

**REPLACEMENT OF THE RECYCLING FLEET FOR RESIDENTIAL
COLLECTIONS**

CLIMATE CHANGE (COUNCILLOR CARO WILD)

AGENDA ITEM: 3

Reasons for this Report

1. To recommend that Cabinet approves the phased purchasing of a new recycling collection fleet over a three-year period with a value estimated at £9.7M, award of initial contract and delegation to Director (and others) to approve future awards (as set out in the report).

Background

2. The previous fleet of recycling Refuse Collection Vehicles (RCVs) were procured in 2013/14 via a contract hire agreement. On conclusion of the agreement in 2018/19, these vehicles were purchased and maintained by Central Transport Services (CTS).
3. A replacement programme was initiated to modernise the fleet and the initial phase of fleet replacement was completed in 2021/22 with the replacement of Refuse Collection Vehicles to service residual and garden waste collections.
4. A decision was made not to proceed in 2021/22 with the procurement of food 18Tonne Refuse Collection Vehicles until a decision was made on how Cardiff would collect segregated recycling from the kerbside.
5. The Recycling Strategy and segregated recycling pilot has confirmed Cardiff will collect segregated kerbside recycling using the following vehicles:
 - Split back RCVs to collect both containers (tins and plastics) and mixed paper & card.
 - Top loader vehicle, with noise insulated interior, for collection of glass.
 - Top loader vehicle, with sealed plastic interior, for collection of food.
6. To deliver recycling and waste collection services for residents in Cardiff, a total of 78 vehicles are required; made up by 69 vehicles plus 9 service reserves. Appendix A shows the total fleet requirement for the delivery of recycling and waste collection services to residents of Cardiff.

7. Recycling and Neighbourhood Services have a total of 34 electric vehicles, including 12 electric Refuse Collection Vehicles. The service is looking to procure a further 20 electric flat-bed Transit vehicles for cleansing in 2023/24 with vehicles being in service in 2024/25.

Issues

8. Current market prices and confirmed the best value approach is to purchase vehicles in comparison to leasing to replace the existing vehicle fleet.
9. The service will lease the vehicles from CTS with repayment and service costs budgeted within the service area's revenue budgets for running the service.
10. Vehicles will be fully supported by CTS. The preferred vehicle manufacturers will enable CTS to undertake and recharge remedial work under the vehicle warranty. The manufacturers will provide training, free of charge, to support this initiative where required.
11. The service has leased kerbside collection vehicles to support the segregated recycling pilots and to inform the approach to deliver segregated recycling collection.
12. The service has currently leased 5 kerbside collection vehicles (4 x 12Tonne and 1 x 7.5Tonne) until Quarter 3 2025. The 7.5Tonne kerbside vehicle will be retained to support collection of recycling from rural areas where it is efficient and effective. The other kerbside vehicles will be off-hired at the earliest opportunity or repurposed to support collection of non-kerbside recycling working in areas such as flats and areas of limited car use to have access to recycling available at Recycling Centres.
13. Policy changes such as Deposit Return Schemes and End Producer Responsibility may influence how recycling and residual waste is presented. Where applicable, leased vehicles will be off hired as part of the procurement process albeit the service will ensure a number of lease vehicles are retained to support changes in waste and recycling presented by residents due to Welsh Government policy changes.
14. The Council is committed to transitioning towards a clean fleet and reduce the reliance on diesel vehicles. Cardiff operates the largest fleet of electric RCVs in Wales, and further development of charging infrastructure will allow us to expand our fleet even further in the future.
15. To ensure there is flexibility in the procurement, some vehicles will be purchased, and some will be leased. This will allow the Council to have the flexibility to move away from diesel engines when conditions allow.
16. Fully electric vehicles are not included in the vehicle replacement programme. Lamby Way electrical supply capacity to charge vehicles is limited and until further work to deliver additional electrical supply capacity is achieved expansion of the electric fleet will be limited.

17. The service is working with the Council's Energy Team to identify the opportunity to utilise energy from a potential renewable energy scheme adjacent to Lamby Way.
18. All vehicles will be fitted with the latest Euro VI diesel engines.
19. The vehicle delivery is approximately 12 months from the date of the purchase order and therefore the Capital investment is seen in 2024/25 and 2026/27 for the two stages of procurement.
20. The procurement would be carried out as a direct award to the vehicle manufacturer Dennis Eagle for medium and Heavy Good Vehicle conversion via the Halton Housing Framework. It is proposed to do an initial award for the value of £7,098,202.00 which cabinet are asked to approve and to delegate subsequent awards to the Director and others as set out in recommendation 3.
21. Halton Housing is a housing association in the North-West of England with a fleet procurement framework designed to reduce fleet procurement costs. The framework covers nine separate types of vehicles, ranging from small cars to 26 tonne refuse and recycling vehicles. The framework results in a fixed rebate paid by supplier (£50 per vehicle) to framework, rather than a percentage of the overall cost resulting in a saving to the authority.

Local Member Consultation

22. There are no local issues with respect to replacement of the recycling fleet.
23. The draft Recycling Strategy 2022-25 was published for public consultation with a resident survey on 14th February 2022 for 6 weeks. The feedback from the consultation supported the development for the final Recycling Strategy 2022-25 and the development of actions to deliver improvements.
24. The Environmental Scrutiny Committee reviewed the consultation response report to the Recycling Strategy 2022-25 on 22nd July 2022.

Reasons for Recommendations

25. To support the programme of service improvements in recycling performance as identified in the Council's Recycling Strategy 2022-25.
26. To support the Council meeting the statutory requirement to collect household recycling and waste.
27. To support the Council meeting the statutory requirements of the vehicle operator's licence.

Financial Implications

28. The Council has the option to purchase outright, lease or hire vehicles. In either scenario, a key financial requirement is to ensure a revenue budget is in place to pay the annual costs charged for the vehicles over their useful life. The option to buy or lease will depend on a number of factors including the type of vehicle, use

of the vehicle, approach to maintenance, period over which the vehicle is intended to be used and approach to age of replacement cycle. The outright purchase of these heavy vehicles follows previous procurements for refuse collection vehicles which have assumed that a purchase approach demonstrates best value. Such decisions need to continually be reviewed as part of the Council's approved fleet strategy and options appraisal.

29. The Council's Invest to save budget framework will need to include a capital programme budget for the vehicles to be acquired as set out in this report. This is estimated to be £7.1 million for vehicles to be procured in 2023/24 and £2.6 million in 2025/26. This will have a nil impact on the Council's corporate Capital Financing budget, as whether vehicles are leased or purchased, a revenue budget must be in place to meet the annual costs charged for the vehicles.
30. The costs of servicing additional borrowing for the costs for the vehicles to be purchased will be charged to the Council's Central Transport Services (CTS) revenue budget. This will comprise:
 - recovery of principal over a seven year period and
 - interest costs on any value of the fleet that remains unpaid for. This is based on the estimated Public Works Loan Board rate of interest on the date at which such vehicles are received for use, currently c.5.5%
31. Such costs are recoverable from CTS irrespective of whether CTS recover such costs from its approved charging mechanism. To ensure the financial sustainability of this policy approach to purchase of vehicles, any variations to this should be made in exceptional circumstances only, with the reasons, rationale and impact for this reported by the S151 as part of budget monitoring reports to Cabinet. CTS will recover such costs in accordance with its charging process, to include any maintenance costs for the vehicles. The charging basis is not disclosed in this report. Any such charges will need to be based on an agreed and transparent process to enable effective budgeting, monitoring and reporting for such costs and performance as part of an overall approved fleet strategy for the Council. Any costs of damage as a result of vehicle incidents in addition to normal day to day repair, will also need to be met by the Directorate and monitoring processes should be in place to track and rectify recurring issues causing avoidable damage.
32. Subject to the outcome of the procurement exercise, the cost of replacing the fleet vehicles can be met from existing budgets and any allowance for increased costs held as part of the Medium-Term Financial Plan.
33. The numbers and types of vehicles required to be in place is set out in the Appendix A and has been the subject of a collection strategy previously considered by Cabinet. The report highlights vehicles that may not be required as a result of decisions to change collection from the pilot. Options will need to be considered to find alternative uses to minimise any adverse revenue budget impact. However, this highlights the need for certainty of approach to collection methodology and frequency to ensure that the approach to acquisition remains sustainable and vehicles are effectively utilised for their intended purpose.

34. The procurement of these vehicles is based on the maintenance of vehicles by the Council's CTS function. The operating and maintaining departments of the Council deem this best value and confirm these can be managed within existing budgets and financial mechanisms to manage maintenance the timing of servicing and maintenance requirements over the useful life of such vehicles.
35. The report indicates potential national policy changes in collection. It is unclear what impact this may have on the Council's agreed approach to collection and vehicles being purchased here. However, it is essential that where the Council is trialling other schemes or implementing new approaches, this should be done following a robust business case and option appraisal, with the approach that any financial impact as a result of national policy changes, should be supported by Welsh Government funding.

Legal Implications

36. The report recommends that approval to direct award an initial contract off a framework and delegate future awards to those set out in recommendation 3. Any Call off contract must be carried out in accordance with the Call Off Process set out in the Framework Agreement. Legal Services have not reviewed the framework. Before placing reliance on a framework and awarding a contract, in summary, the client department should satisfy itself that the Council was identified in the contract notice (advertising the framework opportunity) as a party entitled to use the framework for the intended procurement/contract and the framework process allows for a direct award and such process is followed. The client department should also satisfy itself as to the T&Cs and as to whether they are suitable for their requirements and complete all necessary information in those T&Cs before awarding the contract/s.
37. Further legal advice should be sought as and when necessary with regard to future Officer Decision Reports (ODRs) and future awards. Such ODRs shall be approved and published in accordance with the Council's governance process prior to award of any future orders/contracts.

Equality Duty

38. In considering this matter, the Council must have regard to its public sector equality duties under the Equality Act 2010 (including specific Welsh public sector duties). This means the Council must give due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are: age, gender reassignment, sex, race – including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief.

Well-being of Future Generations (Wales) Act 2015

39. The Well-being of Future Generations (Wales) Act 2015 ('the Act') places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales - a Wales that is prosperous, resilient, healthier, more equal, has cohesive

communities, a vibrant culture and thriving Welsh language, and is globally responsible.

40. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2023-26. When exercising its functions, the Council is required to take all reasonable steps to meet its well-being objectives. This means that the decision makers should consider how the proposed decision will contribute towards meeting the well-being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.
41. The well-being duty also requires the Council to act in accordance with a 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
 - Look to the long term
 - Focus on prevention by understanding the root causes of problems
 - Deliver an integrated approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them
42. The decision maker must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below: <http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>

General

43. The decision maker should be satisfied that the decision is in accordance within the financial and budgetary policy.
44. The decision maker should also have regard to, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

Property Implications

45. There are no property implications for this report.

HR Implications

46. There are no employee implications to be considered in this report.

RECOMMENDATIONS

Cabinet is recommended to:

1. Approve the procurement of new recycling collection fleet over a three-year period with a value estimated at £9.7M.
2. Approve the award of an initial contract (as set out in the report).
3. Delegate authority to the Director of Economic Development, subject to consultation with the Cabinet Member for Finance, Modernisation & Performance, Cabinet Member for Climate Change, s.151 Officer and Director of Governance & Legal Services and Monitoring Officer, to deal with the future award of contracts (and any ancillary agreements) as required in relation to this procurement.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	7 July 2023

The following appendix is attached:

Appendix A: Total fleet requirement for the delivery of recycling and waste collection services to residents of Cardiff

The following background papers have been taken into account:

Cabinet Report: Replacement of the recycling and refuse collection fleet (18 March 2021)

<https://cardiff.moderngov.co.uk/documents/s46050/Cabinet%2018%20March%2021%20Recycling%20fleet.pdf?LLL=0>

Cardiff Recycling Strategy 2023-25

The Recycling, Preparation for Re-use and Composting Targets (Monitoring and Penalties) (Wales) Regulations 2011

<https://www.legislation.gov.uk/wsi/2011/1014/contents/made>

Cardiff Council Waste Compositional Analysis. Waste composition analysis of kerbside collected and communally collected household waste in Cardiff. WRAP/resourcefutures (September 2021)