

Meeting:	Cabinet
Date:	19 June 2008
Subject:	Extension of vehicle contract-hire and maintenance contract
Key Decision:	Yes
Responsible Officer:	Corporate Director – Community and Environment, Andrew Trehern
Portfolio Holder:	Deputy Leader and Portfolio-holder Environment Services, Susan Hall
Exempt:	The financial details of the proposed extension are exempt (paragraph 3 of Schedule 12A to the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person).
Enclosures:	Exempt Appendix A – Assessment of Proposed Extension Appendix B – Price Comparisons Appendix C - Deed of Extension and Variation

Section 1 – Summary and Recommendations

This report sets out the background to and the reasons why the existing vehicle hire & maintenance contract should be extended

Recommendation:

Cabinet is requested to authorise officers to execute the proposed Deed of Extension and Variation to the vehicle hire & maintenance contract between Harrow & Fraikin plc (see draft in Appendix C), which will extend that contact until 31st August 2017

Reason:

The extension will allow the replacement of the current spot-hire refuse collection

fleet and their replacement with a uniform specification fleet at a substantial reduction in costs. The extension sets out a framework within which the Council may hire other vehicles should Fraikin's prices not be the most competitive.

Section 2 – Report

Introductory paragraph

The proposed extension will allow the council to reduce its waste collection costs further and improve the waste management service's VFM. The reduction in vehicle costs is part of its corporate savings plan.

The proposed extension will help the council deliver its following corporate visions: -

- A place with quality neighbourhoods with clean and safe streets
- A place where the council provides value for money services

And the following corporate priorities: -

- Deliver cleaner streets, better environmental services and keep crime low
- Improve the way we work for our residents

Options considered

A fundamental service review of Public Realm Services was carried in 2007/8. The provision of the vehicle fleet was a major element in the review. In particular it was identified that vehicle costs were above average because of the large proportion of refuse collection vehicles that were sourced on a spot-hire basis. The review also identified that the cost of long-term contract-hire vehicles was low compared to a benchmark of similar vehicles held by Capita in their cost comparison database.

The findings of the Review and the proposed management actions were reported to the Service Review Board on 14 Feb 2008. The options for vehicle provision were set out in section 7 of Appendix B to the report and recommended that the existing contract be extended subject to some further clarification on prices being quoted by Fraikin, and some further comparison work with LB Barnet, which was in the process of tendering its vehicle fleet provision.

Appendix G of the report set out the following proposal/ recommendation, which was adopted by the Service Review Board

Rec. 2.14	The proposed extension of the existing vehicle contract hire and maintenance contract with Fraikin for a further eight years
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Background

The current contract with Fraikin was signed in 2002 for a term of seven years with an option to extend for a further eight years. The proposed extension will run from 1 Jan 2010 to 31 August 2017.

Current situation

The further work indicated to the Service Review Board has now been completed and is summarised in Appendix A.

The purpose of the additional work was to consider the risks associated with extending a large contract for a relatively long period of time without conducting a full tender process. The work has demonstrated that the key risks have been properly addressed and that the extension

represents good value for money for the council. A contract extension is therefore the best solution and will deliver savings.

The proposed extension allows for the early replacement of the refuse collection fleet. Other services are not currently included but the proposal allows for flexibility as other vehicles come up for renewal. Under the proposal, Fraikin will provide quotations for alternative specifications going forward and this will allow other stakeholders to procure their vehicles to their own satisfaction. With the immediate exception of the waste fleet there is no on-going commitment by the council to source other replacement vehicles from Fraikin. However, with the waste fleet representing 60%, by value, of the current fleet, this arrangement provides a framework that allows other stakeholders to renew their fleet in a manner that will also provide them with VFM. If they consider that this is not the case, they would be free to tender their fleet requirements in the normal way.

Children's Services and Adult and Housing Services have been consulted about the proposal and are content that it provides them with the necessary flexibility for the development of special needs transport. They are currently undertaking a service review that will determine their future requirements, specifications etc. The proposed extension will allow them to enter into similar negotiations/benchmarking with Fraikin once their service review has been completed.

The revised arrangements with Fraikin will lead to improved management information being made available to the council and will allow the governance of the contract to be improved. This will include information about workforce profile and related issues such as workforce turnover.

Why a change is needed

Appendix A sets out why the change is necessary.

Financial Implications

The proposed extension will allow Public Realm Services to deliver the saving of £250k over two years – 2008/9 and 2009/10 - identified in the MTFs, which has already been built into the budget. The costs of extending the contract will be contained within Public Realm Services existing budget.

Legal Implications

The existing contract with Fraikin can lawfully be extended for up to 8 years under clause 35 of the contract.

Performance Issues

The reduction in vehicle costs will be reflected in lower collection costs for waste management services per household (BVPI 86). The total reduction in the indicator (as a result of this decision) will be in the order of £2.95 per household - over this year and next. (i.e. a total saving of £250k).

Risk Management Implications

If the contract is not extended, the refuse fleet will not be refreshed and the programmed budget savings will not be realised.

Section 3 - Statutory Officer Clearance

Name: Sheela Thakkrar	<input checked="" type="checkbox"/>	on behalf of the* Chief Financial Officer
Date: ...21 May 2008.....		
Name: Stephen Dorrian.....	<input checked="" type="checkbox"/>	on behalf of the* Monitoring Officer
Date: ...15 May 2008.....		

Section 4 – Performance Officer Clearance

Name:...Tom Whiting.....	<input checked="" type="checkbox"/>	Divisional Director (Strategy and Improvement)
Date: ...13 May 2008.....		

Section 5 - Contact Details and Background Papers

Contact:

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Andrew Baker, Senior Professional – Public Realm Services, 020 8424 1779

Background Papers

Service Review Board - 14 Feb 2008 - Service Review of Public Realm Services