Road Sweepers.

2.6 A feature of vehicle lease prices is that they are fixed for the period over which they are to be made so estimated costs inclusive of predicted inflation are blended over the contract term at the risk of the contractor. At the current time, inflation rates are high and are volatile and this factor appears to have dissuaded several companies from bidding.

2.7 Specialist vehicles are built to order and some have long lead in times. The vehicles required for December 2024 typically have a lead in time of 24 to 30 weeks so need to be ordered well in advance of when they are needed.

2.8 Enterprise own our current fleet of leased vehicles but did not submit a bid in this procurement. They have changed their business model and now offer short term vehicle hire only. They will now either dispose of these 32 vehicles or may consider spot hiring them. Separately to the procurement exercise agreed at April cabinet, on 19 June 2023, we asked Enterprise for prices to:

- Sell to SBC the 32 vehicles currently used by SBC and which will become redundant in November 2023. Enterprise have stated that they are not prepared to sell the vehicles to SBC.
- Spot hire to SBC the 32 vehicles currently used by SBC and which will become redundant in November 2023. Enterprise would be prepared to spot hire these 32 vehicles or equivalents and this offer is included in Appendix 1 and discussed as an option for consideration below. However, the rules of the procurement framework which would allow SBC to contract with Enterprise for short term hire dictate that spot hire can be for a maximum of 180 days so approximately 6 months without conducting a separate procurement process.

2.9 Leasing vehicles inclusive of maintenance brings budget certainty.

2.10 If we buy vehicles and arrange separate vehicle maintenance, then this brings the following issues:

- Uses capital which brings cost of borrowing at a time when we are avoiding borrowing money wherever practicable, and
- Brings uncertainty with respect to vehicle maintenance since vehicle maintenance is in part “pay as you go” rather than being fixed price and while the life of procured vehicles will be 5 to 7 years, the remaining length of our vehicle maintenance contract is 4 years for vehicles bought in November 2023 and 3 years for vehicles bought in November 2024.
- Our vehicle maintenance contractor has no local experience in the maintenance of electric vehicles.

2.11 While we have an indicative price for comparison to short term hire our old fleet of 32 vehicles for 12 months, this brings the following issues:

- Procurement rules dictate that we can only short-term hire through the relevant framework for a maximum of 180 days rather than the 365 days modelled for comparative purposes.
- It would, if it were capable of acceptance, be a short-term option for 12 months bridging two financial years taking us through to November 2024.

- We would need to do another procurement. Lease prices are likely to be higher at this point and further spot hire would be unrealistic as the vehicles would be at the end of their second life by then.
- We would lose the budget certainty which could be achieved by entering into lease agreements offered by this procurement exercise.

2.12 Should we introduce electric vehicles to the fleet then we will need to provide electric vehicle charging infrastructure at the depot. The estimated cost to provide this would be a one-off capital cost of £20,000. We would then incur one-off costs per charging point of an estimated £500 so if 6 charging points then an estimated £3,000. The ongoing annual maintenance of this electric vehicle charging infrastructure is estimated to be £1,000.

2.13 Use of electric vehicles rather than diesel vehicles improves local air quality, contributes to the Councils objective to reduce carbon use, and can reduce fuel costs. The market is currently only prepared to offer electric vehicles where the gross vehicle weight is 7.5 tonnes or over. This is because batteries are heavy and impact on the available payload of vehicles of 3.5t or lower often making them operationally impractical as they can only carry a payload of a few hundred kgs. A second operational negative is that range is compromised where high payloads are needed – a fully loaded vehicle is not able to travel as far as an empty vehicle. Until you operate vehicles in a live setting and get trial and error data it is very hard to determine operational practicality. SBC did own 5 x 4.6t Caged Tippers from 2008 to 2013 but found that the range was as little as 70 miles and that the vehicles could not be double shifted as they needed recharging after 6 hours work. We also experienced sudden loss of power several times which resulted in stranded vehicles which had to be brought back to the depot charging point on a low loader at significant expense – you can't tow electric vehicles. Technology has improved but the reason electric vehicles are not yet widely adopted is that they are not as operationally robust as diesel equivalents. Clearly, what is important to Slough is that they are sufficiently operationally robust for our needs but this is an unknown risk. We have the option for up to 7 of the 36 vehicles to be electric:

- In December 2023 we could choose to lease:
  - 3 x electric powered 7.5t Caged Tipper/Tail Lifts
- In December 2024 we could choose to lease:
  - 2 x electric Mechanical Road Sweepers
  - 1 x electric LGV 18t Gully Sucker
  - 1 x electric 7.5t Arb Vehicle
- Alternatively in December 2024 we could choose to buy and maintain separately:
  - 1 x electric LGV 18t Gully Sucker

2.14 The table below shows that for each of the 7 vehicles we would spend less money per annum on electric charging than we would on diesel:

Diesel £/Litre (exc VAT)	£1.10	£/kilowatt	£0.31					
Vehicle	Kilometer / Annum	Litres of Diesel / Annum	£/Annum Diesel	Battery kwh	Transit Range (Km)	Kilowatt / Km	£/Annum Electric	Estimated fuel cost saving / Annum if electric
<b>Dec-23</b>								
7.5t Caged Tipper/tail lift	6,000	2,000	£2,200	105	227	0.46	£860	£1,340
7.5t Caged Tipper/tail lift	6,000	2,000	£2,200	105	227	0.46	£860	£1,340
7.5t Caged Tipper/tail lift	6,000	2,000	£2,200	105	227	0.46	£860	£1,340
<b>Dec-24</b>								
7.5t Arb Vehicle	6,000	2,000	£2,200	105	227	0.46	£860	£1,340
Mechanical Road Sweeper	10,500	9,130	£10,043	210	179	1.17	£3,819	£6,225
Mechanical Road Sweeper	10,500	9,130	£10,043	210	179	1.17	£3,819	£6,225
LGV 18t Gully Sucker	6,500	5,652	£6,217	210	179	1.17	£2,364	£3,853

2.15 Where we procure diesel vehicles then they would be fitted with low emission Euro 6 diesel engines which are compliant with the ultra low emissions standard needed to drive into London. Nevertheless, should we choose to procure electric powered alternatives for each of the 7 vehicles where we have a choice then the emissions to our local air set out in the table below would be avoided:

	<b>Euro 6 Standard Diesel Engines</b>				
	<b>NOx / Annum at 0.08g/km</b>	<b>CO / Annum - 0.5g/km</b>	<b>PM / Annum at 0.005g/km</b>	<b>HC+NOx at 0.17g/km</b>	
	<b>0.08</b>	<b>0.05</b>	<b>0.005</b>	<b>0.17</b>	
7.5t Caged Tipper/tail lift	6,000	480	300	30	1,020
7.5t Caged Tipper/tail lift	6,000	480	300	30	1,020
7.5t Caged Tipper/tail lift	6,000	480	300	30	1,020
7.5t Arb Vehicle	6,000	480	300	30	1,020
Mechanical Road Sweeper	10,500	840	525	53	1,785
Mechanical Road Sweeper	10,500	840	525	53	1,785
LGV 18t Gully Sucker	6,500	520	325	33	1,105

## Options

2.16 Options 1, 2 and 3 below offer alternatives for the 32 vehicles which need to be procured in time for December 2023. Option 3 is the cheapest option but can only be used for 6 months. This would allow time to go back out to procurement and test the market again but inflation remains volatile and is rising suggesting that prices would increase if we were to do so. Option 1 is recommended for the 32 x December 2023 vehicles as it provides price certainty for 5 years and is significantly cheaper than Option 2 (includes 3 x electric vehicles) despite the £4k/year fuel saving inherent with Option 2.

<b>32 Vehicles to be replaced w.e.f. Dec 2023</b>	<b>2023-24 Forecast</b>	<b>Extra / Over 2023-24 Forecast</b>	<b>2024-25 Forecast</b>	<b>Extra / Over 2024-25 Forecast</b>
Forecast - 32 Vehicles extended at current monthly rates <b>(not capable of acceptance)</b>	£233,352		£233,352	
<b>Option 1</b> (Company A) - Lease 32 diesel powered vehicles for 5 years at new monthly rates from Dec 2023	£278,219	£44,867	£367,953	£134,601
<b>Option 2</b> (Company A) - Lease 3 electric and 29 diesel powered vehicles for 5 years at new monthly rates from Dec 23	£308,201	£74,849	£457,899	£224,547
<b>Option 3</b> - Spot Hire 32 vehicles from Enterprise for 12 months (4mths 2023/24 and 8 months 2024/25 pro-rata for 12 months for comparison)	£265,672	£32,320	£330,312	£96,960

2.17 Options 4, 5, 6 and 7 below offer alternatives for the 4 vehicles which need to be procured in time for December 2024.

2.18 Option 4 is significantly cheaper than Option 5 (includes 4 x electric vehicles) despite the £18k/year fuel saving inherent with Option 5 and it is shown in paragraphs 2.19 and 2.20 that Option 4 is also more cost effective than buying and maintaining separately either diesel-powered or electric powered vehicles. It is therefore recommended that Option 4 be taken to procure the 4 x Dec 2024 vehicles:

<b>4 Vehicles to be replaced w.e.f. Dec 2024</b>	<b>2024-25 Forecast</b>	<b>Extra / Over 2024-25 Forecast</b>	<b>2025-26 Forecast</b>	<b>Extra / Over 2025-26 Forecast</b>
Forecast - 4 Vehicles extended at current monthly rates <b>(not capable of acceptance)</b>	£88,423		£88,423	
<b>Option 4</b> (Company A) - Lease 4 diesel powered vehicles for 5 years at new monthly rates from Dec 2024	£111,999	£23,576	£159,152	£70,729
<b>Option 5</b> (Company A) - Lease 4 electric powered vehicles for 5 years at new monthly rates from Dec 24	£166,401	£77,979	£322,359	£233,936

2.19 The table below compares the cost to buy and arrange separate vehicle maintenance for 2 x diesel Mechanical Road Sweepers and 1 x diesel LGV 18t Gully Sucker. It is a little cheaper to lease the three diesel powered vehicles inclusive of maintenance than it is to buy and arrange separate maintenance. Furthermore, leasing provides fix price maintenance costs whereas arranging separate vehicle maintenance would be at SBCs risk.

Buy and Maintain Dec 24 vehicles - 2 x Diesel Mechanical Sweepers and 1 x Diesel LGV 18t Gully Sucker	2024-25 Forecast	Extra / Over 2024-25 Forecast	2025-26 Forecast	Extra / Over 2025-26 Forecast
Forecast - Lease for 5 years at new monthly rates from Dec 2024 ( <b>not capable of acceptance</b> )	£78,076		£78,076	
<b>Option 6</b> - Depreciate 2 x Mechanical Road Sweepers* and 1 x LGV 18t Gully Sucker* plus Estimated PAYG** Maintenance	£97,627	£19,551	£136,729	£58,653
Compare to Company A - Lease 3 diesel powered vehicles for 5 years at new monthly rates from Dec 2024	£95,836	£17,760	£131,357	£53,281

\* For comparison depreciation assumption is to straight line cost over 5 years

\*\* PAYG means Pay As You Go maintenance rather than fixed price maintenance

2.20 The table below compares the cost to buy and arrange separate vehicle maintenance for 1 x electric powered LGV 18t Gully Sucker compared to the diesel equivalent. The electric version is more expensive to buy and separately maintain than the diesel version is to buy and separately maintain. The cheapest option is to lease a diesel equivalent.

Buy and Maintain Dec 24 vehicles 1 x Electric LGV 18t Gully Sucker	2024-25 Forecast	Extra / Over 2024-25 Forecast	2025-26 Forecast	Extra / Over 2025-26 Forecast
Forecast - 1 Vehicles extended at current monthly rates ( <b>not capable of acceptance</b> )	28,066		28,066	
<b>Option 7</b> - Buy and Maintain Dec 24 vehicle - 1 x Electric powered LGV 18t Gully Sucker3	£57,263	£29,196	£115,656	£87,589
Compare to Buy and Maintain Dec 24 vehicle - 1 x Diesel powered LGV 18t Gully Sucker3	£35,597	£7,531	£50,659	£22,593

### 3. Implications of the Recommendation

#### 3.1 Financial implications

- 3.1.1 Each of the options is more expensive than the prices currently charged by Enterprise to lease the 32 vehicles through to November 2023 and to lease the 4 vehicles through to November 2024. **Option 1 at £367,953 / annum** is the cheapest and recommended option for procurement of the 32 x December 2023 vehicles. **Option 4 at £159,152 / annum** is the cheapest and the recommended option for the procurement of the 4 x December 2024 vehicles.
- 3.1.2 The new fleet of 32 diesel powered leased vehicles (Option 1) will bring a 2023/24 pressure of £44,867 and a 2024/25 pressure of £134,601, see paragraph 2.15 for workings. The 2023/24 pressure will be mitigated by deleting an unfilled 1 x Level 7 DSO Supervisor post from our establishment bringing a saving of £54,417 per annum including on costs. The remaining 2024/25 pressure of £80,184 (£134,601 minus £54,417) will be mitigated by making concurrent changes to either the grounds maintenance or street cleansing service specification(s) and/or by



increasing the charge for green waste collection and/or other saving to be identified in due course as an additional 2024/25 saving. The decisions as to how this is funded will be picked up during the budget setting process and medium term financial planning during this year and form part of the budget that will be agreed in March 2024.

- 3.1.3 The new fleet of 4 diesel powered leased vehicles (Option 4) will bring a 2024/25 pressure of £23,576 and a 2025/26 pressure of £70,729, see paragraph 2.17 for workings. The 2024/25 pressure and the 2025/26 pressure will be mitigated by current changes to either the grounds maintenance or street cleansing service specification(s) and/or by increasing the charge for green waste collection and/or other saving to be identified in due course as an additional 2024/25 saving and an additional 2025/26 saving. Again, the formal decision for this will form part of the budget and medium term financial plan to be agreed in March 2024
- 3.1.4 Capital provision of £500k will not now be needed for the purchase of vehicles so can be reduced. Some provision will need to be retained for the future purchase of mechanical plant. The decision to not procure electric vehicles means that we do not need capital expenditure for provision of electric vehicle charging infrastructure at the depot(s) currently but it would be prudent to install some infrastructure so that we can trial electric vehicles in the future to determine their operational practicality in our operational settings.
- 3.1.5 Once we commit to vehicle leases then there is no opportunity to terminate early – we will be required to pay for 60 months.

## 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.
- 3.2.2 Given the contract value of the proposed procurement, the Public Contracts Regulations 2015 apply to this procurement.
- 3.2.3 The use of (1) the national ESPO framework for the procurement of leased/contract hire vehicles; and (2) the CCS framework for the purchase of vehicles, in accordance with the terms and conditions of both such framework agreements, is compliant with both the Contract Procedure Rules (CPR) and the Public Contracts Regulations 2015.
- 3.2.4 The scope for making any amendments to the call off agreements will be clearly set out in the ESPO and CCS framework agreements. Legal advice will be sought from HB Public Law to finalise the call off agreements pursuant to the terms of the framework agreements.
- 3.2.5 In accordance with the CPR, given the value of these framework agreements will be over the sealing threshold of £100,000, the contracts will be sealed.

### 3.3 Risk Management Implications

The following key risks have been assessed.

Risk	Assessment of risk	Mitigation	Residual Risk
Business continuity – services can not continue if vehicles are not provided	Low	We have several options available to us including short term vehicle hire should there be a delay in obtaining new vehicles	Low
Legal challenge to the procurement process	Low	We have observed a compliant procurement process in deciding on the provider of our future vehicles	Low
Achievement of Best Value through use of the chosen procurement process	Low	<p>Two procurement frameworks were used rather than one to encourage as many bids as possible. Bidders in each framework were able to offer prices for one vehicle, several vehicles, or all vehicles – opening the opportunity for any interested party to bid. The recommended supplier bid in a competitive process without knowing that their bid would be the only bid for all vehicles so was a competitive price.</p> <p>Supplier prices are provided commercial / in confidence and local authorities do not publish them. Our Cabinet Report anonymises the information and appends as a confidential report. For this reason, it is not realistic to attempt to formally benchmark prices with other local authorities all of whom are obliged by their procurement process to observe confidentiality. You would benchmark a service rather than benchmark a price.</p> <p>We talked to suppliers in September 2022 to try to get a feel for where we might end up. These prices were lower than those received but this is not a surprise given the higher rates of inflation since then.</p>	Low
Not accept any of the bids and start another procurement exercise	High	<p>A compliant and competitive process has been followed and has resulted in a compliant bid. A way to fund the above budget cost has been identified.</p> <p>Our choice is entering into the new leases or to spot hire and go out to procurement again within the next 6 months. This is contemplated in the report and the advice, as set out in the report, is to go with prices offered as Officers believe that prices will be higher if we go back out to tender – interest rates have increased since tenders were received and are set to increase again.</p>	

Budget pressure	Low	The increased costs to provide replacement vehicles, over and above those forecasted, is relatively low and ways to mitigate have been identified	Low
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### 3.4 Environmental Implications

- 3.4.1 Electric powered vehicles are better for local air quality than diesel powered vehicles as they avoid the emissions inherent with diesel powered equivalents. The table in paragraph 2.14 sets out the estimated emissions which could be avoided if we used electric vehicles rather than diesel powered equivalents.
- 3.4.2 All new diesel-powered vehicles will have a Euro 6 diesel engine. Euro 6 diesel engines meet the ultra-low emission standard to drive in London.
- 3.4.3 The outcome of this procurement exercise is that the purchase of electric powered vehicles is significantly more expensive than to procure diesel powered equivalents. It is hoped that the market will be better placed to offer electric vehicles at competitive rates in 5 to 6 years from now.

### 3.5 Equality implications

- 3.5.1 There are no direct equality impact implications arising from this report.

### 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 April 2023 Cabinet agreed that the Council use a national ESPO framework and mini competition for the procurement of leased/contract hire vehicles and this has been used.
- 3.6.4 April 2023 Cabinet agreed that the Council use the CCS framework and mini competition for the purchase of vehicles and this has been used.

### 3.7 Workforce implications

- 3.7.1 There are no workforce implications because of this report.

### 3.8 Property implications

- 3.8.1 The Councils contract for vehicle maintenance with Dennis Eagle (based at the Councils Chalvey Depot) runs until 30 November 2027 and this has been considered in building price comparisons.

## 4. **Background Papers**

None