

**THE FLEET REPLACEMENT OF REFUSE AND HOOK LOADERS – REPROCURE (Lot 1) WITH A NEW IN HOUSE MAINTENANCE SERVICES MODEL**

**CLEAN STREETS, RECYCLING AND ENVIRONMENT  
(COUNCILLOR MICHAEL MICHAEL)**

**AGENDA ITEM:5**

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**Appendix A to this report is exempt from publication because it contains information of the kind described in paragraphs 14 and 21 of parts 4 and 5 of Schedule 12A of the Local Government Act 1972.**

**Reason for this Report**

1. To seek approval for a new procurement approach for the fleet replacement of Refuse and Hook Loaders that will reflect new opportunities for bringing fleet maintenance services in house.
2. To seek approval to end the current Heavy Good Vehicle (HGV) fleet procurement exercise so that the Council can align with maintenance and service opportunities. This will provide best value for the Council and taxpayers whilst ensuring the HGV fleet remains within the affordability window of the Council.
3. To delegate to the Director of Planning, Transport and Environment in consultation with the Cabinet Member for Clean Streets, Recycling and Environment authority to deal with all aspects of the procurement process and ancillary matters up to and including award of contract.
  - A new recycling and waste collection fleet.
  - A new skip hook loader fleet.
  - Associated safety and fleet support systems.
  - In-house maintenance service arrangements for heavy goods vehicles.

**Background**

4. In January 2018, Cabinet considered the following report “The Fleet Replacement of Refuse, Street Sweepers and Hook Loaders”. Cabinet

resolved that:-

- i. The content of this report be noted.
  - ii. The procurement approach and the high level evaluation criteria of the new Recycling Waste Collections Fleet, the Hook Lift Roll on-off vehicles and the small mechanical sweeper vehicles be approved.
  - iii. Authority be delegated to the appropriate Director in consultation with the Cabinet Member to:-
    - a) approve commencement of the procurement and issuing of documentation; and
    - b) generally deal with all aspects of the procurement process and ancillary matters up to and including award of contract.
5. The fleet procurement will fulfil the Capital Ambition commitment to ensure that our public services are delivered efficiently, safely, effectively and sustainably in the face of the rising demands of a growing city with reducing budgets.
  6. Cardiff is the best core city for recycling with a level of 58% but faces the challenge of meeting 64% by 2019/20. The new fleet will support the delivery of improving recycling levels for Cardiff and help support the Capital Ambition to deliver world class recycling waste collection services and high recycling performance.
  7. The new fleet will have innovative low-emission diesel engines to support the Council's aims of improving air quality in Cardiff.
  8. The new fleet will have modern safety and control technology to support the safety of our staff and the public whilst ensuring the delivery of an efficient and sustainable service.
  9. In May 2018, the Council began the procurement exercise for fleet on the basis of two individual lots:-
    - i. Lot 1 – Heavy Goods Vehicles (HGV) (Refuse Collection Vehicles and Hook Loaders).
    - ii. Lot 2 – Small Mechanical Sweepers.

The evaluation was carried out in a 2-stage process:-

- Stage 1 was a mandatory pass or fail and minimum threshold requirement, ensuring only suppliers who can demonstrate their ability to deliver this provision proceeded to Stage 2.
- Stage 2 was assessed on a most economically advantageous tender (MEAT). The evaluation criteria for stage 2 was 60% Price and 40% Quality.

## **Lot 1: Heavy Good Vehicles (Refuse Collections and Hook Loaders)**

10. A number of bids were received and evaluated for Lot 1. Despite pre-market testing on the heavy goods market and procuring a 'like for like' specification against our current fleet, the returning bids were higher than the current affordability window. The existing fleet budget for Lot 1: HGVs and affordability assessment are outlined in confidential Appendix A.
11. Lot 1 includes the provision of:
  - 27 collection vehicles for the collection of domestic and commercial residual waste, garden waste, and dry recyclables.
  - 7 collection vehicles specific for food waste.
  - 4 Hook-lifts to service the recycling centres by moving recycling to the transfer station.
  - 1 skip loader to service commercial skips – a new commercial business for Cardiff Council.
  - All maintenance and servicing.
12. A review has identified the following reasons why there is a variance to the existing budget for fleet:-
  - A cost increase relating to improvements in engines from Euro5 to Euro6 diesel engines, which is part of our clean air strategy commitments.
  - A cost increase relating to global steel prices, representing an increase in raw material costs for manufacturing the HGV fleet.
13. The management team, procurement, finance and Central Transport Services (CTS) undertook a review and concluded the progression of this procurement did not provide the Council with best value or the flexibility to bring fleet maintenance and servicing in house.

## **Lot 2: Small Mechanical Sweepers**

14. The sweepers were evaluated as Lot 2 and the contract has been awarded based on the evaluation criteria approved by the original Cabinet decision as the outcome was within the affordability window.
15. This means that the new sweeper fleet will service our streets within the next six months, providing a fleet with the latest technology, including low emission engines.
16. The service area will be looking to brand the new fleet so the investment of new vehicles is identifiable to citizens, businesses and officers.

## **Vehicle Emissions & alternative-fuels mediums (all vehicles)**

17. Capital Ambition has a commitment to reduce emissions from vehicles to improving air quality in Cardiff. The procurement will continue to seek to

deliver low carbon and low-emission vehicles as part of the quality aspect of the procurement process.

18. The Euro 6 engine is the latest and best standard engine for new commercial vehicles that carry heavy goods that exceed 3.5 Tonnes. The Euro 6 engine harnesses the latest automotive technology to reduce emissions. Compared to its predecessor (the Euro 5 standard), Euro 6 engines reduce nitrogen oxide emissions by a further 77% and cut soot particle emissions by 66%.
19. All large collection vehicles for the collection of domestic and commercial residual waste, garden waste, and dry recyclables recycling and the Hook Lift roll on-off skips will have a specification for Euro 6 engines.
20. New markets in alternative fuels such as compressed natural gas, electric and hydrogen are emerging for heavy goods vehicle fleets. The Council will seek options within the tender to ensure there are no restrictions in moving forward with trialling and using vehicles operating on alternative fuels.
21. The Council are actively seeking the development of alternative fuel operated areas of the fleet and the development of a supply network that will be vital for securing a sustainable fleet. While such a network for suitable refuelling may take time to establish, the procurement will be careful to consider the position of alternative fuels in the coming years within the contract and will enable flexibility for such opportunities as they emerge. Currently, discussions with the industry leaders on alternative fuel options places a viable alternative fuel network at three years away.
22. Neighbourhood Services are progressing a trial of a new electric small-mechanised sweeper in Cardiff City Centre. This will be the first electric sweeper in Cardiff and will be branded to promote Cardiff Council's ambition of having a cleaner fleet.

## **Strategy**

23. By delivering the proposed range of vehicles, the procurement will deliver economies of scale and the Council will achieve better value for money.
24. The term of the procurement will provide the Council with the flexibility required to work on future recycling initiatives with Welsh Government. This will allow the Council to take the opportunity of securing further capital investment from Welsh Government.
25. The fleet will be procured with modern safety and control technology to support the safety of our staff and the public whilst ensuring the delivery of an efficient and sustainable service.

## **Issues**

26. The changes in the market have provided the Council with an opportunity to undertake an intensive review on procuring future fleet services to

deliver best value whilst supporting the delivery of an in house maintenance and service delivery.

27. The service area will utilise the-state-of-the art Central Transport Services (CTS) asset at Coleridge Road to bring the maintenance and servicing elements back into the control of the Council. CTS is growing their in-house skills and have made significant cost reductions in recent years by carrying out any damage repairs to the Council fleet.
28. To support the approach to bring maintenance and servicing in house, a new fleet procurement will be required. The proposal is to end the current procurement process and to deliver a new procurement approach with CTS undertaking the maintenance and servicing.
29. The new tender for LOT1: HGVs will identify mandatory and technology elements for fleet lease only. This will allow sufficient flexibility and budget process alignment for the Council to progress with a robust service agreement for the new fleet.

- i. Mandatory elements will cover the core vehicle requirements.
- ii. The technology elements cover the additional equipment that the Council requires to reduce significant health and safety risks that operating a waste and cleansing fleet creates. These vehicles work in areas where space can be restricted and often work in close proximity to pedestrians and other moving vehicles.

Therefore, the recommendation is to utilise additional technology as “assistance tools”. The new procurement will continue to ensure consistent coverage of cyclist safety devices, audible reversing alarms, drive-locks and immobiliser systems, additional reversing lights, spotlights for working at the rear of vehicles, additional LED flashing lights and 360° CCTV camera systems.

By identifying these assistance tools separately in the new procurement, the Council can retain the flexibility on awarding these elements based on the affordability window.

The procuring of these elements can be separate from the main fleet procurement and retrospectively fitted by the awarded contractor and/or CTS to the fleet to obtain best value. The manufacture times for vehicles manufacturer lead would mean there is no detrimental impact on the delivery of the new fleet.

30. The outcomes of this new procurement approach will support CTS to achieve:
  - Undertaking maintenance and servicing in house.
  - Aligning the development of skill sets with the new procurement and manufacturers lead times to deliver an in house service provision.
  - Provide job creation / security.
  - Increase the skill base within CTS.

- Reduce expenditure going outside the Council; and
  - Maximise the use of the Council's state-of-the-art asset at Coleridge Road.
31. This new approach will reduce the risk of the procurement being outside of the affordability window by:
- Increasing flexibility to build the procurement options in line with the affordability window.
  - Bringing the timescale back within the budget setting process to support the procurement exercise.
  - Maximising the commercial income opportunities of the CTS facilities.
  - Tailoring Service Level Agreements between Waste Management and CTS to enable operational efficiencies to be further enhanced.
32. CTS have 12 months to ensure the maintenance and servicing skills are in place to support the new servicing and maintenance requirements.
33. The new procurement exercise will add 3 months onto the provision of any new fleet being operational in Cardiff.

### **Interim Fleet Arrangements**

34. CTS, Waste Management and Procurement Services will work together to secure the best interim fleet solution until the delivery of the new vehicles.
35. The provision of skip and hook lift vehicles will be via a framework agreement and these arrangements will continue. Due to the operational nature of these vehicles, there will be no impact on service delivery.
36. Further dialogue will be required through national frameworks to secure a robust and best value fleet in the interim. Our priority remains delivering safe, reliable and efficient collection services to the residents and businesses of Cardiff.

### **Reason for Recommendation**

37. To bring the procurement of HGV fleet within an affordability window for the Council and align with the budget setting process.
38. To support the in-house CTS led maintenance and servicing model for HGV fleet.

### **Financial Implications**

39. The report outlines the procurement approach in relation to the HGV fleet including issues relating to cost and affordability within existing budgets and proposes a new approach, with in-house maintenance and servicing arrangements. The overall costs associated with these new arrangements have yet to be determined and will depend on the outcome of the new procurement exercise together with a full assessment of any additional costs to the Council as a result of bringing the maintenance and servicing

in-house. Any additional costs will need to be considered as part of the 2019/20 budget process and reflected in the Council's Budget for that year and also reflected in the Council's Medium Term Financial Plan where further, full year costs may impact on budgets in future years. The Directorate has currently submitted a financial pressure bid of £500,000 for 2019/20 to support these arrangements and it is recommended in this report that in line with the Council's Budgetary Framework, Cabinet commit expenditure of up to £500,000 for this purpose. Any variation to this will be reviewed as part of the Budget.

40. The report also notes that there will be a need for interim fleet arrangements to be put in place prior to the new vehicles becoming available and that further dialogue will be required through national frameworks to secure a robust and best value fleet in the interim. Any additional costs associated with this in the current financial year will need to be managed by the Directorate with any impacts in relation to 2019/20 being considered as part of the Council's budget process.

### **Legal Implications**

41. These legal implications deal with the recommendations to abandon Lot 1 of the current procurement; commence a new procurement and interim arrangements.
42. The report recommends abandoning Lot 1. Legal Services are instructed that the procurement documents reserved the right for the Council to abandon and/or not proceed with any award and set out that the Council would not be liable for tenderer's costs. If the decision is made to abandon the procurement (not to proceed to award a contract) the Council must notify candidates and tenderers of the grounds for its decision (Regulation 55 Public Contracts Regulations 2015) and follow the prescribed procedures.
43. It is important that the decision maker is satisfied that a decision to abandon this procurement is a 'reasonable' decision to reach having regard to all material facts.
44. With regards to the commencement of the new procurement, it is understood the value of this procurement is over the EU procurement threshold and will be procured in line with the EU procurement regulations. Further legal advice should be sought generally on the procurement documents and particularly on how to achieve the flexibility required.
45. Further legal implications, if required, will be set out in the delegated report.

### **Interim Approach**

46. Any contract must be procured in accordance with the process set out in the Framework Agreement. It should be noted that the terms and conditions will be those as set down by the Framework Agreement and the client department should satisfy themselves as to whether they are

suitable for their requirements. Any further legal implications, if required, will be set out in the delegated report.

### Generic Advice

47. 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.
48. 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.
49. 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, Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.
50. 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.

### HR Implications

51. There may be a number of indirect and direct HR implications for this report that will need to be considered as part of both the formulating of the interim arrangements and the final proposal. For the interim arrangements third party Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) may apply which means that the Council will have to undertake its role as a conduit for information but it not be directly involved in the TUPE. For the final arrangement for servicing TUPE may apply and if this is the case, the Council will undertake its obligations under this legislation.
52. Initial employee and trade union engagement has been undertaken as part of the development of the specifications and this will continue as the finer details are considered.



## RECOMMENDATIONS

Cabinet is recommended to:

- 1) Note the content of this report.
- 2) Authorise officers to end Lot 1 of the current procurement exercise.
- 3) In line with the Council's Budgetary Framework, commit expenditure of up to £500,000 in relation to future years in order to support the procurement approach for the HGV fleet with in-house maintenance and servicing arrangements.
- 4) Delegate to the Director of Planning, Transport and Environment in consultation with the Cabinet Member Clean Streets, Recycling and Environment, the Council's S.151 and Monitoring Officers to:-
  - a) approve commencement of the procurement and issuing of documentation;
  - b) undertake interim framework arrangements, and
  - c) generally deal with all aspects of the procurement process and ancillary matters up to and including award of contract.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>ANDREW GREGORY DIRECTOR OF PLANNING, TRANSPORT AND ENVIRONMENT</b>
	<b>9 November 2018</b>

*The following appendix is attached:*

Appendix A - Existing fleet budget for Lot 1: HGVs (Confidential)