

REPLACEMENT OF THE RECYCLING AND WASTE COLLECTION FLEET

CLEAN STREETS, RECYCLING AND ENVIRONMENT AGENDA ITEM: 5

REPORT OF DIRECTOR ECONOMIC DEVELOPMENT

Appendix 2 of this report is exempt from publication pursuant to the provisions of Schedule 12A Part 4 paragraphs 14 and Part 5 paragraph 21 of the Local Government Act 1972

Reason for this Report

1. To seek Cabinet approval for the procurement approach outlined in this report for a new recycling and waste collection fleet.
2. To seek Cabinet approval to extend the existing recycling and waste collection fleet contract hire agreement to cover an interim period whilst the full procurement exercise is completed.
3. To gain delegated authority to develop a procurement strategy through a detailed review of options and to report back to Cabinet to approve the evaluation criteria.

Background

4. The current fleet of Recycling and Waste Collection Vehicles (RCVs) were procured in October 2014 on a three year vehicle and maintenance contract. This agreement will expire at the end of September 2017. The current fleet procurement was set over a reduced term of three years to allow for service changes and flexibility whilst the Council explored the best collection options against the Welsh Government Recycling Collections Blue Print.
5. The strategy work completed in 2015, followed by the changes to kerbside collections in 2015/16, has taken the Council closer to Welsh Government's Recycling Collections Blue Print, however there remains pressure to achieve full compliance through a kerbside sort model. Given the need to respond to changing policy requirements, the new

vehicle procurement will take into account the potential requirement for future flexibility in collection methods.

6. In addition to the above, the new procurement will seek to embrace the Cabinet's new vision - Capital Ambition – both in terms of ensuring that public services are delivered efficiently and effectively in the face of rising demand and reducing budgets as well as promoting sustainable low carbon and low-emission vehicles.
7. The Council's recycling and waste collection service is provided "in-house" and comprises of several elements:
 - Domestic (residual waste) - black bin and bag collections
 - Recycling collections – green bags
 - Food waste – kerbside caddies
 - Garden Waste – reusable sacks and wheeled bins
 - Commercial waste and recycling waste – orange bags, wheeled bins in the range 240 litres to 1100 litres
8. To deliver the services a vehicle fleet of 33 vehicles is utilised, the service is deployed from Lamby Way by the Recycling Waste Management division. The current fleet consists of:

1 x 15 Tonne RCV
11 x 18 Tonne RCVs (5 x Euro VI)
21 x 26 Tonne RCVs (3 x Euro VI)
9. Gulliver's Truck Hire was the successful bidder in the 2014 procurement and currently provides and maintains the existing fleet. The value of the original contract was £3.4 million over the term of 3 years and the current value of this contract is approximately £3.8m. The above figure includes a lease variation in October 2015 to include 3 additional vehicles. This variation remained within the awarded value of £3.9M. The additional vehicles were required for changes in the waste collection model (wheeled bin expansion and the introduction of re-usable garden sacks) and to accommodate the successful growth of commercial waste services.
10. The current agreement is on a contract hire basis that includes maintenance and support through additional 'service reserve' vehicles and an on-site defect clinic. The key objective for the contractor is to maintain the frontline vehicle requirement between 06:00 – 22:00, seven days a week including any bank holiday and Christmas working requirements.

Issues

11. The new fleet will be required to provide sufficient long term flexibility consisting of several types of vehicles for both domestic and commercial requirements.
 - 26 Tonne RCVs

- 18 Tonne RCVs.
 - 18 Tonne bespoke Food Waste RCVs
 - 15 Tonne RCV with side loading pods
 - 7.5 Tonne RCVs
12. The choice of collection vehicles and how they are operated is critical in developing efficient and cost effective collection services. Whilst the type of vehicle selection for the wheeled bin and bag collections remains unchanged, there is an opportunity to make improvements to the food waste collection fleet. The food waste collection service is currently operated utilising a traditional RCV that has been fitted with seals and trays to ensure compliance with the Animal-By-Products Regulation (ABPR) as collection vehicles need to be leak proof. The use of adapted RCVs satisfies this requirement; however, it requires additional maintenance and cleaning of the vehicles' that results in operational downtime and low payloads. Therefore, under the new procurement these issues will be addressed through specialist vehicles for food waste collections that would be simpler in their format and lower in cost to operate.
 13. Over the past 12 months, recycling waste management has worked with vehicle suppliers to explore vehicle developments. Council drivers have been able to operate a range of demonstration vehicles to inform any change to the current Council specification. This included a trial of a food waste specific collection vehicles referred to above and a range of demonstrator vehicles to aid driver ergonomics and comfort with a view to reducing driver fatigue in operating the vehicle for the duration of a shift. A range of wheeled-bin lifts have been demonstrated to ensure safe processes, operator satisfaction and to reduce the risk of manual handling injury. In summary, a wider range of vehicles will assist the Council to accommodate changes to services that may be required, improve safety and reduce customer complaints.
 14. In addition, should further kerbside changes be required during the contract period, to drive higher recycling performance, the contract will be structured such that any fleet changes may be accommodated and have planned costs associated with that change.

Health & Safety Technologies

15. Operating an RCV fleet creates a significant health and safety risk for the Council and therefore additional technologies are required to help manage the risk. The current fleet has mixed coverage of such technologies including cyclist safety devices, audible reversing alarm, additional reversing lights, spotlights for working at the back of the vehicle, additional LED flashing lights and 360 degree CCTV camera systems. It is intended to roll-out these technologies across the whole fleet and explore new products that the market place may offer to reduce accidents or theft such as drive-locks and immobiliser systems.

Options for reducing emissions

16. This procurement will be in line with the Council's sustainable development policy. Vehicle emissions from fuel consumption in the case of RCV's is predominantly diesel in the UK. The procurement exercise will explore the potential to evaluate different vehicle types to support a move within the RCV fleet to the use of more sustainable fuels.
17. Within an RCV fleet, some fuel reduction is possible by optimising routes and driving style, but this is limited. Significant work has already been completed to optimise collection rounds and this work is constantly kept under review to improve performance. RCV's inherently use a lot of energy because they are heavy; they must operate on a stop start cycle, and because the bin lift and compactor use additional energy to that required to move the vehicle. Given these constraints, large emission reductions from RCV's may only be quickly achieved with the adoption of the best available engine and fuel technology. Suppliers will be requested to demonstrate how vehicle technology can reduce fuel use.
18. As a minimum, the new recycling refuse collection fleet of vehicles will all be fitted with new Euro VI engines (currently the Council is operating a mixture of Euro V and Euro VI engines). Euro VI engines produce 90% less particulates and Nitrogen Oxide than the Euro V engines. This will support the environmental objectives of the Council.
19. Electric hybrid engine vehicles have been deployed on a small scale for waste collection in the UK, however, the product range is limited and the cost of the technology makes this option currently unviable for the demands of the operation which run five days a week, 6am to 10pm. However, electric wheeled bin lift providers offer a reduction of fuel consumption of up to 15%. The procurement exercise will establish if these lifts are viable for the waste operation and can remain fully functional for vehicles that are required to operate 16 hours per day.
20. Compressed natural gas, (CNG) and hydrogen vehicles have potential to deliver sustainable benefits, however, in discussion with suppliers there are currently no demonstrator vehicles readily available in the UK, and the infrastructure to support refuelling is limited. The Council's renewable fuels study has shown that although there is a current high cost of hydrogen and other new technologies there is still considerable appetite from the industry to engage in pilot/flagship projects. The Council will explore this option in the procurement process. It is therefore considered appropriate to specify a very limited number of such vehicles in this procurement exercise.
21. To inform future RCV procurements the Council will continue to explore and consider how alternative fuel options for RCV's would be a practical option and whether they will provide positive outcomes desired for the Council.

Options for Vehicle Financing and Maintenance

22. The Council currently finances its fleet of vehicles in different ways. A handful of vehicles have been purchased, some have been purchased second hand, with the majority provided via long term contract hire. Central Transport Services (CTS) is undertaking an on-going review of finance options to assist with the Council's on-going vehicle requirement. As part of this procurement the following options will be considered to ensure the Council achieves the most economical advantageous tender arrangements for its RCV fleet:

Contract hire for supply and maintenance

23. The procurement of fleet with full servicing and maintenance is a continuation of the current approach. This enables the authority to have immediate replacements when vehicles are off-road at no additional charge. An agreement inclusive of maintenance mitigates the risks associated with servicing, maintenance and breakdown repairs as these remain with the supplier.
24. The re-procurement of this type of contract could involve a third party TUPE situation from the outgoing provider to any incoming provider. This will be established during the procurement process and any necessary actions will be taken by the Council as the commissioner of the services.
25. The vehicles would remain the property of the supplier and incur 'end of life' charges to repair all damage that is not considered the result of 'fair wear and tear'.
26. A five year lease is standard practice for this approach to obtain the best value for money. From market testing and existing spends the approximate value of such a contract would be estimated at circa £6.5 million over the five year term.

Outright purchase of vehicles and separate maintenance agreement

27. The key advantage of outright vehicle purchase with a separate maintenance agreement tendered is full ownership rights of the vehicles. Vehicles can be used as required and sold at the discretion of the Council when no longer required. All the disposal proceeds come back to the authority as the vehicle owner.
28. Usually with outright purchase the Council would have flexibility in the amount of time a vehicles can be retained for, either via extended usage where low mileage or low utilisation is a factor, or via early sale where an operational requirement changes and the vehicle is no longer required. The average life of an RCV deployed on a daily 8 hour basis is typically 7-years. The Council double shifts its vehicles and it would not be recommended to exceed a 5-year vehicle life for frontline fleet with the existing work pattern.

29. The disadvantages based on full ownership are; responsibilities include overall depreciation; total management and administration; vehicle road fund licence and retention of all the risks (residual value, reliability, maintenance).
30. Utilising a separate supplier to maintain vehicles allows the transfer of high level of fixed costing and risk to an external supplier. The supplier's economies of scale potentially reduce their cost, however; the Council may still need to purchase additional vehicles as service reserves.

In-house maintenance agreement

31. The option of maintaining vehicles 'in-house' through Central Transport Services will be assessed and compared with this service provided externally. The 'in-house' maintenance of vehicles would require the recruitment of additional resources and provide the opportunity for existing and new employment and apprenticeships. Maintenance 'in-house' would also require the purchase of additional vehicles to act as service reserves.

Outright purchase of selected vehicles with in-house maintenance and additional contract hire of vehicles and maintenance agreement of core fleet

32. A final option would be to manage operational risk with the progression of a contract hire arrangement for supply and maintenance for the majority of the fleet. The remaining vehicles to be purchased outright with an in-house maintenance arrangement.
33. This allows the Council an opportunity to grow Central Transport Services to enable future opportunities to support and maintain specialist fleet both internally and externally. The Council would benefit from being able to evaluate a combination of specialist vehicle-financing options to determine what would provide the best value for the Council in the long term.

Options Appraisal

34. It is proposed that a detailed review of the options presented above will be undertaken by officers in consultation with the Cabinet Member for Clean Streets Recycling and Environment, the Cabinet Member for Finance, Modernisation & Consultation, the Section 151 Officer and the Monitoring Officer. A further report will then be presented to Cabinet to approve the evaluation criteria and procurement methodology.
35. As the value of the longer term procurement is expected to exceed the OJEU threshold, the Council proposes to publish this opportunity via an open process.

Evaluation Criteria

36. The specification for RCV vehicles is necessarily very detailed, with minimal requirements left open to objective quality assessment, given the number of options and sustainable fuels being explored, the final

procurement strategy and evaluation criteria are recommended to be the subject of a separate report to cabinet.

37. In addition to the matters discussed above Procurement Strategy and evaluation criteria will consider;
- a) Delivery, capacity and flexibility
 - b) Warranty durations, this applies to all relevant warranties on chassis, body and bin lifts.
 - c) Vehicle characterisation, the adherence to specification.
 - d) Aftersales and account management.

Proposed timetable for procurement process

Key Milestones	Target Date
Issue Prior information notice (PIN)	October 2017
Options appraisal Completion	November 2017
Cabinet approval sought & publish OJEU	December 2017
Tender Close & Evaluation,	March 2018
Cabinet Approval/ Contract Award	April 2018
Delivery of New Fleet (phased delivery)	September – October 2018

Interim Arrangements

38. The Council has been delayed in taking forward the procurement of a new RCV vehicle fleet contract for the following reasons:
- a) Ongoing work to agree the operational approach to meet Welsh Government statutory targets for overall recycling performance.
 - b) The review of Central Transport Services remains on-going and as such the Council is yet finalise the feasibility of carrying out in-house maintenance on a specialist fleet of vehicles.
 - c) Limited availability of specific food waste vehicles.
39. Interim arrangements are therefore required to fill the gap between the expiration of the current contract (at the end of September 2017) through to the completion of the new procurement process which is estimated to be circa 12 months. The Council is currently working to agree its Recycling Waste strategy which is influenced by Welsh Government policy and this will determine future fleet requirements. The delivery time

from the award of contract for a new fleet to arrive is estimated to be 6 months given the specialist nature of the vehicles which are built to order.

40. The following options have been considered as an interim solution:

Vehicle Spot Hire

41. Spot hire vehicles are those that are readily available from the hire operators stock. These vehicles are often ex-lease vehicles that have been refurbished and are predominantly supplied as a short-term measure to satisfy an immediate demand (e.g. events, short-term lease vehicle replacement). It is highly unlikely the Council could obtain the number of spot hire vehicles required and it is also unlikely that they would be built to the specification required to deliver the service effectively. The reliability of the fleet would be a significant risk, as the terms of the hire would not include the need for the operator to maintain a frontline service.

Interim Tender

42. The build time and cost make this a prohibitive option. It is highly unlikely that the market could satisfy a one year request for the Councils vehicle fleet. This is due to the number of vehicles required, the different type of vehicles required and the ancillary and safety equipment that needs to be fitted to the vehicles.

Interim Extension of Current Arrangement (for 12 months)

43. A continuation of the current arrangement would ensure the statutory service is delivered and a low risk operator serviced fleet is maintained. The value of a 12 month interim extension of contract is £1.2m (see Confidential Appendix 2).

Interim Arrangements - Proposed Way Forward

44. Following consideration of the options above it is proposed to extend the current fleet contract for a further 12 months whilst the Council undertakes the new RCV fleet procurement process. A continuation of the current arrangement would ensure the statutory service is delivered and a serviced fleet is maintained to assure reliability during this period.
45. The value of a 12 month interim extension of contract is £1.2m (see appendix 2 attached), the details of the appendix are commercially sensitive and therefore Appendix 2 of this report is exempt from publication pursuant to the provisions of Schedule 12A Part 4 paragraphs 14 and Part 5 paragraph 21 of the Local Government Act 1972.

Reason for Recommendations

46. To enable the Council to progress a new procurement approach for a recycling and waste collection fleet and to allow the current arrangements to continue on an interim basis.

Financial Implications

47. The report highlights a number of options to replace the RCV fleet. Further more detailed Financial Implications will be included in the follow up report to Cabinet following the conclusion of the option appraisal to determine the best procurement route to acquire the new fleet. At this stage it is not clear if the financial Implications will include capital expenditure and financing, with the purchase options, or if it is entirely revenue expenditure with the contract hire options. At this stage it is expected that the replacement fleet will be funded via contract hire and revenue expenditure.
48. At this stage the cost of the replacement fleet is not certain and it is not known if the replacement RCV fleet will cost more or less than the existing fleet. The Directorate estimate that the value of the contract for the hire of these vehicles will be £6.5m over a five year period. This is broadly in line with the current costs of £3.9m for a 3 year contract. The financial obligations facing the council will be clearer once the option appraisal is completed and the associated funding package is presented to Cabinet for approval in the follow-up report.
49. Given the magnitude of the expenditure involved with replacing the RCV fleet it is recommended that the results of the options appraisal are reviewed with the Council's Finance Officers prior to Cabinet finalising the procurement strategy.
50. As well as the funding option to acquire the fleet the question of whether the vehicles are maintained externally or in-house also needs to be addressed. This pre-procurement analysis will need to consider the projected financial benefits and risks associated with the maintenance options including an assessment of the capacity and capability of CTS to undertake this work.

Legal Implications

51. The legal advice is divided into two parts:-
 - Part 1 proposed Interim arrangements for a period of 12 months, and
 - Part 2 proposed procurement approach for the new recycling and waste collection fleet

Part 1 – Proposed Interim Arrangements from October 2017 until September 2018

52. The recommendation requests approval of an extension of contract to the current provider Gullivers Truck Hire for a period of 12 months from October 2017 until September 2018, for a total value of £1.2million.

53. The body of the report notes the current arrangements were procured in 2014 for a term of 3 years, commencing in October 2014 and are due to expire in September 2017.
54. When seeking to extend current contractual arrangements the question that must be addressed is whether such an extension is permitted under the Public Contract Regulations 2015 (the “PCR 2015”).
55. Regulation 72(1)(b) of the PCR 2015 provides that a contract may be modified without a new procurement procedure for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor -
- (i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, and
 - (ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority,

Provided that any increase in price does not exceed 50% of the value of the original contract.

56. Legal Services are instructed that the grounds under the aforementioned Regulation 72(1)(b) referred to above are made out in this circumstance and the client department are satisfied as to the reasons why the Council should place reliance on Regulation 72(1)(b). Legal Services have advised that there is a requirement to place a notice for publication with the EU Publications Office and it is understood this is how the client department intends to proceed. The body of the report sets out the factors upon which the client department have taken into account and considered in recommending this way forward.
57. There is always a risk that matters may be challenged. That said, the client department are satisfied that such grounds are made out and on that basis Legal Services will work with the Client department to progress arguments to defend any such challenge, if required.

Part 2 – Procurement approach for the new recycling and waste collection fleet

58. The report recommends delegating authority to the Director to deal with all aspects of the options appraisal and to make subsequent further recommendations to cabinet relating to the procurement strategy of the new recycling and waste collections fleet. The procurement strategy has yet to be finalised and detailed legal advice should be sought once finalised in relation to the procurement process adopted and the form of contract proposed. The body of the report set outs initial proposals and matters that require further detailed consideration. The proposed value of the procurement is yet to be finalised and will depend on the procurement strategy adopted. That said it is clear that a long term solution would be substantially over the EU threshold for services and supplies and thus any procurement must be carried out in compliance

with the PCR 2015. It is understood that this is how the client department intend to proceed.

Generic Advice

59. In respect of the proposed contractual arrangements (both interim and longer term arrangements) detailed advice should be sought as to whether they raise any employment law issues, in particular whether TUPE shall apply to the services element of the contractual arrangements and reference should be made to the HR advice.
60. The report identifies that an Equality Impact Assessment has been carried out and is appended to the report. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty. The decision maker must have due regard to the Equality Impact Assessment in making its decision.
61. The decision maker should also have regard, when making its decision, to the Council's wider obligations under the Social Services and Wellbeing (Wales) Act 2014 and the Wellbeing of Future generations (Wales) Act 2015. In brief both acts make provision with regards to promoting/improving wellbeing.
62. To the extent that any of the proposed contractual arrangements are grant funded then prior to concluding any such contracts (including direct awards) the terms and conditions attaching to such grants should be checked to ensure the same can be complied with.

Procurement Implications

63. Commissioning and Procurement have been working with the Central transport services to support the ongoing vehicle replacement program and will support this tender process working closely with the Service area to ensure compliance with OJEU Guidelines. The directorate will have to be mindful on the type vehicles and specification it goes to market with as this may potentially extend lead and build times and potentially separate procurement exercises will need to be undertaken to suffice purchase and contact hire requirements.

RECOMMENDATIONS

Cabinet is recommended to:

- 1) Note the content of this report
- 2) Approve the extension of the current contractual arrangements with Gullivers Truck Hire Ltd
- 3) Approve the outlined procurement approach of the new recycling and waste collections fleet

- 4) Confirm that the finalised procurement sign off will be returned to the Cabinet for approval.

NEIL HANRATTY

DIRECTOR

15 September 2017

The following appendices are attached:

Appendix 1 – Equality Impact Assessment

Appendix 2 – Confidential Financial Information relating to Gulliver Contract