

REPORT FOR DECISION



DECISION OF:	Cabinet
DATE:	29 July 2020
SUBJECT:	Vehicle Replacement Strategy (Part A)
REPORT FROM:	Leader and Cabinet Member for Finance and Growth and Cabinet Member for Environment and Climate Change
CONTACT OFFICER:	Donna Ball, Executive Director of Operations
TYPE OF DECISION:	Key decision
FREEDOM OF INFORMATION/STATUS:	Appendix 1 to this Report NOT FOR PUBLICATION, by virtue of Clause 3 of Part 1 of Schedule 12a of the Local Government Act 1972 (Information relating to the financial or business affairs of the authority).
SUMMARY:	The report sets out the approach for replacing the Council's Refuse Collection Vehicles
OPTIONS & RECOMMENDED OPTION	<p>Cabinet is asked to:</p> <ul style="list-style-type: none"> • approve the approach for the procurement of the Council's Refuse Collection vehicles; • note that funding was made available in the Council's capital programme as part of a wider vehicle replacement strategy; • note that the wider vehicle replacement strategy will be presented to Cabinet in September.
IMPLICATIONS:	
Corporate Aims/Policy Framework:	Do the proposals accord with the Policy Framework? Yes

<p>Statement by the S151 Officer: Financial Implications and Risk Considerations:</p>	<p>The costs of the vehicles can be met from the Council's Capital Programme for which funding for Vehicle Replacement was built in to the programme from 2020/21.</p> <p>The associated borrowing costs have also been reflected in the council's budget although there may be an opportunity to reduce the impact through the consolidation of leasing budgets that are currently held by the service and have been used to support more expensive short term leasing arrangements.</p>
<p>Health and Safety</p>	<p>If vehicles and plant aren't replaced they will in time become unsafe. Specifications for new vehicles will include enhanced H&S features and take account of vibration levels, noise and loading height.</p>
<p>Equality/Diversity implications:</p>	<p>No</p>
<p>Considered by Monitoring Officer:</p>	<p>As set out in the Report.</p>
<p>Wards Affected:</p>	<p>There are no ward implications arising from these proposals.</p>
<p>Scrutiny Interest:</p>	<p>Overview and Scrutiny.</p>

1.0 BACKGROUND

- 1.1 The Council currently has a fleet of over 200 vehicles and plant, the vast majority of which is beyond end of life and is in urgent need of replacing. The age of the fleet is causing problems with increasing unreliability of vehicles, which is directly impacting on operational delivery in services such as highways, waste collection and street cleansing. To address some of these issues, the council currently has greater reliance on short term lease and spot hire arrangements which are proving more costly and costs of repairs and maintenance for vehicles is also increasing.
- 1.2 In recognition of this and, at the same time take the opportunity to address the wider climate agenda, the Council made available £10m over 3 years in the capital programme to support the replacement of the fleet. Cabinet will receive a report on the wider vehicle replacement strategy in September 2020, however there is an urgent need to replace some of the Council's Refuse Collection Vehicles. This report sets out the rationale and the proposed procurement route for the vehicles.

2 CURRENT POSITION

- 2.1 The Council's fleet of Refuse Collection Vehicles consists of 24 vehicles, 19 of which are owned and a further 5 are hired long term. Of the council's own vehicles, 17 are eight years old and one is 11 years old. When originally procured it was envisaged that the original life expectancy of the vehicles would be six years and the leasing arrangements were based on that expectancy.
- 2.2 Due to their age these vehicles are increasingly unreliable and expensive to maintain. A number of the older vehicles became unroadworthy, which has resulted in the Council having to hire in 5 vehicles on a long term basis at a weekly cost in order to be able to deliver the service. This is not sustainable in the medium or long term as representing value for money.
- 2.3 There is currently an urgent need to replace 12 of the vehicles in the current financial year. In determining the number of vehicles to be procured, consideration has been taken of the frequency of collection rounds, round optimisation, the age of the current fleet, repairs and maintenance costs and the opportunity to end more expensive spot hire arrangements. Whilst it is proposed that a total of 12 Refuse Collection Vehicles be purchased now, there will be a request for further vehicles at some point in the relatively near future once the full strategy has been developed and longer term needs understood. It is estimated that the cost of the purchase is c£2.1m, although the final price will not be known until the procurement process has been completed.
- 2.4 The 2020/21 capital programme was set by Full Council in February as part of the 2020/21 budget setting process. Included in the programme was £10m of investment in vehicle replacement, a significant element of which was the Refuse Collection Vehicles.

3.0 Procurement Approach

- 3.1 In line with best practice, the technical specification for the requirement of the vehicles has been drawn up collaboratively by the Waste Collection and Transport services and has taken account of fitness for purpose, local conditions of use, support service requirements, market research, feedback from other authorities, vehicle trials and whole life cost in use assessments.
- 3.2 Waste collection vehicles are made up of three distinct components – the chassis, the body and the bin lift. Although these components are manufactured by different suppliers, the body manufacturer is normally commissioned to bring the component parts together and to co-ordinate the delivery of the finished vehicle, as they are best placed to perform this task, given their position in the supply chain.
- 3.3 The business case and whole life costing assessment attached at Appendix 1 provides information on the technical specification of vehicle which represents best value to the Council.
- 3.4 As with all public sector procurement, the procurement process for replacement vehicles must comply with Public Contracts Regulations 2015 (PCR2015) and demonstrate best value for money based on the whole life cost in use.

- 3.5 In determining the appropriate procurement route, consideration must be given to the value of the contract to be awarded and the alternative compliant processes. Two fundamental options for procurement exist, these being to run an Official Journal of the European Union (OJEU) compliant competitive process, using either the open or restricted procedure (this could be in collaboration with others with similar needs, such as other GM authorities), or to procure through an OJEU compliant framework agreement.
- 3.6 A framework is an existing contract which has been procured in accordance with PCR2015 and which gives access to Contracting Authorities such as Bury Council, to procure call-off contracts for specific requirements. A number of compliant frameworks exist for the purchase of vehicles. Public Buying Organisations such as Yorkshire Purchasing Organisation (YPO), Eastern Shires Purchasing Organisation (ESPO), Crown Commercial Services (CCS) and North East Procurement Organisation (NEPO) provide vehicle procurement frameworks. These options have been used previously by the Council. New frameworks are also emerging such as one recently established by Link Asset Services (procured in partnership with Halton Housing). These frameworks have different characteristics such as the level of support provided and the number and type of suppliers included in the individual framework lots. As new frameworks are developed, they can also be considered for future phases of requirements.
- 3.7 The advantages of procuring through a framework can be summarised as:-
- Reduced time to market as OJEU timescales are not applicable;
 - Reduced resources required for evaluation as suppliers are pre-vetted during the framework procurement process;
 - Pre-agreed terms and conditions of contract reducing legal dialogue;
 - Improved pricing negotiated due to the volume procured through the framework;
 - Often include both further competition and direct award call-off options for consideration in appropriate circumstances;
 - May include technical and commercial support from the framework operator which reduces need for internal resources and adds value in market engagement.
- 3.8 Although it is recommended where possible to specify standard products, as this generates greatest opportunities for the application of downward competitive pressure on price, in some circumstances one off innovations are justified. These need to be backed by long life and reliability in addition to being able to meet utilisation standards. Where an innovative product is only available from a single source, a robust and fully costed business case is required to demonstrate how the proposed product delivers best value for money. This should reflect whole life cost in use compared to the standard alternatives. The Council has developed a business case (Appendix 1) that sets out this requirement.
- 3.9 The NEPO framework has been identified as most likely to deliver the best value outcome for the authority for the Refuse Collection Vehicles. This framework has the advantage of including support throughout the procurement process including with options appraisal, market engagement and the invitation to tender process. This route has also been adopted by a number of other authorities locally (e.g. Wigan) and positive customer feedback has been reported.

- 3.10 In accordance with PCR2015 and the rules governing the NEPO framework, an invitation to tender will be issued under the relevant framework Lot to the highest ranked supplier capable of meeting the requirements. This process will generate a single tender that is compliant with the technical specification required.

4.0 Climate Agenda

- 4.1 The climate agenda is a key priority for the Council. In 2019 the Council declared a climate emergency and stated an ambition to be Carbon Neutral by 2030. Vehicle procurement, particularly large vehicles, will be a key factor in meeting that challenge and needs to be considered as part of the procurement process.
- 4.2 As part of the wider vehicle replacement strategy there will be a request to tenderers to provide prices for alternatively fuelled vehicles and these will be evaluated along with other quotes to determine which provide the best value for money. In addition to this, there is a requirement for all suppliers to provide emission levels of all vehicles tendered for.
- 4.3 It should be borne in mind that all future vehicle purchases (where available from manufacturers) will meet the latest Euro 6 standard for exhaust emissions, introduced in 2015, which all new mass produced vehicles sold in the EU must meet, and was designed to reduce harmful pollutants from vehicle exhausts. This includes nitrogen oxides (NO_x), carbon monoxide (CO), hydrocarbons (THC and NMHC) and particulate matter (PM) i.e. soot from diesel cars. The effect of reducing these pollutants can also mean improved fuel economy and lower CO₂ emissions. All new replacement vehicles purchased will automatically be compliant with the GM Clean Air Zone and this includes the Refuse Collection Vehicles.
- 4.4 Currently there are few suppliers of electric vehicles, particularly HGVs, but this is a fast changing picture and the situation is likely to change in future years. As it currently stands, electric Refuse Collection Vehicles are not fully tried and tested and the support around these vehicles is still in its infancy. The selected configuration is not an electric vehicle but will meet Euro 6 standards for emissions and so will be less polluting and more fuel efficient than existing vehicles.

5.0 FINANCING OPTIONS

- 5.1 The total cost of the proposals is estimated to be c£2.1m and can be funded from within the funding made available in the capital programme. There are two options available to the council in procuring these vehicles: purchase and leasing. Leasing is traditionally higher cost than purchasing and this is borne out by the fact that most Authorities choose outright purchase:
- 5.2 **Outright purchase** – this has the advantage of the Council having control of its asset in terms of being able to dispose of without early termination costs. Furthermore, there are no return conditions or mileage limitations.
- 5.3 **Operator Lease** – this has been the preferred method for many years but does have the restriction of not being able to return the vehicle ahead of the lease expiry date unless outstanding annual lease payments are made. Strict

return conditions with penalties and mileage excess rates are also applied. It is also very difficult to synchronise the delivery of a new vehicle to coincide with the expiry of the lease of the vehicle to be replaced. This leads to short term extensions of leases, which can be relatively expensive. Financially this method often appears to be most advantageous but this can be misleading because it does not necessarily take account of all costs. It is also inflexible operationally.

- 5.4 It is proposed that the council proceeds on the basis of outright purchase.
- 5.5 The cost of borrowing is already factored within the council's budget and therefore these proposals will not add any further financial pressure on the council's financial strategy. Provision for some leasing costs is held at service level and will offset the costs of borrowing that were built into the council's budget from 2020/21 onwards. As part of a wider transformation of the council's financial framework, the council is seeking to centralise corporate costs including leasing and therefore the delegated budgets will be consolidated and held corporately. This will enable the council to have much greater oversight and control over its borrowing and borrowing costs.

6.0 CONCLUSION

- 6.1 The proposed vehicle and plant replacement programme is necessary to ensure the continued safe and efficient operation of the Council's functions. There have been no replacements for a number of years which has meant reduced reliability, additional maintenance costs, impact on ability to deliver quality services, additional spot hire of vehicles and increased pressure on individual services and in particular the Transport and Workshop staff.
- 6.2 These problems are particularly pertinent within the waste collection service and it is therefore imperative that an order for 12 new Refuse Collection Vehicles is placed as soon as is practicably possible.

List of Background Papers:-

None

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