

# Corporate Policy & Resources



11 July 2022

<b>Title</b>	<i>Procurement of Waste Collection &amp; Street Cleansing Vehicles</i>
<b>Purpose of the report</b>	To make a Key Decision
<b>Report Author</b>	<i>Jackie Taylor Group Head of Neighbourhood Services</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	<i>Not applicable</i>
<b>Corporate Priority</b>	Environment Service delivery
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <ol style="list-style-type: none"> <li>1. Authorise the Group Head of Neighbourhood Services to go out to tender for the replacement of the seventeen leased vehicles listed at <b>3.4</b></li> <li>2. Authorise the Group Head of Neighbourhood Services to go out to tender for the replacement of four purchased vehicles listed at <b>3.4</b></li> <li>3. Agree that the lease of the workshop at the White House Depot is incorporated into the maintenance agreement for the vehicles to reduce lease costs</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>To enable the Council to procure replacement vehicles and continue to collect waste and recycling as required by the Environmental Protection Act 1990 and in accordance with Waste Regulations (England &amp; Wales) Regulations 2011 (Amended 2012).</b></li> <li>• <b>To enable the Council to procure replacement vehicles and continue to conduct our Street Cleansing functions in accordance with the Code of Practice on Litter &amp; Refuse as detailed in the Environmental Protection Act 1990</b></li> </ul>

## 1. Summary of the report

- 1.1 This report seeks authority to commence a procurement exercise for new Waste and Street Cleansing Vehicles following an assessment of the Council's existing fleet.
- 1.2 The new fleet will consist of leased and purchased to own vehicles that will provide the Council with modern and carbon-efficient waste and recycling vehicles.

- 1.3 In addition to the procurement of vehicles, this report also seeks authority to incorporate the maintenance of the vehicles into the lease agreement of the workshop at the White House Depot, which will reduce lease costs
- 1.4 The proposed approach to this fleet renewal exercise is to procure through a framework arrangement. These are increasing in popularity as they provide a compliant, dependable and time efficient means to go out to the marketplace and find the best solutions.
- 1.5 Frameworks remove most of the uncertainty when making purchases as they provide tried & tested benchmarking, pricing structures, standardised contract terms and advice. In terms of due diligence, suppliers are evaluated before being appointed a position on a framework.
- 1.6 This report is the first stage of a two-stage process. It is vitally important to carry out this procurement exercise in two stages to ensure that stage one provides all the vehicle information and costs.
- 1.7 Once the procurement exercise has been undertaken (Stage one) a full evaluation of the tender submissions will be undertaken by officers with a recommendation put to Full Council (Stage two) setting out options, cost, risks & implications. All of which will need to be considered to ensure that members are able to make fully informed decisions on the choice of vehicles.

## **2. Key issues**

- 2.1 The management of household waste is one of the key functions of the local authority and is a function that is significant to every resident of Spelthorne. In that context, it is imperative that the Council delivers a service that is flexible and cost effective and can change to meet demands as the borough grows and changes. Spelthorne has already embarked on one of its biggest periods of growth in terms of housing developments and we need to ensure that we deliver services that can adapt, thereby helping the Council to manage increasing costs for the future.
- 2.2 In October 2020 Spelthorne declared a Climate Change Emergency and adopted a carbon neutral target. This created the need across the Council for all strategic decisions, budgets, and approaches to decisions to be aligned with the goal of achieving a shift to carbon neutrality.
- 2.3 As part of this commitment Spelthorne committed to a review of the refuse collection fleet and aspired to convert to electric or hydrogen vehicles for 50% of the refuse fleet, depending on the best technology available. With further conversions taking place as and when vehicles are replaced.
- 2.4 To fulfill this commitment, we will undertake an evaluation of alternative fuelled vehicle options as part of the tender process. This process will be designed to gather that information to enable Councillors to make an informed decision on the pros and cons of leasing and purchasing such vehicles at this time.
- 2.5 The lease on the current fleet of street cleansing and waste vehicles and depot workshop is due to expire in June 2023. In preparation for this Neighbourhood Services officers have researched opportunities to ensure we continue to deliver an effective, adaptable, and efficient waste collection service. This research endeavoured to:

- Investigate opportunities and industry best practice and update our fleet of refuse vehicles accordingly
  - Maximise capture rates and the value of recyclables
  - Reduce running and service delivery costs
  - Improve and enhance the collection service for residents
  - Optimise collection rounds by conducting a re-routing exercise
  - Explore fuel options for all fleet vehicles
- 2.6 Spelthorne Borough Council's current waste and cleansing services are managed by Neighbourhood Services and operate from the White House Depot.
- 2.7 The street cleansing service currently delivers scheduled mechanical sweeping, litter picking and litter bin emptying across the borough.
- 2.8 Waste provision provides Alternate Weekly Collections (AWC) of rubbish and co-mingled dry mixed recycling (DMR), and weekly collections of food, textiles, and small electrical items. Some older properties due to their age are not designed to accommodate the number of bins required to facilitate the AWC service and their bins are therefore serviced on a much greater frequency.
- 2.9 The vehicles currently used to deliver these services are a mixture of:
- a) leased from a contractor on a 3 and 6-year lease with maintenance including use of the Council's own workshop based in the White House Depot, and
  - b) Council owned
- The table at **3.4** shows the number of vehicles across services along with age and their ownership status, all of which are due for replacement in 2023.
- 2.10 The lease for the vehicles and the associated workshop premises is due to expire in June 2023 at which point the current fleet of vehicles are due to be returned to the contractor.
- 2.11 Procurement of such vehicles can take varying times from confirmation of order to delivery, especially when considering our need to consider alternative fuels.
- 2.12 It is anticipated that new vehicles will reduce the dependency on spot hired vehicles and reduce overall running costs for fuel, maintenance, repairs, and mileage across the full life of the vehicle fleet.
- 2.13 Vehicle specifications have been written to ensure the correct vehicles will be procured for the types of waste collected and mechanical sweeping. The vehicles will be fitted with safety features to ensure cycle awareness and associated warning systems, CCTV systems inside the cab and 360-degree coverage of the external vehicle area, with in-cab display screens.
- 2.14 We will also take into consideration the Government's proposals for a new Resources & Waste Strategy for England which sets out their ambitions for higher recycling rates, increased resource efficiency and a more circular economy in England. The report which was delivered at the Environment &

Sustainability Committee on 14 September 2021 can be found at **Appendix A** with the accompanying background document at **Appendix B**.

2.15 The Government have set out proposals but have not yet given a firm timeline for delivery of the proposals which will eventually be set in legislation and become law. The key milestones that have now been proposed are:

- the roll out of a Deposit Return Scheme (DRS) during 2024
- legislation for mandatory separate food waste collections 2023
- extended producer responsibility for packaging 2024
- revision of the resources & waste strategy 2023/24

2.16 It is anticipated that if the DRS is up and running by 2024 it is unlikely to affect our domestic waste collections as they are currently delivered.

2.17 We already provide a separate food waste collection service, and we can therefore say this element of the new strategy has partially been delivered, although we will need to push this out to those who currently do not, for whatever reason, participate in the food waste collection service. This may require an increase in the number of vehicles and staff required.

### **3. Options analysis and proposal**

#### **3.1 Option 1**

Do not go out to tender and seek options from our current supplier in terms of contract extensions for vehicles and the workshop. This is not the preferred option as all waste vehicles are coming to end of life and we are seeing an increase in repair costs. To ensure the service is efficient we only carry one spare 26T waste vehicle within a fleet of eleven. The average ratio for this type of operation is one spare to every six vehicles. The value and life of waste vehicles are determined by mileage.

The same ratio applies to cleansing vehicles, and these are also coming to end of life albeit that the value and life of cleansing vehicles is determined by the number of hours worked.

#### **3.2 Option 2**

As in Option 1 above, do not go out to tender and seek options from our current supplier in terms of contract extensions for vehicles and the workshop. During this period of extension, we could engage external waste consultants to undertake a complete review and consider options for outsourcing both waste and cleansing services.

#### **3.3 Option 3 preferred option**

Following a review of various procurement options, the recommendation of this report is to commence a procurement exercise through the Yorkshire Purchasing Organisation (YPO) to purchase and lease waste & street cleansing vehicles and associated services for a period of 42 & 84 months as detailed in table 3.4 below.

The procurement process will be based on further competition exercise of the YPO's: -

- a) Fleet Managed Framework (921) Lot 3 Fleet and Managed Workshops. This framework has 6 service providers who have been appointed

following a competitive tender process, compliant with PCR 2015. The framework commenced on 4 January 2019 for a period of 4 years.

- b) Fleet Managed Framework (960) Lot 1 Specialist Vehicles. This framework has several service providers who have been appointed following a competitive tender process, compliant with PCR 2015. The framework commenced on 5 October 2019 for a period of 4 years.

The award criteria for the framework tender is set out below, however in view of the estimated value of Council's call-off contract, the weighting for sustainability/social value has been adjusted to meet our expectations:

Criteria	Framework Weightings	Spelthorne's Adjustments
Cost	40%	40%
Quality	35%	30%
Delivery and Customer Services	20%	20%
Sustainability / Social Value	5%	10%
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>

### 3.4

Vehicle	Year of manufacture	Lease or Purchase	Period	Service	Quantity
26T RCV	2017	Lease	84 months	Garden waste	1
18T RCV	2017	Lease	84 months	Garden waste	1
26T RCV	2017	Lease	84 months	Rubbish/recycling	8
12T RCV	2017	Lease	84 months	Rubbish/recycling	1
7.5T RCV	2020	Lease	84 months	Rubbish/recycling/litter bins	1
18T principal road sweeper	2017	Lease	84 months	Street cleansing	1
Compact road/pavement sweepers	2020	Lease	2 terms of 42 months	Street cleansing	4

3 x 7.5T vehicles	1 x 2011 2 x 2017	Purchase	Purchase outright	Food Electricals Textiles	3
7.5T RCV	2017	Purchase	Purchase outright	Food Electricals Textiles	1

3.4 In-cab technology is necessary to enable us to monitor, measure and maximise the capture rate of recyclable materials, maximise participation and target contamination, with the aim of reducing residual waste tonnages and associated costs.

3.5 We already operate this type of technology and have built on its effective use since 2017. It is anticipated that the same programme would be specified within the tender documents to reduce costs and potential errors when transferring data.

#### 4. Financial implications

4.1 The revenue budget already has a yearly provision for the cost of leased vehicles for both the Waste & Street Cleansing Services for 2022/2023 and beyond. However, given that the cost of everything we purchase has gone up significantly it is anticipated additional revenue funding would be needed to cover the budget gap between the contract costs in 2017 against a like for like replacement now.

4.2 The vehicle replacement programme also identifies the need to replace the current food waste vehicles in 2023 which are Council owned. A Capital budget need of £340k has already been put forward by Neighbourhood Services to our Finance Department to build this sum into the 2023/2024 Capital programme. This figure was based on estimated replacement costs in 2021 and did not account for additional costs for electrically powered vehicles.

4.3 Added to point 4.1 & 4.2 above is the need to look at options for zero emissions at the tailpipe. If Battery powered electric vehicles (BEV) are to be included in the fleet, we are likely to need to budget two to three times the lease/purchase rates that currently apply for diesel powered vehicles.

4.4 There remains significant variation between the “price premiums” for BEV dependent upon the asset selected (sweepers currently appear to have a higher premium than RCVs (Refuse Collection Vehicle); however, by way of example, whereas a 26T diesel single compartment RCV for Local Authority Operations is currently costing circa £180k, an electric vehicle will cost at least £400k. With such an initial premium, any notion that there will be a financial payback for moving to BEVs (Battery Electric Vehicles) within the standard operating life of the asset should be treated with caution.

4.5 A comparison of current and potential lease costs for a standard RCV are shown in the table below: -

Vehicle	Current annual lease costs per	Potential annual lease costs per vehicle (diesel)	Potential annual lease costs per vehicle (electric)
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	vehicle (diesel) 2022	2023	2023
26T RCV	£45,000	£55,000	£110,000

- 4.6 The procurement exercise will require tenderers to provide full costs for a range of vehicles which are powered by Diesel and Electric. Hydrogen is not an option for Spelthorne now as the infrastructure is not available. At the tender evaluation stage, it will be possible to provide clearer financial implications for the budget year 2023/2024 and beyond.
- 4.7 To note is the potential impact of International Financial Reporting Standard on assets previously treated as operating leases with leases brought onto the Balance Sheet. Essentially meaning that there is no longer a distinction between operating and finance leases. Having discussed this point with our finance team it is unlikely that this will impact financially on the Council in relation to this procurement exercise.

## 5. Other considerations

- 5.1 Early discussion with our current suppliers has given us assurance that they will ensure the current fleet stays in place until such time as a new fleet (no matter who wins the tender) is delivered.
- 5.2 Officers have and will continue to evaluate vehicles to ensure that they can meet the requirements of the service and will continue to consult with other boroughs during the procurement process.
- 5.3 With the possible introduction of large electric vehicles into the fleet it also anticipated that the electric supply into the depot from the grid would need to be upgraded/increased to cope with demand. We have consulted with the Council's Assets Team to look at potential issues and options to increase the supply, the initial feedback from electricity suppliers is that this electricity upgrade may take up to 2 years to complete and at a cost of £250k plus.
- 5.4 Neighbourhood Services officers have consulted with the Council's Planning Officers to determine the quantity of new builds over the next 2 years. Based on this information we have not identified a need to add extra collection rounds to the existing waste service at this stage.
- 5.5 Since moving from a black bag collection to a wheelie bin collection in 2007 we have made some changes to enhance our waste collection services. Plastics were introduced into our wheelie bins and the combined food, textiles and WEE collections were introduced in 2017. At this stage of the consultations on the Government's Resources & Waste Strategy it would be unwise to make any further changes. We will however need to ensure that our current vehicle procurement allows us to adapt easily to any changes in collection methods.
- 5.6 This procurement exercise does not include any vehicles for SDS (Spelthorne Direct Services) Ltd, the Council's own commercial waste collection company.

## 6. Equality and Diversity

- 6.1 Our waste collection services are designed to ensure that all residents can participate in all services offered. This formed a key part of a major service change in 2007 when we moved to a wheelie bin collection. Included at that time were assisted collections, bin identification and reduced sized bins. It is

very unlikely that any vehicle changes would adversely affect any of our residents or reduce the level of services they currently receive.

## **7. Sustainability/Climate Change Implications**

- 7.1 Over the last few years, the UK transport market has undergone a significant and rapid shift in its approach to vehicle emissions to respond to the pressures and opportunities linked to alternative fuels for refuse collection vehicle (RCV) fleets. There has been a transition from electric body/bin lift with conventional diesel powertrain vehicles to fully electric RCVs. Further developments in alternative fuels (including hydrogen solutions) are also now emerging.
- 7.2 It is anticipated that during the next few years and as the Government moves forward with its Hydrogen for Transport programme Hydrogen Solutions will become much more available in the UK. Currently the infrastructure required for running Hydrogen vehicles on a fleet is not available.
- 7.3 It is important to understand the infrastructure required to support the use of alternative fuels. However, it is difficult to justify the cost for procuring assets that are double the cost of a conventional powertrain as there are few UK-based commercial scale examples of alternative fuels in RCV operations that have been operating for any length of time.
- 7.4 The fastest moving technology in terms of alternative fuels is the all-electric RCV. This vehicle not only plays a vital role in improving air quality and fighting climate change but is also highly efficient and potentially cost-effective.
- 7.5 Clearly the fundamental benefits of BEVs are:
- they are Zero Emissions at the Tailpipe
  - the cost of “fuel” (electricity instead of diesel / petrol) is significantly cheaper and
  - the electricity can be procured from renewable sources which is more sustainable than fossil fuels.
- 7.6 The Government will mandate that the sale of HGVs (Heavy Goods Vehicle) 26 tonnes and under containing Internal Combustion Engines (ICE) must stop in 2035 (at the latest), which is still two fleet replacement cycles away for an Authority such as Spelthorne who are due to update the vehicles in 2023 and then again in 2030.

## **8. Risks**

- 8.1 The current contract for the fleet and owned managed vehicles is due to expire in June 2023. Vehicles of this type usually have a 12-month plus lead in time, and it is therefore imperative to move forward with this procurement exercise to ensure that we can deliver services with vehicles that suit service needs.
- 8.2 There are a variety of different fuel options for these vehicles and at decision stage members will be advised on the potential risks of committing the whole fleet to BEV considering emerging technologies such as Hydrogen.
- 8.3 As already highlighted in this report the risks are related to



- The added cost of alternative fuel vehicles placing a financial pressure on the Council's budget for the next 7 years
  - Not meeting climate change challenges if alternative fuel vehicles are not available or chosen
  - Delays in vehicle availability due to pressures beyond our control may lead to service failure due to ageing vehicles
  - Poor or no charging infrastructure for BEV & Hydrogen vehicles both on and off site
- 8.4 One of the major suppliers for RCVs has recently advised that in line with many manufacturing organisations they are experiencing issues with supply chains. This has been put down to some of their key suppliers suffering cyber-attacks, semi-conductor shortages and increased manufacturing periods.
- 8.5 It is also known that demand is currently outstripping supply of most commodities. Taking steel as an example, this supplier has stated that the cost per ton of the main commodity of RCVs has increased by at least 30% in the last 12 months.
- 8.6 Delays are also being experienced in UK based vehicle factories due to component shortages and at UK ports due to the shortage of delivery drivers.
- 8.7 Brexit followed by Covid has necessitated one large RCV manufacturer to re-evaluate its business operations to react to an ever-changing world situation which now includes the war in Ukraine which will also impact on what they are able to deliver and when, so much so that they are considering the implication of Force Majeure and the possible activation of this clause within all their agreements.
- 8.8 It is anticipated that as all these factors are current and known we will see the relevant increases in costs and lead times within the tender returns.
- 8.9 This two-stage procurement process will ensure that Councillors are able to make fully informed decisions.

## **9. Timetable for implementation**

- 9.1 The specifications for all vehicles are currently being drawn up these will form part of the tender documentation. It is anticipated that a 6-week turnaround time for tender return will be a reasonable period. Followed by the evaluation and an additional report to Full Council with findings, options, and recommendations for contract award. We would anticipate that subject to committee timetables the contract will be awarded during the latter part of 2022.

## **10. Contact**

- 10.1 Please contact Jackie Taylor Group Head of Neighbourhood Services on 01784446418 for any additional information.

**Background papers: There are none**

**Appendices:**

**Appendix A** [Report - Governments Proposed Resources Waste Strategy.pdf](https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-%20Report%20-%20Governments%20Proposed%20Resources%20Waste%20Strategy.pdf)  
([spelthorne.gov.uk](https://democracy.spelthorne.gov.uk))

[https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-](https://democracy.spelthorne.gov.uk/documents/s37272/Appendix%201%20-%20Report%20-%20Governments%20Proposed%20Resources%20Waste%20Strategy.pdf)

[%20Waste%20Strategy%20Key%20Milestones.pdf](#)

[Appendix - Waste Strategy Costs.pdf \(spelthorne.gov.uk\)](#)

**Appendix B attachment** [- Governments Proposed Resources Waste Strategy.pdf \(spelthorne.gov.uk\)](#)