
REPORT TO:	ENVIRONMENTAL AND DEVELOPMENT SERVICES COMMITTEE	AGENDA ITEM:	9
DATE OF MEETING:	20 th APRIL 2006	CATEGORY:	DELEGATED
REPORT FROM:	HEAD OF ENVIRONMENTAL SERVICES	OPEN	
MEMBERS' CONTACT POINT:	PETER McEVOY (EXTN. 5830)	DOC:	
SUBJECT:	FUTURE PROCUREMENT OF THE COUNCIL'S REFUSE COLLECTION VEHICLES.	REF: PE	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: EDS 08	

1.0 Recommendations

1.1 Members are asked to approve the procurement of the Council's Refuse Collection vehicles through a competitive Framework Contract, for a period of four years, facilitated by the Eastern Shires Purchasing Organisation (ESPO), whereby one supplier will be selected to meet the Council's requirements for Refuse Collection vehicles over that period.

2.0 Detail

2.1 The Council's current method of procurement for all its vehicles is to seek tenders for individual vehicles that are due to be replaced each year in accordance with the Vehicle Replacement Strategy.

2.2 The system works well to a degree in offering sufficient choice in a competitive process.

2.3 The system, however, does lead to a lack of continuity and, potentially, a lack of standardisation in the transport fleet due to the possibility of different suppliers submitting the lowest tender each year. Operational effectiveness and efficiency prove difficult in terms of trying to ensure that the prospective suppliers are able to provide the level of service and maintenance support required to sustain the successful delivery of the Council's key front-line services.

2.4 The Refuse Collection freighters are all due to be replaced between now and 2009/10. Officers have been considering the procurement options, bearing in mind the potential disadvantages of the current system, in order to provide the best value for money for the Council.

2.5 Discussions have taken place with the Refuse Collection crews and trade union representatives, the Council's mechanics, other Councils, vehicle manufacturers and Purchasing Organisation Consortia used by Councils.

2.6 The recommended approach is to arrange the procurement through a competitive Framework Contract, for a period of four years, the maximum period allowed by current regulations, starting with immediate effect, and facilitated by the Eastern Shires Purchasing Organisation (ESPO), whereby one supplier will be selected to meet the Council's requirements for Refuse Collection vehicles over the period.

2.7 It is proposed to form a small Council sub-group, to include representatives from the workforce and, if the Committee feels it appropriate, a Member to work in partnership with ESPO to deliver the project. The group will consider issues of specification e.g. performance over a range of factors including environmental issues, and the selection of the successful tender.

2.8 The advantages of using ESPO are as follows:

- The Eastern Shires Purchasing Organisation (ESPO) is a Local Authority purchasing and distribution consortium jointly owned by Leicester City Council, Peterborough City Council, and by the County Councils of Leicestershire, Lincolnshire, Warwickshire, Cambridgeshire and Norfolk.
- ESPO provides a comprehensive bespoke procurement service tailored to each client's needs in order to assist them with the procurement (purchase, contract hire or other funded acquisition) of all types of vehicles, including cars, minibuses, LCVs and HGVs, specialist vehicles (e.g. refuse collection vehicles, buses, fire appliances) and grounds maintenance equipment.
- ESPO's tendering procedures have been put in place in order to satisfy public sector requirements for competitive pricing and compliance with standing orders and EU procurement regulations. ESPO's service provides the customer with flexibility to select the most appropriate procurement process, which may be a specifically advertised tendering process or alternatively access to established 'framework' contracts that provide the following benefits:
 - Compliance with EU procurement legislation,
 - Cover the majority of vehicle types, including refuse collection vehicles, HGVs, buses of all seating capacities, etc.
 - Significant reductions in the timescales and formalities required to complete a procurement exercise,
 - Fleet terms already negotiated with the majority of vehicle manufacturers,
 - Supply terms agreed with manufacturers' agents (franchised dealers) where necessary,
 - Existing relationships with contract hire and leasing providers,
 - Secondary competition within the framework contract may produce further savings over existing negotiated terms.
- ESPO has a statutory obligation to recover the costs of its operation. By agreement with ESPO's member authorities, this is achieved either by means of a fee chargeable for the services or, preferably, by means of a rebate linked to actual contract value, which is payable to ESPO directly by the appointed contractor(s), on a retrospective basis.
- The advantages of a rebate-based cost recovery mechanism include:
 - Elimination of the need to find separate funds to cover ESPO costs.
 - Requires no administrative action by the client authority

Most significantly – contractors will usually simply absorb the small percentage involved, resulting effectively in a free ESPO service to the client.

2.9 The overall benefits that should accrue to the Council are as follows:

- Competitive prices due to the style and duration of the contract.
- A more reliable fleet due to the standardisation with one supplier over a period of four years.
- A more effective partnership arrangement with the successful supplier that will provide better value for money for the Council than the current arrangements.

2.10 There are a number of Purchasing Consortia now in the process of development. The Nottinghamshire Authorities, the Derbyshire Authorities and the East Midlands Centre of Excellence are but three at early stages of identifying the scope for securing better value for money through collaborative procurement. At this moment in time, however, ESPO offers a tried and trusted organisation that can immediately offer the Council a bespoke service to meet its current need.

2.11 There will be scope during the next four years to monitor the developments of ESPO and the consortia mentioned above in order to continue to seek the best value for money for the Council.

3.0 Financial Implications

3.1 The Finance and Management Committee agreed at its meeting on 13th January 2005 to set up a Renewals Fund for the future replacement of its vehicles, plant, machinery and wheeled bins. The fund provides for the refuse collection vehicles to be renewed every five years

3.2 The procurement process proposed should realise better value for money for the Council's investment.

4.0 Community Implications

4.1 The provision of reliable refuse collection vehicles is fundamental to the successful delivery of one of the Council's key front-line services that is held in high regard by the community.

5.0 Conclusions

5.1 The current method of procurement of the Refuse Collection vehicles lends itself to landing the Council with a piecemeal fleet provided by a variety of suppliers. It does not lend itself to providing the reliability and value for money that the Council requires for the successful delivery of the service.

5.2 The type of contract outlined above, facilitated by the procurement experience of ESPO, in partnership with a sub-group of key Council personnel, is far more likely to provide better value for money for the Council.

