

## CABINET

19 January 2016

<b>Title:</b> Procurement of Mechanised Street Sweeping Equipment	
<b>Report of the Cabinet Member for Environment</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Claire Symonds, Strategic Director, Customer, Commercial and Service Delivery.	
<b>Summary</b> <p>The Council delivers a comprehensive Street Cleansing Service. In order to provide adequate coverage across the borough with finite resources, mechanised street sweeping vehicles are used to support traditional litter pickers and van based crews. In order to ensure that the Street Cleansing Fleet is utilised as much as possible these vehicles are double shifted operating for in excess of 14 hours per day. Cabinet agreed savings proposal ES015 'Redesign of Street Cleansing Operations' which approved a shift towards the greater mechanisation of the cleansing service. The replacement of the current life expired fleet will ensure that cleansing standards are maintained and that savings targets are delivered.</p> <p>The current Street Cleansing fleet has reached the end of its operational life. The vehicles have been supporting operations for four years. Taking into account double shifting the vehicles have undertaken a significant amount of work. Failure to replace the fleet will lead to excessive downtime which will jeopardise service delivery; furthermore failure to replace these vehicles will lead to excessive maintenance costs which will shortly prove to be uneconomical. This report recommends the replacement of the current Street Cleansing mechanised compact sweepers on a finance lease basis using an existing EU compliant framework to deliver best value.</p>	
<b>Recommendation(s)</b> Cabinet is recommended to:	
(i) Agree that the Council proceeds with the procurement of a contract for the Procurement of 10 Street Sweeping Vehicles Delivered through an EU compliant framework contract in accordance with the strategy as set out in this report.	
(ii) Indicate whether Cabinet wishes to be further informed or consulted on the progress of the procurement and /or the award of the contract.	
(iii) Delegate authority to the Strategic Director Customer, Commercial and Service	

Delivery, in consultation with the Cabinet Member for Environment, the Strategic Director of Finance and Investment and the Head of Legal and Democratic Services, to award the contract to the successful bidder in accordance with the strategy set out in this report.

### **Reason(s)**

To support the corporate objectives 'Encourage Civic Pride' and 'Growing the Borough specifically; Enhance the boroughs image to attract investment and business growth.

To support the delivery of the Medium Term Financial Strategy through the continued implementation of savings proposal ES015

## **1. Introduction and Background**

- 1.1 The Council currently operates a mechanised street sweeping fleet consisting of a variety of mechanised sweeping vehicles, including HGV mounted sweepers, compact sweepers and precinct sweepers. In order to reduce overhead costs these vehicles are double shifted to ensure maximum utilisation. The vehicles are operated across the borough clearing detritus and litter in vehicle accessible locations. The current fleet of compact sweepers have reached the end of their operational life having completed 4 years of service. In order to avoid disproportionate maintenance cost and service interruption caused by vehicle downtime these vehicles now need to be replaced.
- 1.2 In December 2014, savings proposal ES015 'Redesign of Street Cleansing Operations' was approved (Minute 71 of Cabinet meeting on 16 December 2014 refers). The proposal introduced a shift towards the greater mechanisation of the cleansing service. The replacement of the current life expired fleet will ensure that cleansing standards are maintained and that savings continue to be delivered.

## **2. Proposed Procurement Strategy**

### **2.1 Outline specification of the works, goods or services being procured.**

- 2.1.1 The procurement of 10 mechanised street sweeping vehicles.

### **2.2 Estimated Contract Value, including the value of any uplift or extension period.**

- 2.2.1 Market testing has determined that the procurement of a new fleet of 10 street sweeping vehicles will cost an estimated £555,000. The proposal is that the vehicles will be purchased on a lease basis over a period of 4 years.

### **2.3 Duration of the contract, including any options for extension.**

- 2.3.1 The procurement of the street cleansing fleet will be delivered via the use of a pre-existing EU compliant framework contract. The vehicles will be purchased on a lease basis. Based on the current fleet it is envisaged that the vehicles if double shifted will have a 4 year working life, this is in line with the utilization of the current mechanised sweeper fleet.

2.3.2 The chosen contract is the ESPO Specialist Vehicles Framework 218. The YPO framework contract was considered however these were deemed unsuitable due to the specialist nature of the vehicles required.

**2.4 Is the contract subject to the (EU) Public Contracts Regulations 2015? If Yes, and contract is for services, is it subject to the light touch regime?**

2.4.1 The procurement of mechanised street sweepers is within the in scope of the EU Public Contracts Regulations 2015 and is not subject to the light touch regime.

**2.5 Recommended procurement procedure and reasons for the recommendation.**

2.5.1 Mechanised street sweeping vehicles are widely used across the public and private sector. The borough has extensive experience of procuring, operating and maintaining mechanised street sweepers. Due to the extremely standardised nature of the product there are a range of framework contracts available. The 'ESPO Framework' has been identified as a good fit for the Council's requirements based on goods required and contract terms. Use of an existing framework contract will allow the authority to reach a wide supply of manufacturers from across the market whilst avoiding the costs associated with undertaking a bespoke EU Compliant contract.

**2.5.2 Proposed Procurement Timeline**

Action	Duration	Start Date	End Date
Procurement Board Approval	1 day	07/12/2015	07/12/2015
Cabinet Approval	1 day	19/01/2016	19/01/2016
Finalise Specification	10 days	20/01/2016	03/02/2016
Confirm specification against Framework	3 days	04/02/2016	08/02/2016
Issue Framework Competition	10 days	09/02/2016	23/02/2016
Award contract via framework	7 days	24/02/2016	07/03/2016
Fulfilment estimate	3 months	07/06/2016	31/08/2016

**2.6 The contract delivery methodology and documentation to be adopted.**

2.6.1 The terms and conditions will be those of the ESPO Specialist Vehicles Framework 218. Delivery will be within the agreed timeframe and specification to be determined by the Authority.

**2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract.**

2.7.1 The delivery of this procurement exercise will enable the continued delivery of savings proposal ES015 Redesign of Street Cleaning Operations with a savings target of £243,000.

## **2.8 Criteria against which the tenderers are to be selected and contract is to be awarded**

2.8.1 The ESPO framework provides the authority with the option to customise the specification in line with requirements of the authority. Criteria will include but not be limited to the following:

- Manufacturer's Warranty period.
- Projected Whole Life Maintenance Cost.
- Fuel Consumption & Carbon Emissions.
- Payload.
- Vehicle Performance following in-house trial.
- Vehicle Safety Features (Operator and Third Party)

2.8.2 Contracts will be evaluated on a 50% Price 50% Quality basis. This is specified within the ESPO Framework.

## **2.9 How the procurement will address and implement the Council's Social Value policies.**

2.9.1 In line with the 'Public Services Social Value Act', public bodies are required to consider the way in which the services that they commission and procure might improve the economic, social and environmental wellbeing of the area.

2.9.2 Suppliers appointed to the contract within their tender return bidders will be required to:

- Demonstrate the environmental credentials of the vehicle including; compliance with London Low Emission Zone, Euro Engine Emission Compliance and fuel efficiency.
- Demonstrate the Safety Credentials of the vehicle including; compliance with London Safer Lorry Scheme, compliance with construction and use standards/legislation and demonstration of any additional safety features for the public and drivers.

## **3. Options Appraisal**

### **3.1 Financial Options Appraisal**

3.1.1 In order to determine best value both lease and outright capital purchase options have been considered. At present the sweeper fleet is funded via the Street Cleansing revenue account. Once procured the existing fleet will be decommissioned and the new fleet will be funded using the existing revenue provision. If the option to purchase outright was taken capital would be used to fund the purchases with an annual capital repayment funded from the revenue account.

<b>MAKE/MODEL</b>	<b>Whole Life Cost (Per Vehicle)</b>	<b>Whole Life Cost (10 Vehicle's)</b>
Lease Price <i>Estimate based on Market Testing</i>	£55,488.00	£554,880.00
Outright Purchase Cost <i>Estimate based on Market Testing Inclusive based on 10% capital borrowing cost.</i>	£55,456.80	£554,568.00

3.1.2 **The recommended option:** Finance Lease. The vehicles will be purchased on a 4 year finance lease basis. The vehicles will be procured via an existing framework contract with a set price for the duration of the lease agreement. This approach will remove any risk related to depreciation on residual values that would be associated with outright purchase. Fixed price lease payments for the duration of the contract will remove any risk of price inflation during the period of the contract. Vehicles will be specified with warranties of at least 3 years reducing

3.1.3 **Outright Capital Purchase:** In this option the vehicles would be purchased using capital funding with annual repayment during using the existing Street Cleansing Revenue budget. This option has not been chosen due to the risk associated with variable vehicle residual values, in a lease contract this risk would be eliminated. Taking into account the 10% capital borrowing cost the difference in whole life cost between lease and is minimal, amounting to £32,000 per vehicle.

The advantage of outright purchase is that depending on the condition of the vehicle after 4 years that its working life could be continued, however taking the current fleet as a bench mark and the fact that they are double shifted this is unlikely in the majority of cases and could not be guaranteed with any level of certainty. Double shifting will mean that our vehicles are undertaking 8 years of work over a four year period. The impact that this will have on any resale of the vehicle means that residual values will vary creating significant risk.

### **3.2 Mechanised Sweeper Procurement Route Options Appraisal**

3.2.1 **Do nothing.** Not an option, the current sweeper fleet has reached the end of its working life. The current vehicles have been operational for 4 years and have been double shifted over that period. The current fleet is subject to extensive downtime and are becoming uneconomical to maintain.

3.2.2 **Specify, Advertise and Let a Bespoke LBB Contract.** This is a viable option. The authority has extensive experience of vehicle procurement activities. However putting in place a bespoke EU Compliant contract will incur significant officer time which would be avoided by using an existing framework contract.

3.2.3 **The recommended option:** Engage a sweeper supplier via the ESPO Specialist Vehicles Framework 218(Lease Vehicles) .The framework makes use of a mini competition within the framework to ensure best value. By using a framework contract the Council will be able to take advantage of a reduced procurement timeline that this route to market offers.

The framework allows the authority the opportunity to complete a specification that meets the authorities' requirements. The ESPO framework is a high profile national

framework with a large number of suppliers. All suppliers on the framework will be notified of the invitation to tender, this should ensure that a number of competitive bids from nationally recognised suppliers are received.

#### **4. Waiver**

4.1 No waiver is requested at this point or is envisaged as part of this process.

#### **5 Equalities and other Customer Impact**

5.1 The procurement of mechanized street sweeping vehicles will have no impact on Equalities groups. The contract is for the re-procurement of existing fleet inventory. Savings Proposal ES015 Redesign of Street Cleansing Operations was subject to a full Equalities Impact Assessment.

#### **6. Other Considerations and Implications**

6.1 **Risk and Risk Management** - Risks and subsequent mitigation strategies identified during the completion of this proposal are as follows:

- Ensuring Value for Money. The framework contract is a national framework with a number of market leaders signed up to the contract. Use of a competitive high profile framework will ensure that value for money is achieved.
- Poor Quality Products: The supplier will be contracted to deliver a product in line with the Authorities specification. The specification will include the requirement to meet construction and use regulations and provide adequate manufacturer warranty. Failure to deliver a product that meets the required standard will be dealt with the mechanisms contained within the contract.
- Fit for purpose vehicle specification. The framework identified allows for the authority to put in place a bespoke specification. The service (cleansing) and fleet management will work together to put in place a robust specification. The tender process will include the requirement for the supplier to supply vehicles for hands on testing. Feedback from the testing process will form a core element of the quality evaluation criteria.

6.2 **Health Issues** - The new fleet will be compliant with emissions and vehicle safety regulations.

6.3 **Property / Asset Issues** - As water carrying vehicles the sweeper fleet is required to be parked under cover. The existing provision with Frizland's Depot Wash Bay for undercover vehicle storage will be used for the new fleet.

#### **7. Consultation**

7.1 The proposals in this report were endorsed by the Procurement Board on 7 December 2015 and all relevant consultation with Portfolio Holders and officers has taken place

## 8. Corporate Procurement

Implications completed by: Francis Parker, Senior Category Manager

- 8.1 The evidence provided in this paper shows that a lease is likely to yield similar value for money as a purchase.
- 8.2 The ESPO framework gives access to 13 specialist vehicle suppliers offering lease, hire and purchase options. Using the framework will offer good competition, should achieve value for money and be a low cost and compliant route to market.
- 8.3 Risks associated with these vehicles is mitigated by requiring a warranty to cover the lease period, this would reduce the likelihood of additional costs.

## 9. Financial Implications

Implications completed by: Carl Tomlinson, Group Manager, Finance

- 9.1 The service currently has a fleet of 8 sweepers at an annual cost, excluding maintenance, of £176,000. The proposal is to replace these with 10 sweepers at an annual lease cost of £138,720
- 9.2 The lease cost of the sweepers is estimated at £138,720 per annum, £554,880 over the four year life. In addition, the estimated annual cost of maintenance by the in-house workshop is £80,631.

	Lease		Service		Total Cost	
	Per annum	Over 4 years	Per annum	Over 4 years	Per annum	Over 4 years
Per sweeper	13,872	55,488	8,063	32,252	21,935	87,740
10 Sweepers	138,720	554,880	80,631	322,523	219,351	877,403

- 9.3 The annual cost of the new fleet (£219,351) will be funded from the service's existing allocated budget fleet.

## 10. Legal Implications

Implications completed by: Bimpe Onafuwa, Contracts and Procurement Solicitor

- 10.1 This report is seeking approval to procure mechanised street vehicles by way of a call-off from a framework set up by the Eastern Shires Purchasing Organisation (ESPO) for the provision of Specialist Vehicles.
- 10.2 The Public Contracts Regulations 2015 permits contracting authorities to call-off valid frameworks in order to procure goods, services or works, as required. Such frameworks would have been set up in accordance with the provisions of the Regulations.
- 10.3 Nonetheless, when calling off the framework, the procurement exercise for this contract has to be in compliance with the principles of the Regulations. This procurement process therefore has to be transparent, non-discriminatory and fair.

Clause 2.5.2 of this report indicates that there will be a call for competition amongst suppliers on the ESPO framework and also outlines the timetable for procurement of the vehicles, while clause 2.8.2 explains the evaluation criteria. This shows evidence of a fair tender exercise.

- 10.4 So long as the strategy in this report is adhered to, and the procurement exercise is conducted transparently and fairly, due compliance with the procurement principles can be met. In deciding whether to approve the Recommendations of this report, Cabinet should consider if this contract represents good value for money.

**Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None