

WEST NORTHAMPTONSHIRE COUNCIL CABINET

7th DECEMBER 2021

CABINET MEMBER WITH RESPONSIBILITY FOR ENVIRONMENT, TRANSPORT, HIGHWAYS AND WASTE: COUNCILLOR PHIL LARRATT

Report Title	Vehicle Maintenance, South Area Waste and Cleansing Service
Report Author	Fiona Unett, Assistant Director, Highways and Waste fiona.unett@westnorthants.gov.uk

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	Emailed 29/11/2021
West S151	Martin Henry	26/11/2021
Other Director/SME	Stuart Timmiss	29/11/2021
Communications Lead/Head of Communications	Becky Hutson	29/11/2021

List of Appendices

Appendix A – Analysis of Advantages and Disadvantages of Future Service Options

1. Purpose of Report

- 1.1. To outline and update Cabinet on the results of the review of the current arrangements for maintenance of the vehicles used for the waste and cleansing service in the South area and to seek approval for the recommended option.

2. Executive Summary

- 2.1 The current arrangements for vehicle maintenance for the south area waste and cleansing vehicles ends 31 January 2022.

- 2.2 Three options for future service provision have been considered to assess the overall cost, certainty of cost and flexibility of service to determine which solution to choose.
- 2.3 The option that is considered to provide a value for money solution for West Northants Council, which is to secure the vehicle maintenance arrangements via Cherwell District Council, has been recommended.
- 2.4 The recommended option will result in a £7.5k pressure in the current financial year, which the service budget will be able to fund. There will be a full year revenue budget pressure of £45k in addition to the service pressures recently identified as part of the budget setting process.

3. Recommendations

3.1 It is recommended that Cabinet:

- a) Approve the recommendation to award the contract to Cherwell District Council for a period of three years with a possible two-year extension.

4. Reason for Recommendations

- The waste and cleansing service must continue without disruption to households and businesses, and the Council has a responsibility to ensure the vehicles are safe to drive and operate.
- The recommended course of action will identify the most cost effective and reliable solution.
- To accord with the statutory duty to collect waste and keep the streets clean.

5. Report Background

- 5.1 The waste and cleansing service for the South area of West Northamptonshire is run from the Tove Depot in Towcester. Waste services are one of the most visible of WNC services and can have significant reputational issues if it fails.
- 5.2 The satisfaction rate of the service is 96% according the last annual residents survey for the area which is one of the highest of all Council services.
- 5.3 The vehicles used for the service are owned by WNC and comprise of 22 HGVs, one road sweeper and 10 smaller vehicles. The advantages of ownership include lower cost, greater flexibility with each vehicle's asset life and opportunity for innovation.
- 5.4 These vehicles provide the waste and recycling service for around 41,250 households and 600 businesses.
- 5.5 Cleansing services for the area cover 109 villages, the towns of Towcester and Brackley and two trunk roads (A5 and A43).

- 5.6 Most of the maintenance is carried out at the workshop at Tove Depot but some work and specialist repairs need to be carried out at other places that have full workshop facilities such as an inspection pit, extended height vehicle lifts and brake testing facilities.
- 5.7 Until 31 January 2021 the service was provided by Cherwell District Council under a service level agreement which was a continuation of the previous shared service structure. This arrangement was satisfactory but was terminated as South Northamptonshire Council ended its partnership with Cherwell District Council in most service areas.
- 5.8 The vehicle maintenance service has been provided by West Northamptonshire Norse ('Norse') since February 2021 under a service level agreement, but this has not proved to be satisfactory for the Council for reasons of service quality and reliability. Despite frequent communication with Norse to overcome the issues, it has not been possible to reach a mutually agreeable solution to enable the delivery of these services.
- 5.9 A full tender was not undertaken in order to enter into the current agreement with Norse as the services were provided by a partnership arrangement between The Norse Group and West Northamptonshire Council (following the original partnership that began with Daventry District Council) and therefore deemed to be procured legally.
- 5.10 The current annual cost of the service provided by Norse is £260,500 which includes labour, parts and tyres.
- 5.11 Norse have given the required 6 months notice to the Council for the current agreement to cease and the end date of this is 31 January 2022.
- 5.12 As a result of the above, the Council has considered different options for the future provision of this service to ensure that the waste and cleansing team continues to deliver its statutory functions with no disruptions to the householders and businesses that it serves and so that high satisfaction levels continue.

6. Issues and Choices

- 6.1 The Assistant Director, Highways and Waste and the Waste and Cleansing Manager have identified **three options** for future provision of the service:
- Undertake a procurement exercise using the YPO Framework Agreement 921 for an outsourced service for maintenance.
 - Enter into a new Service Level Agreement with Cherwell District Council under revised and improved terms to the previous arrangement.
 - Operate a hybrid arrangement with part of the service done in-house and part outsourced.
- 6.2 The advantages and disadvantages of the three options have been analysed and are listed in Appendix A.
- 6.3 Each option has been explored to assess the overall cost, certainty of cost and flexibility of service to determine which solution to choose.
- 6.4 The options have been assessed using the same criteria to ensure a fair comparison and due diligence checks have been carried out as part of this.

- 6.5 Cherwell District Council have submitted a bid for the service based on an estimate of £305,000 for the first year. This is an estimate of the likely costs for parts and labour based on the age and type of the fleet. Although there is some risk with a contract priced in this way it is believed that this will be the most cost-effective option and there is an existing working relationship from when the service was under shared management. Entering a contract with another local authority, rather than a commercial supplier, is preferred and the contract will be based on partnership principles of providing a good public service. Costs for subsequent years will rise by CPI (the CPI rate in September (of the preceding contract year) will be applicable on 01 April of the subsequent year, with the first increase on 1 April 2023). It should be noted that the fleet has increased by one extra HGV food waste vehicle in the last year so the additional cost to the revenue budget is expected.
- 6.6 The YPO framework exercise was undertaken and one bid was received from a list of six pre-approved bidders. This bid, although satisfactory, was shown to be significantly more expensive than the approved budget and is therefore not recommended for approval (the detail of the price proposal is commercially sensitive and therefore not included in this report).
- 6.7 The hybrid arrangement was assessed which would involve part of the work being done in-house by directly employed mechanic staff and part outsourced, where work cannot be completed at the depot due to specialist equipment or facilities being needed. The main advantage of this option would be lower labour costs per hour and more control over parts costs. However, this option was ruled out, mainly because of the operational risks with managing the two members of staff that would likely be needed and sickness/annual leave. It would also mean that the Council would have to bring in a system to manage the spare parts needed to maintain the vehicles, a software system to manage the maintenance schedule and find external workshop facilities for any work that cannot be undertaken at the depot.
- 6.8 The option of including the waste vehicles within the West Northants fleet management arrangements was also considered at the start of this process. However, this option was not progressed since the waste vehicles are specialist and not comparable to the rest of the fleet.

7. Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 The current annual cost of the service is £260,500 which is funded from the revenue budget.
- 7.1.2 The proposal submitted by Cherwell District Council estimated to be £305,000 per annum so there will be a £7.5k revenue pressure for 2 months of the currently financial year and a £45k revenue pressure from 1 April 2022 (full year effect).
- 7.1.3 Whilst the cost of the Cherwell maintenance option is an increase compared with the previous cost of this service, this option is considered to be good value for money since:
- 7.1.3.1 It is considerably less than the price secured via the YPO framework;

- 7.1.3.2 It is an 'all inclusive price' with the quote including all planned maintenance, all corrective maintenance whether the corrective maintenance is fair wear and tear or from driver misuse.
- 7.1.3.3 It is comparable to the costs of the inhouse option when the costs of administering and the supporting systems of an inhouse option are taken into account.

7.1.4 There is a rolling replacement schedule for the vehicles which are generally replaced after 7-8 years of use. This will be included in the forthcoming capital bid process.

7.2 Legal

7.2.1 WNC has a statutory duty to collect waste and keep the streets clean as set out in the Environmental Protection Act 1990 and the safe and effective maintenance of the vehicles used for this service is a critical factor in achieving this.

7.2.2 West Northamptonshire Council's procurement team were consulted at the start of the process of considering options and have provided support, particularly with the mini-competition for the YPO framework.

7.2.3 With regard to a direct award of a contract to Cherwell District Council, procurement have advised that the Contract Procurement Rules state:

These Rules do not apply to the following transactions: a. Any contracts entered through collaboration with another contracting authority and/or public body, where the person awarding the contract (the lead authority) can demonstrate the arrangements comply with the requirements for Value for Money and other applicable legislation, including where relevant UK Procurement Regulations.

The options appraisal has established that the Cherwell arrangement is Value for Money.

7.2.1 The Public Contract Regulations 2015 (PCR 2015), Reg. 12(7) provides for contracts concluded exclusively between two or more contracting authorities to fall outside PCR 2015 where stated conditions are fulfilled. Legal advisers are satisfied that the proposed contract establishes a co-operation between the Council and Cherwell District Council which satisfies the conditions in Reg. 12(7), and that there is a low risk of challenge.

7.3 Risk

7.3.1 If the fleet is not correctly maintained, then the Council could lose the Operator's Licence which allows the waste collection and cleansing HGVs to be operated.

7.3.2 If waste is not collected this is a serious reputational risk and also means that the Council is not fulfilling its statutory function to arrange for the collection of waste.

7.3.3 Effective maintenance and regular inspections of the fleet is key to the safe operation of the service for staff, householders, business waste customers and other stakeholders affected by the service.

7.4 Consultation

7.4.1 Consultation was not necessary for the proposed changes in arrangements, since maintenance of the vehicles is an enabling service rather than directly impacting on our residents.

7.5 Consideration by Overview and Scrutiny

7.5.1 Not previously considered by Overview and Scrutiny.

7.6 Climate Impact

7.6.1 The waste and cleansing fleet is almost entirely diesel powered and is a significant source of greenhouse gas emissions. It is therefore crucial that the fleet is correctly maintained in order to maintain fuel efficiency. There is one electric van on the fleet already and as vehicles need replacing, they will be considered for electric power where appropriate.

7.7 Community Impact

7.7.1 High quality waste collection and cleansing services are vital to the community in keeping the area clean and safe to live and work in. Effective vehicle maintenance is a key part of providing this service.

8. Background Papers

8.1 None.

Appendix A – Analysis of advantages and disadvantages of three proposed options

Option	Advantages	Disadvantages
Contract with Cherwell District Council	<ul style="list-style-type: none"> • Existing relationship from previously working together • Depot in Banbury is well located for repairs • Potential to improve on previous service level • Good flexibility of service • Best overall cost 	<ul style="list-style-type: none"> • Need to be able to demonstrate value for money • Lower potential for innovation because they are not a national supplier • Parts costs are variable and not fixed
YPO Framework 921 for outsourced contract	<ul style="list-style-type: none"> • Suppliers are pre-qualified and pre-defined terms and conditions available • Well established and competent bidders on the framework 	<ul style="list-style-type: none"> • Cost received from bidder is prohibitively expensive • Would need to build relationship with new supplier • Strict contract monitoring required for unfair wear and tear on vehicles that is not included in the contract costs
Hybrid option of part in-house, part outsourced	<ul style="list-style-type: none"> • Labour costs per hour lower because staff are directly employed • Costs for parts and tyres will be under direct control • Dedicated staff just for South vehicles 	<ul style="list-style-type: none"> • Some workshop facilities will need to be externally provided and managed at separate cost • Low number of specialist staff are required for the service meaning that resilience of workforce may be difficult to manage (i.e. sickness and annual leave) • Limited existing staff expertise in providing direct vehicle maintenance services • Will need to award and manage a separate parts contract • May need new software to manage parts inventory and vehicle records