

# Fleet Procurement: Joint Waste Service

Cabinet Member for Waste, Recycling, Ecology & Climate Change

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Key Decision? YES

Local Ward All

Members



Lichfield  
District Council

**Cabinet**

## 1. Executive Summary

- 1.1 Lichfield District Council currently hosts the fleet contract for the Joint Waste Service and has a contract with Specialised Fleet Services Limited for the provision of refuse collection vehicles. The contract expires on 31<sup>st</sup> March 2025. The fleet is ageing and requires replacement when the current contract ends to ensure service delivery is maintained. A tendering process is now required to ensure the replacement vehicles are delivered on time.
- 1.2 The Joint Waste Service requires a fleet of 26 refuse collection vehicles to provide collections of household waste (refuse, dry recycling, and garden) to the residents of Lichfield and Tamworth plus collections of Trade Waste and Trade Recycling to businesses in Lichfield. The contract also includes the procurement of 1 Street Cleansing vehicle.
- 1.3 The existing arrangements are based on contract hire and an evaluation has ascertained that this option should still provide the Joint Waste Service with the most economically advantageous outcome compared to other procurement options such as direct purchase. See Appendix 1: March 22 – Link Report.
- 1.4 The intention is to procure a single supplier for the fleet to reduce the costs associated with overseeing and managing / administrating the contract.
- 1.5 The value of the contract is anticipated at a total of £11.6 million and therefore it will need to be tendered in accordance with the procurement legislation and Contract Procedure Rules.

## 2. Recommendations

2.1 It is recommended that Cabinet approve:

- The commencement of the procurement through a contract hire arrangement for the replacement of the vehicle fleet for the Joint Waste Service.
- As soon as full evaluation of the procurement documentation is completed, a paper is presented to allow Cabinet to authorise the appointment of the supplier that provided the highest scoring tender.

## 3. Background

- 3.1 Lichfield District Council currently hosts the fleet contract for the Joint Waste Service and has a contract with Specialised Fleet Services Limited for the provision of refuse collection vehicles. The original contract length was 6 years 2 months and was extended for a further 2 years in April 2023. The contract expires on 31<sup>st</sup> March 2025.
- 3.2 The Joint Waste Service requires a fleet of 26 refuse collection vehicles to provide collections of household waste (refuse, dry recycling, and garden) to the residents of Tamworth and Lichfield plus collections of Trade Waste and Trade Recycling to businesses in Lichfield. The contract also includes the procurement of 1 Street Cleansing vehicle.
- 3.3 Tamworth Borough Council will co-host the new contract with Lichfield District and share any risks and liabilities. Costs are shared between the two Councils, with the allocation of costs being based on property counts of the two Councils. This can vary year on year, but is around 60/40%, with Lichfield being the larger Authority.
- 3.4 In awarding a 'contract hire arrangement for vehicle fleet' there is a need to balance cost and quality appropriately to ensure the Joint Waste Service obtains best value for the correct level of service, with a professional reputable company. To achieve this a balanced award criteria will be used that takes account of price, quality of service and social value. A full breakdown of the scoring mechanism is listed in the Legal Implications section of the report.

Supplier Questionnaire and Declarations	Pass / Fail
Pricing Schedule	60%
Quality Questionnaire inc. Social Value	30%
Social Value	10%

- 3.5 A report from the Link Group, completed in March 2022 recommended the Joint Waste Service use the Contract Hire Options. See Appendix 1. The report concluded:  
Contract hiring the refuse collection vehicles provides the Council with a greater degree of certainty of costs over each of the respective retention terms, transferring many of the risks of ownership to the lessor. Under certain scenarios it is possible to draw a conclusion the Council could save money by purchasing the required refuse collection vehicles, however the flexing of the input variables to such an extent carries risk for the Council. Of far greater certainty from the appraisals is the identification that contract hiring the assets over the longest retention term, 7 years, represents the best value to the Council.
- 3.6 Under a contract hire agreement the supplier has full responsibility for providing and maintaining the vehicles in return for a fixed monthly cost which is paid for the duration of the contract. In effect the supplier takes all the risks associated with financing and maintaining the vehicles plus their disposal at the end of the contract.
- 3.7 Prior to an award being made to the successful contractor, flexibility in the total number of vehicles ordered remains. The tender requests 27 vehicles, but the option exists to award a total number that suit the Councils final requirements and budgets, i.e. 26 vehicles.
- 3.8 Whilst the contract ties the Council into the agreed number of vehicles for the duration of the contract, a successful contract hire relationship is likely to provide a degree of flexibility for future years to enable an increase or decrease in the fleet size, as service requirements change (i.e. a reduction in RCV's due to

lower residual waste tonnage following food waste implementation / an additional RCV due to property growth).

- 3.9 The intention is to procure a single supplier for the fleet to reduce the costs associated with overseeing and administrating the contract. The fleet specification includes new round management equipment, CCTV cameras and other vehicle telemetry. This means that the fleet provider will be responsible for supplying and maintaining all this equipment as well as the vehicle.
- 3.10 The new contract will be let for seven years, with an option to extend for a further seven years (subject to further Cabinet approval). The seven-year period represents the best financial value to the Council, as it allows the capital costs to be absorbed over a longer period and is of the correct length that maintenance costs do not become excessive.
- 3.11 The Council could consider a number of options for sourcing / funding the vehicles and maintenance arrangements. These are summarised in the 'Alternative Options'.
- 3.12 It is anticipated that the Joint Waste Service will introduce weekly food waste collections in April 2026. This will require the introduction of approximately 12 additional vehicles. The vehicles required for the Food Waste service **have not** been included as part of this procurement.
- 3.13 The Department for Environment, Food and Rural Affairs (Defra) have provided capital transitional costs for the introduction of weekly food waste collections to both Lichfield District Council and Tamworth Borough Council. The amounts provided are summarised:

	Food Caddies	Food Waste Vehicles	Totals
Lichfield District Council	£313,243	<b>£818,400</b>	£1,131,643
Tamworth Borough Council	£225,696	<b>£409,200</b>	£634,896
Total	£538,939	<b>£1,227,600</b>	£1,766,539

- 3.14 The rationale for not including food waste vehicles in this procurement are:
- 3.14.1 The lead times for the introduction of the food waste service is too long to be ordering vehicles now, as it will not be introduced until April 2026. A competitive price for the vehicles would be highly unlikely to be obtained if delivery were planned for April 2026.
- 3.14.2 Defra have provided the FULL capital budget to outright purchase the vehicles. It is logical to use these funds to outright purchase the vehicles, and to make maintenance arrangements at the point of going to market for the vehicles.
- 3.14.3 Contract hire prices have been obtained from the Contract Hire using soft marketing. The prices quoted were extremely expensive. Experience of operating 7.5t food waste vehicles clearly indicate that the ongoing maintenance costs does not justify the contract hire prices provided. The vehicles are far simpler to maintain than traditional Refuse Collection Vehicles, and relatively low maintenance costs will be achieved.
- 3.14.4 The Joint Waste Service are also exploring procuring these vehicles along with other Councils within the Staffordshire Waste Partnership. This will have the advantages of providing economies of scale as there is the potential to procure far larger number of vehicles.

## Alternative Options

1. To extend the current contract for up to an additional 4 years. Not recommended as the current fleet is past its economic life and the reliability of the fleet is likely to severely effect service delivery. The current contractors have stated they would not support a further extension of the current fleet. Over a 4-year period a new fleet would be unaffordable, significantly overspending against available budget.
2. The feasibility of introducing alternative technologies has been considered. The Council has a target to fully decarbonise all waste fleet as soon as practicable and to achieve the **Lichfield District Council target of zero carbon emissions by 2035**. To achieve this requires a deliverable plan, including appropriate budget, to allow a successful transition to alternative vehicle technology. Currently the Council is not well positioned to deliver this and should consider major change for future fleet replacement. Factors to consider include:
  - a. The initial capital investment required for an electric fleet. As an example, an electric RCV costs £440,000 compared to £220,000 for a diesel equivalent. As an estimate the expected contract value of £11.6 million would increase to £18million if electric vehicles were introduced where available.
  - b. There are currently no electric options for certain types of vehicles the Council require, i.e. there is not an electric twin-pack RCV on the market.
  - c. Considerable investment is required to transform the current depot to be capable of charging a fully electric fleet. An electric supply would need to be secured, infrastructure installed, plus the footprint for parking of electric vehicles increases 1.5m per vehicle which adds pressure on depot space.
  - d. A feasibility study is recommended to address the opportunities a fully electric fleet provides. This would aid in building a business case for adaption at a later date.
  - e. Hydrogen RCV technology is in its infancy and is expensive. A single RCV would cost £750k, plus there is currently limited fuelling infrastructure available locally.
3. The Council could consider a number of options for sourcing / funding the vehicles and maintenance arrangements. These include
  - Direct Purchase
    - Internal Borrowing
    - External Borrowing
    - Operating Lease
    - Finance Lease
  - Maintenance Arrangements
    - In-house (no facilities, equipment, or experience)
    - Out-source (using Reliant Way as base)
    - Out-source (using contractor premises)

A series of options focussed on purchase (funded by borrowing) and contract hire using a whole life cost basis were developed by Link. The outcome of the financial modelling is shown in detail at **APPENDIX 1** and in summary below:

### Summary of cashflows

	62-month term	72-month term	84-month term
Purchase	£7,231,941	£7,871,165	£8,598,192
Contract hire	£6,612,292	£7,395,493	£8,503,693

### Summary of cashflows (PV)

	60-month term	72-month term	84-month term
Purchase	£6,726,317	£7,093,130	£7,859,568
Contract hire	£5,978,974	£6,795,009	£7,684,940

The purchase-based options have been ruled out, based on substantially higher risk to front line service delivery and end of contract costs. In addition, the option would also require greater management resource and control of the contract and the fleet.

It is possible that an outright purchase would deliver a small saving, although the risk to the Council will increase significantly.

- East Staffs Borough Council made a 'potential' small saving 2 years ago by changing from contract hire to outright purchase and contracting out the maintenance. However, they only received two bids to provide maintenance. It is probable their decision was also shaped by previous experience of a contract hire company going out of business and the risk that posed to their operations.
- Outright purchase options would increase the total number of vehicles required from 26 RCV's to a minimum of 29 RCV's to allow 'spare' vehicles. This would be x1 26t RCV, x1 Twin-pack for recycling & x1 smaller vehicle for tight access areas. Even with these additional 'spare' vehicles the JWS would significantly increase its reliance on 'spot-hire' vehicles.

### Consultation

1. Following recent trials of a variety of refuse vehicles available on the market there has been consultation with front line staff to ascertain the most suitable vehicles for our requirements.
2. Consultation with vehicle suppliers and contract hire companies to identify all the options available to the Joint Waste Service.
3. Consultation with our partner in the Joint Waste Service from Lichfield District Council and Tamworth Borough Council.

### Financial Implications

1. The impact of the fleet procurement on the Joint Waste Budget will not be fully known until the tenders are returned. However, assuming the contract hire tenders are in line with prices obtained from the soft market testing then the likely budget position within the Joint Waste Service is summarised.
2. The total costs are shared between Lichfield District Council and Tamworth Borough Council, based on property numbers. This varies year on year but is approximately 60% Lichfield District Council and 40% Tamworth Borough Council.
3. The length of the contract is anticipated as being 7-years (plus an option to extend for a further 7-years). The anticipated cost of a 7-year contract is £11.6million.
4. The anticipated cost of the contract per year is £1.66 million.
5. The costs for an extension are unknown at this stage, but any extension would be subject to a later Cabinet decision.

The budgetary position is summarised in the table below:

	Approved MTFs			Further projections				Total £000s
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Approved Budget	£1,660	£1,660	£1,660	£1,660	£1,660	£1,660	£1,660	£11,620
Projected Contract	£1,660	£1,660	£1,660	£1,660	£1,660	£1,660	£1,660	£11,620
<b>Budgetary Shortfall</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>
Tamworth BC (40%)	£664	£664	£664	£664	£664	£664	£664	£4,648
<b>Lichfield DC (60%)</b>	<b>£996</b>	<b>£996</b>	<b>£996</b>	<b>£996</b>	<b>£996</b>	<b>£996</b>	<b>£996</b>	<b>£6,972</b>

The capital grant received for both authorities to support the introduction of Food Waste will be added to the Capital Programme in the future as a separate project.

Approved by  
Section 151  
Officer

Yes

### Legal Implications

1. Financial regulations. Full involvement of Procurement team throughout process.
2. Tender documentation evaluated by Legal team.
3. Compliance with Council's Good Vehicle Operators Licence.
4. In awarding a 'contract hire arrangement for vehicle fleet' there is a need to balance cost and quality appropriately to ensure the Joint Waste Service obtains best value for the correct level of service, with a professional reputable company. To achieve this the award criteria set in the tender documentation is as follows:

Supplier Questionnaire and Declarations	Pass / Fail
Pricing Schedule	60%
Quality Questionnaire inc. Social Value	40%

- a. The Quality Questionnaire inc Social Value equates to 40% of the total for the award and is broken down into the following sections:

<b>Quality Questionnaire inc. Social Value (40% of total)</b>	<b>100%</b>
Contract Management	5%
Mobilisation Plan	15%
Service Delivery and Continuity	35%
Fair Wear and Tear Policy and Vehicle Return	5%
Added Value	5%
Social Value, Environment and Community	20%
Health & Safety	15%

Approved by  
Monitoring Officer

Yes

### Contribution to the Delivery of the Strategic Plan

1. The report supports delivery of the strategic plan of 'together we will create the greenest district in the country through an increase in the rate

	<p>of recycling in the district to more than 65%, whilst reducing our overall waste’.</p> <p>2. The report supports delivery of the Strategic Plan by ensuring the effective management of fleet for our Joint Waste Service. Not providing these options will undermine delivery of the agreed MTFs and breach our obligation to be a well-run Council.</p>
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Equality, Diversity and Human Rights Implications	1. None
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EIA logged by Equalities Officer	Yes/no* Equalities Officer confirmed not required.
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Crime & Safety Issues	1. There are no crime and safety issues arising from the contract hire of fleet.
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Data assessment	1. Household figures for both Lichfield District Council and Tamworth Borough Council have been reviewed and taken account of.
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Environmental Impact (including Climate Change and Biodiversity).	1. A new replacement fleet will support creating greener communities. New vehicles will achieve lower carbon due to modern cleaner engines and increased fuel consumption. All vehicles will have the ability to run on Hydrotreated Vegetable Oil (HVO). This is a stage in a transformation to an alternatively fuelled fleet.
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GDPR / Privacy Impact Assessment	1. There are no GDPR/privacy implications arising specifically from this report.
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	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Contract hire prices are submitted at a higher rate than provided for in the budget.	Yellow (material) the Likelihood (Yellow) and Impact Assessment (Yellow).	Close monitoring of tenders and budgets. Soft market testing has already been carried out.	Yellow (material) the Likelihood (Green) and Impact Assessment (Green)
B	Chosen contractor fails to deliver the appropriate level of service required.	Yellow (material) the Likelihood (Yellow) and Impact Assessment (Yellow)	Robust contract specification and monitoring. Regular contract review meetings.	Green (material) the Likelihood (Green) and Impact Assessment (Green)
C	Chosen contractor ceases trading.	Red (material) the Likelihood (Green) and Impact Assessment (Red)	Pre-diligence. Robust selection criteria and evaluation.	Green (material) the Likelihood (Green) and Impact Assessment (Green)

D	The new vehicles are not delivered before the end of the existing contracts.	Yellow (material) the Likelihood (Yellow) and Impact Assessment (Yellow)	Early commencement of tendering process with a long immobilisation period. Step in arrangements specified in contract. The contract will make the chosen contractor responsible for spot hiring replacement vehicles in the interim period.	Green (material) the Likelihood (Yellow) and Impact Assessment (Green)
E	Deterioration of the existing service should the existing contractors fail to be awarded the new contract.	Yellow (material) the Likelihood (Yellow) and Impact Assessment (Yellow)	Maintenance of a good working relationship with the existing suppliers. Enforcement of current contract T&C's & remedies.	Yellow (material) the Likelihood (Green) and Impact Assessment (Yellow)

<b>Background documents</b>	Any previous reports or decisions linked to this item Appendix 1: March 22 – Link Report
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<b>Relevant web links</b>	Any links for background information which may be useful to understand the context of the report
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