

Cabinet

30 April 2024

Gateway 3 Contract Award: Replacement of the Medway Council Refuse Collection Vehicle (RCV) Fleet

Portfolio Holder: Councillor Simon Curry, Portfolio Holder for Climate Change and Strategic Regeneration

Report from: Ruth Du-Lieu, Deputy Director of Place

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Procurement Overview

| | |
|-----------------------|--|
| Total Contract Value: | £11.898million |
| Project Budget: | £17million |
| Contract Term: | 30 weeks (lead time from purchase to delivery) |

Summary

This report seeks permission to award the procurement of the Replacement Medway Council Refuse Collection Vehicle (RCV) Fleet Contract.

1. Recommendation

1.1 The Cabinet is recommended to award the contract in accordance with paragraph 3.2.1 of the Exempt Appendix, as they have been evaluated as the most economically advantageous against the Council's award criteria as per the evaluation spreadsheet contained within 3.1 of the Exempt Appendix.

2. Suggested reasons for decision

2.1 This option delivers the 46 vehicles required in the most cost-effective way including the following benefits:

- Best possible buyers' terms and conditions to mitigate procurement bottlenecks as a result of increased RCV demand following October 2023 UK Government Simpler Recycling announcement.
- Reduced time to market ensuring quickest transition to a new fleet with associated operational, cost and climate benefits.

- Mitigation against any future inflationary pressures by locking in prices at time of order.
- Fleet homogeneity by direct award to the only manufacturer that provided the required narrow track chassis configuration, ensuring full flexibility to deliver the statutory waste collection service.

3. Background Information

3.1. Budget and Policy Framework

- 3.1.1. An addition of £17million to the Capital Programme was approved by full Council on 20 July 2023 (Minute number 135/2023) to fund the replacement of the RCV fleet.
- 3.1.2. On 9 January 2024 Medway Council was advised of £306,900 being allocated in New Burdens Capital funding for flats food waste collection vehicles and spares for the future provision under the Environment Act for new statutory food waste collections from flats.
- 3.1.3. Direct award costings in April 2024 confirm that the RCV fleet can be replaced for £11.898million, within the £17million budget allocated. Cabinet will be presented with a further report requesting permission to use this remaining budget to support the forthcoming food waste vehicle and street cleansing fleet procurements.
- 3.1.4. This procurement is timebound to the end of life of existing fleet (12-24 months) and therefore extended phasing is not appropriate at this time. However, a new fleet will enable Medway to control future procurement phasing.
- 3.1.5. The vehicles purchased in this procurement are optimised for the current service delivery model. This report notes that once finalised, any new waste strategy will provide the certainty required to identify the necessary trigger points for the future phased replacement of the fleet delivered in this procurement.
- 3.1.6. The current fleet was purchased in 2013 and has surpassed average 7-9 year working life of RCVs and reduces the viability of a fully phased replacement at this time.
- 3.1.7. There are 7 additional vehicles on spot hire in order to deliver the service fulfilling around 30,000 collections per week mainly on the refuse and organic services, as such raising the replacement priority of vehicles on these services to reduce service risk.
- 3.1.8. Any extended operational life of the 2013 fleet is subject to the likelihood of increased frequency and lengths of time that vehicles are off road due to reduced availability of spare parts and the increased risk of catastrophic vehicle failure. The risk of failure to deliver our statutory waste collection duties also increases exponentially. On 29th January

2024 11 of the 46 2013 fleet were unavailable due to servicing and spares issues.

- 3.1.9. It is best practice for operators of specialist fleets to seek homogeneity in the types and manufacturers of vehicles to increase operational resilience.
- 3.1.10. With an estimated 30-week lead time for vehicle delivery, there is an increased risk of maintenance and leasing costs to cover any catastrophic vehicle failure during the procurement governance process and 30-week lead in time.
- 3.1.11. It is necessary to treat this procurement with urgency due to the operational risk of the current fleet at the end of its operational life to discharge statutory duties outlined in 3.2.1.

3.2. Background Information and Procurement Deliverables

3.2.1. Medway Council has the duty to provide separate refuse and recycling collection services from residential premises in the area under Section 45 of the Environmental Protection Act 1990. A suitably configured fleet of RCVs is essential to discharging this duty to over 120k household premises in Medway.

3.2.2. Medway Council owns 46 RCVs which are operated by Medway Norse to deliver weekly kerbside refuse and recycling collections to Medway residents. This fleet is comprised of multiple configurations to collect waste in line with Medway’s current service and container configuration:

- 13 x single chamber vehicles with wheeled bin lifts for collection of food & garden waste in brown wheeled bins
- 17 x single chamber vehicles with trade bin lifts for collection of refuse in loose black sacks
- 16x Split back vehicles for collection of paper & card in blue reusable bags and plastic, metal & glass in white reusable bags and clear sacks

3.2.3. This report seeks permission to procure 46 Euro 6 Diesel vehicles summarised below and configured per the table in 4.2.1.

| Lot/TPPL Spec #/ Service | Quantity | Weight | Container Type | Width | Chassis | Lift Configuration |
|--------------------------|----------|--------|----------------|--------------|----------------|------------------------|
| Lot 1/Spec 4 Organic | 13 | 26t | Single chamber | Narrow track | 6x2 Rear Steer | Electric (Wheeled Bin) |
| Lot 2/Spec 1 Refuse | 15 | 26t | Single chamber | Narrow track | 6x2 Rear Steer | Electric (Trade) |
| Lot 2/Spec 2 Refuse | 1 | 18t | Single chamber | Narrow track | 4x2 | Electric (Trade) |
| Lot 2/Spec 5 Refuse | 1 | 7.5t | Single chamber | Narrow track | 4x2 | Standard (Trade) |

| | | | | | | |
|---------------------------|----|-----|------------------|---------|-------------------|---------------------------|
| Lot 3/Spec 3 Recycling | 16 | 26t | Twin (70%30%) | Regular | 6x2 Rear Steer | Electric (Wheeled Bin) |
|---------------------------|----|-----|------------------|---------|-------------------|---------------------------|

- 3.2.4. Following consultation with the manufacturer and Medway Norse, delivery is now expected in January 2025 rather than November 2024 to eliminate the risk of receiving partially compliant vehicles to the upcoming EU General Safety Regulation (GSR) for refuse trucks and ensure that we are able to receive better unit prices due to reduced exposure to component price rises over the delivery period.
- 3.2.5. Medway Norse have confirmed that 8-10 new vehicles can be delivered per month rather than the 5 vehicles in the previous illustrative schedule, reducing the full replacement time from August 2025 to June 2025.
- 3.2.6. **Appendix 1** details the proposed 6-month phased delivery of new vehicles. Reduction of the proposed delivery timescale from 11 to 6 months ensures that the maximum available environmental, operational and cost benefits are realised as early as possible.
- 3.3. Parent Company Guarantee/Performance Bond Required
- 3.3.1. This tender pertains to goods, which will only be fully paid for upon ownership. Therefore, as the only tangible risk associated to this would be a supplier ceasing trading during the lead in time, it is proposed that neither a PCG nor bond are sought.

4. Procurement Process

4.1. Procurement Process Undertaken

- 4.1.1. As approved by Cabinet on 12th March 2024, Medway Council officers used The Procurement Partnership Ltd's (TPPL) HGV and Specialist Vehicle framework (Ref: NEPO224) as it secured competitive prices across bidders and provide enhanced protection for Medway Council via Framework terms and conditions. However, due to the requirement for the majority of vehicles to be 'narrow track' it was acknowledged this would result in a direct award to the manufacturer that provides this requirement, providing the smaller than standard width, 'narrow track' chassis required to navigate the restrictive access issues experienced on streets across Medway, particularly in high density Victorian era housing areas and rural lanes.
- 4.1.2. The TPPL call off contract consisted of 5 specifications corresponding to original GW1 lots based on delivery priority:
- Lot 1 (Specification 4): Organic Service Vehicles
 - Lot 2: (Specifications 1, 2 & 5) Refuse Service Vehicles
 - Lot 3: (Specification 3) Recycling Service Vehicles

4.1.3. Food waste vehicles (Lot 4) are not included in this call off contract arrangement as the final number and configuration are dependent upon the completion of future service modelling yet to be undertaken and will be subject to a further Cabinet report upon completion.

4.2. Evaluation Criteria Used

4.2.1. This is a direct award and therefore no comparable costs will be received with the decision to award made on 100% quality factors. As part of a direct award there will be no written responses to assess:

| # | Title | Short Description | % |
|---|--|---|-----------|
| 1 | Supply vehicles in specified configurations | Manufacturer is able to provide vehicles in the specifications provided within each lot | Pass/Fail |
| 2 | Delivery Schedule | Manufacturer is able to deliver vehicles to any agreed delivery schedule | 50% |
| 3 | Vehicles supplied without defects ready to use | Manufacturer to detail warranty, support & aftercare | 50% |

4.2.2. Based on options provided by the manufacturer during soft market testing, the Head of Environmental Services in consultation with Medway Norse as operational provider, finalised the essential vehicular configurations based on current operational and health and safety requirements to be included in the direct award.

4.2.3. Available features were assessed against the current fleet configuration, legislation, service provision and contract method statements under 3 categories with a justification for inclusion in the direct award:

- Essential – Required configuration for the discharge of current service.
- H&S – Required to comply and improve current Health & Safety standards.
- Environmental – Best available decarbonisation technology in lieu of zero emissions vehicles.

4.2.4. The full feature list assessment can be found in **Exempt Appendix 1a**.

4.3. Contract Management

4.3.1. Contract management will be the responsibility of the Environmental Project Manager

5. Risk Management

5.1. Risk management is an integral part of good governance. The Council has a responsibility to identify and manage threats and risks to achieve its strategic objectives and enhance the value of services it provides to the community.

| Risk | Description | Action to avoid or mitigate risk | Risk rating |
|--|---|--|-------------|
| Service Delivery: Fleet unable to complete statutory waste collection | Unless the Council has a full complement of RCVs elements of the service may not be delivered | Where necessary use spot hire to supplement the 2013 fleet until 2024/25 fleet is fully operational Phased delivery schedule devised to expedite fleet mobilisation | Diii |
| Market Availability: Availability of suitable vehicles at time of order | There are a finite number of suppliers of RCVs with limited build capacity | Use procurement frameworks to secure access to markets and value for money | Diii |
| Revenue budget: Exponential increase spot hire and maintenance cost and availability pressure | The aging fleet has a progressively increasing cost burden and scarcity of parts | Rotate 2013 fleet and prioritise replacement of most aged vehicles | Cii |
| Climate Change: Emissions to atmosphere and reduced recycling quality | The aged fleet Euro 5 is inefficient at combusting fossil fuel, longer operation of the fleet will increase atmospheric emissions. Separated recycling must be co-collected when no twin pack recycling vehicles are available | A new Euro 6 fleet will be less polluting. A fully functioning twin pack recycling fleet will allow separate collection of recyclables | Div |

For risk rating, please refer to the following table:

| Likelihood | Impact: |
|---|--|
| A Very likely B Likely C Unlikely D Rare | I Catastrophic II Major III Moderate IV Minor |

6. Service Implications

6.1. Financial Implications

- 6.1.1. The procurement requirement and its associated delivery as per the recommendations will be funded from existing capital budgets.
- 6.1.2. The 2013 fleet was purchased with a UK Government DCLG grant; as such Medway Council have not been required to service a loan against its procurement.
- 6.1.3. An addition of £17m to the Capital Programme was approved by full Council on 20 July 2023 (Minute number 135/2023) to fund the replacement of the RCV fleet. In line with this decision officers were requested to assess the appropriateness of alternative leasing solutions however, funding approved within the Capital Programme funding cannot be used for such arrangements in line with the relevant accounting codes.
- 6.1.4. Direct award costings in April 2024 confirm that the RCV fleet can be replaced for £11.898million; within the £17m budget allocated. **Appendix 1** details a 6-month phased delivery of new vehicles enabling the capital cost to be spread over two financial years.
- 6.1.5. On 9 January 2024 the government confirmed Medway Council's allocation of £306,900 in New Burdens Capital funding for flats food waste collection vehicles and spares for the future provision under the Environment Act for new statutory food waste collections from flats. A future report to Cabinet and Council will seek permission to add this funding to the balance of the budget allocated to the RCV fleet, to support the forthcoming food waste vehicle and street cleansing fleet procurements.
- 6.1.6. The cost of interest for borrowing associated with this procurement will need to be met from the Interest & financing budget and will be dependent upon the timing and value of any borrowing.
- 6.1.7. This procurement is not a spend to save process and primarily addresses service risks attributable to the end of life of the assets. There are no cashable capital or revenue savings.
- 6.1.8. Due to age and noncompliance for use in Ultra Low Emission Zones the existing fleet's potential resale value and possible market for

secondary sales is significantly reduced and may not exceed nominal scrappage values.

6.2. Legal Implications

- 6.2.1. This procurement activity was above the FTS threshold and therefore an FTS notice was required.
- 6.2.2. The procedure gives a high degree of confidence that the Council's primary objectives for procurement are met, as required by Rule 2.2 of the Council's Contract Procedure Rules ("the CPRs").
- 6.2.3. Under the Council's Contract Procedure Rules, the procurement is a Process 3 procurement (Rule 18), and the process set out in this report meets the requirements for such procurements. The procurement was advertised on the Kent Business Portal, in compliance with rule 18.4 of the CPRs.
- 6.2.4. Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions.
- 6.2.5. The process described in this report complies with the Public Contracts Regulations 2015 and Medway Council's Contract Procedure Rules.

6.3. TUPE Implications

- 6.3.1. TUPE is not applicable to this procurement.

6.4. Procurement Implications

- 6.4.1. With a limited number of manufacturers of RCVs, utilising a well-established framework to meet this need facilitates the best use of Medway Council's officers time as well as making the offer more lucrative to existing framework members.
- 6.4.2. Through dialogue with the framework hosts it has been established that only a single provider can deliver the narrow track vehicles. This coupled with various vehicle configuration meetings between operator and the Council, there are no procurement implications associated with the recommendation.

6.5. ICT Implications

- 6.5.1. Pothole monitoring cameras, property of Medway Council Highways Department, are installed on three RCVs vehicles which will need to be transferred as these vehicles are replaced. It has been confirmed that this operation will be carried out free of charge by the provider. This equipment was evaluated under one of the pilot smart city programs.
- 6.5.2. All tracking and telematics software are to be provided by Medway Norse as operators of the vehicles. Should the software be required to

be installed on Medway Corporate ICT equipment it would need to meet the ICT minimum requirements to ensure that it does not pose a cyber risk to the organisation.

- 6.5.3. In-cab technology to be fitted universally enabling full operational oversight currently not possible due to the use of spot hired fleet vehicles without integrated technology.
- 6.5.4. There are no wider ICT implications that ICT are aware of at the time of writing this report.
- 6.5.5. Data and API access to tracking, telematics and monitoring systems must be made available at the request of Medway Council for integrations into alternate solutions.

6.6. Climate Change implications

- 6.6.1. In keeping with Medway's ambition under the Climate Action Plan officers have researched available technologies and configurations that can be incorporated into this procurement to help increase air quality and reduce carbon dioxide emissions resulting from fleet operation.
- 6.6.2. Officers have sought to incorporate the best available vehicle technology to provide social value to both residents and council crews in respect to air quality and carbon emissions.
- 6.6.3. The best available options for decarbonisation included in this procurement are:
 - use of latest Euro 6 diesel technology
 - use of electrically powered lifts
 - configuration of vehicles to reduce demand on diesel engine idling for power:
 1. installation of solar panels on the container roof
 2. configuration of compactor to return under gravity rather than hydraulics (referred to as Eco Pack in configuration options)
- 6.6.4. **Appendix 2** details the cost benefit analysis of estimated carbon reduction possible with this technology and the resultant annual social value.
- 6.6.5. Reduction of the proposed delivery timescale from 11 to 6 months ensures that the maximum available environmental benefits are realised as early as possible.

- 6.6.6. Outside the scope of this procurement, this report notes:
- the new fleet can run on lower emission 'drop in' fuels such as Hydrogenated Vegetable Oil (HVO) to further reduce its environmental impact.
 - Any subsequent decision to use HVO would require a fully costed uplift in contract costs to cover the significant increase in unit price compared to diesel at present.
 - any alternative future waste depot provision may offer the opportunity to review both the fleet size and infrastructure available to adopt alternative technologies within the fleet as they become cheaper and more widely available as part of future phased procurement.

6.6.7. Medway Council's Climate Change team are in agreement with the proposed replacement which they acknowledge to be a sensible approach at this time whilst supporting the ambition of the Climate Change Action Plan.

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Appendices

Appendix 1 – Illustrative vehicle delivery timeline
Appendix 2 – Cost benefit analysis of estimated carbon reductions
Exempt Appendix – financial analysis

Background Papers

None

Appendix 1: Proposed Phased Mobilisation Implementation

| | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 | Total |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|-------|
| Lot 1: Full lift (organic) | 8 | 5 | | | | | | 13 |
| Lot 2: Trade back (residual) | | 3 | 9 | 5 | | | | 17 |
| Lot 3: Twin Pack (recycling) | | | | 3 | 8 | 5 | | 16 |
| Vehicles Delivered | 8 | 8 | 9 | 8 | 8 | 5 | | 46 |
| 2013 fleet scrappage | | 8 | 8 | 9 | 8 | 8 | 5 | 46 |
| TOTAL 2013 fleet | 46 | 38 | 30 | 21 | 13 | 5 | 0 | -46 |

Appendix 2: Illustrative Carbon cost benefit analysis

| RCV Eco Configuration option | Number of applicable vehicles | Approximate cost | Estimated annual Co2 savings (t) | Estimated Social Value at £69.35 per tonne CO2 reduction | Approximate cost per tonne CO2 reduction | Notes |
|------------------------------|-------------------------------|------------------|----------------------------------|--|--|---|
| Euro 6 Diesel Engines | 46 | £ 11,300,000 | 186 | £12,900 per year | £ 60,750 | 4.5 mpg new (Manufacturer Spec) vs 3.76mpg 21/22 |
| Electric Lifts | 45 | £ 450,000 | 157.5 | £11,200 per year | £ 2,850 | Not available on 7.5t, based on Manufacturer study |
| Solar Panels | 45 | £ 150,000 | 54 | £3,7500 per year | £2,750 | 1.6t per vehicle based on Manufacturer study, not available on vehicles under 26t |
| Eco Pack | 46 | £ 10,000 | Unknown | Unknown | Unknown | No data available but designed to reduce fuel usage |