

CYNGOR SIR POWYS COUNTY COUNCIL.**Cabinet Report****26th February 2013****REPORT AUTHOR: County Councillor W.B. Thomas****SUBJECT: Procurement of Recycling and Refuse Collection Vehicles**

REPORT FOR: Decision

1.0 Executive Summary

In order to meet the Welsh Government targets for recycling levels across Powys, an interim fleet has been hired to enable the collection of dedicated recycle streams. The hiring of this fleet was expensive but necessary to enable the streams to be collected, whilst the WRAP/Amec Report - Powys Vehicle and Collection Options Appraisal in October 2012 (Appendix 2) into waste management was completed to identify the opportunities to develop a fit for purpose refuse and recycling collection model.

Following the reports' delivery at the end of 2012, extensive trials were undertaken across Powys to identify the most suitable dedicated recycling vehicle types and benchmarking with other Welsh Authorities in order to develop a long term strategy to enable Powys County Council to achieve the stretching targets set by Welsh Government whilst offering the most practical and cost effective solutions.

Having identified the most appropriate vehicle types, this report seeks agreement to the recycling vehicle type and operating model, selection of the best procurement route and, authorisation to progress the procurement of these vehicle types.

2.0 Vehicle Type Selection

Early in the process the two major vehicle types were identified; either compaction type vehicles which operate via a number of lifting devices or the stillage type that operates by filling the vehicles from ground level. Given the issues with low level power cables across Powys and the resultant prosecution for cable strikes brought by the HSE, both the Wrap report and the use of demonstration vehicles on test identified that the stillage type vehicle was most appropriate for PCC.

During the trials of each vehicle type, comprehensive feedback was sought from the front-line operators, fleet workshops and the corporate Health and Safety team as well as the strategic waste and recycling teams in order to develop a full vehicle type specification necessary for any successful procurement exercise.

As a result of the trials, feedback and benchmarking performed with Conwy CBC it is the recommendation of this report that the stillage type vehicle is the most appropriate to meet the needs of PCC in achieving the current and future recycling targets required by Welsh Government.

Recommendation 1: Stillage type vehicles approved for PCC
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3.0 Procurement Method Selection

There are two procurement routes available to PCC to successfully purchase the vehicles required to deliver the refuse and recycling service.

A local government consortium, framework operated by the Yorkshire Procurement Organisation (YPO), and widely used has been identified which has, within its base, the two key manufacturers of the stillage vehicles recommended. The alternate method is for PCC to develop its own tender exercise as a standalone Invitation To Tender. Both methods comply with the OJEU procurement regulations.

The table below seeks to highlight the benefits and risks of each procurement method:

Procurement Method	Key Benefits	Risks
Use of consortium Framework (YPO)	<ul style="list-style-type: none"> • 3 weeks for tender returns • Some of the management of the tender process performed by YPO • Baseline specifications are covered in qualification to be on framework (e.g. warranties) 	<ul style="list-style-type: none"> • YPO recover a 1% rebate from the supplier –hence likely 1% extra cost • Limited number of potential bidders • The Terms and Conditions of the Framework are not known at this stage*
Direct Tendering	<ul style="list-style-type: none"> • Increased number of potential bidders • No 1% fee payable to YPO and should result in reduced cost from supplier • Tendering process undertaken knowing Terms and Conditions 	<ul style="list-style-type: none"> • Tenders need to be in the market place for 40 calendar days • Specification needs to cover every aspect of the vehicles • Whole process owned by PCC • Additional PCC resource required

**Note on YPO procurement Method*

- *The specific Terms and Conditions of the Framework Agreement awarded to suppliers will not be known before the tendering process, they will however be confirmed before awarding any purchase order. The generic Terms and Conditions have been seen by the Councils solicitor.*
- *There is no reference to interim payments in the Terms and Conditions- this will be decided by the Council before proceeding with a Purchase Order. Payment will be based on a delivery acceptance procedure to be part of the tender documents.*

There are some elements of the procurement process that will be required for both methods:

- Creation of detailed specification to ensure correct vehicle types sourced.
- Creation of clearly defined evaluation criteria.
- Clearly specified volumes of vehicles by type allowing associated discount structure to be applied by suppliers
- Resources needed to support the tender process
- Effective evaluation performed by us.

From the table above it is clear that the use of the YPO framework is likely to speed the procurement process by a number of weeks. Following the YPO tender does create some concerns in terms of restricting those who can bid unknown Terms and Conditions and the likely 1% extra cost. Therefore the risks off using the YPO framework outweigh the potential benefits in speeding up the procurement process.

The recommendation is therefore that the Council develop standalone documentation to go out to the market.

Recommendation 2: The Council issues tender documentation directly to the market and not via YPO.

4.0 Finance Route

There are three primary procurement routes available to PCC.

- Capital Purchase
- Operating Lease
- Contract Hire

Capital Purchase requires the use of contingency funds, existing capital budgets already identified for this purpose and/or the use of prudential borrowing. The key benefit is that the asset belongs to the Council and therefore any residual value at the end of the assets operation life is recouped by us.

Operating Leases are used to attract external funding for capital purchases with the leaseholder providing the capital and charging a management fee for this provision. The vehicles are owned by the leaseholder with, any residual value, returning to the leaseholder. The Council would be liable for all servicing, maintenance and repair costs during the operational life of the vehicles and any damages to the asset to ensure the residual value of the asset is achieved.

Contract Hire is where both the capital financing and the life management of the vehicle, for inspections, servicing and maintenance are borne by the owners but charged back to PCC in a long term hire charge. As with Operating Leases the vehicle remains the property of the Hire Company and PCC are liable for all damage and unfair wear and tear on the vehicle needing repair to ensure the residual value of the asset.

An options appraisal will be undertaken on the most economically efficient way of funding these vehicles. The choices will almost certainly be between outright purchase and some form of leasing. The options appraisal will take place in parallel with the vehicle procurement and the Chief Finance Officer will determine the preferred funding option, in consultation with the Cabinet Member for Finance.

5.0 Vehicle Numbers

The procurement requires two key items of data, the specification of the vehicle type and the volumes required.

As covered within the section on vehicle type selection, work is now progressing to capture all of the requirements for the recycling vehicles into one, coherent specification document to accompany the tender documentation. It is expected that this will be completed and agreed by the end of February 2013.

For vehicle numbers, the methodology used is to divide the total number of collection points by the average numbers of points that can be collected by each vehicle, each day. The Report undertaken by WRAP (Appendix 2) used an average of 650 points per day to generate an estimate of the numbers of recycling vehicles required. However, following detailed discussions it has been agreed that, given the geographic challenges of Powys, an average figure of 600 collection points per day should be used.

There are four vehicle types needing to be procured. They are;
Standard Recycling Stillage vehicles
Narrow/short wheelbase Recycling Stillage Vehicles
Standard Refuse Collection Vehicles
Narrow/Short Refuse Collection Vehicles

The total number of domestic collection points across Powys has been identified as 60,000.

Of these addresses, 5,500 are in geographically challenging areas that would require the narrow/short vehicle type.

The calculations for the numbers of vehicles by type are shown below:

Recycling Vehicles		
Type of Vehicles	Standard Vehicles	Narrow Vehicles
Total No, of collection points	60,000	
Number of collection points	54,500 (60,000 -5,500 narrow collection)	5,500
Average No. of Collection points per day	600	300
Number of vehicles required. (i.e. collection points/No. of collection done a week- rounded up to whole number)	18	4

Refuse Collection Vehicles (RCV): (70/30 split compaction vehicles) <i>Refuse collections are performed fortnightly</i>		
Type of Vehicles	Standard Vehicles	Narrow Vehicles
Total No, of collection points	60,000	
Number of collection points	54,500 (60,000 -5,500 narrow collection)	5,500
Average No. of Collection points per day	1000	400
Number of vehicles required. (i.e. collection points/No. of collection done a week- rounded up to whole number)	6	5

Combined Refuse/Recycling fleet for Powys of:	26 Recycling vehicles and 11 Refuse vehicles
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This excludes spares for scheduled inspections and maintenance routines.

The expectation should be that there would be a requirement for 1 spare RCV and 2 spare recycling vehicles.

More work is being performed to finalise the specific vehicle numbers, although we do now have the range for each type. The opportunity therefore is to request, as part of the tender exercise, suppliers provide pricing for a range of vehicle numbers to ensure maximum leverage on price whilst not over committing the authority to purchase too many vehicles.

Recommendation 3: That the tender documentation seeks to procure, in two cost band ranges, between 24-30 recycling vehicles and 12 RCV's

6.0 Timeline

A headline timeline for the provision of vehicles is attached at Appendix 1. The procurement exercise, through to awarding of contract and then manufacturers lead times are captured within this document. Assurances have already been provided to the scrutiny committee that, although the manufacturers lead times are very lengthy (6-9 months on average) all vehicles should be delivered and in operation across Powys by, at the latest, September 2014.

7.0 Next Steps

If cabinet approve the recommendations in this report the next steps will be to finalise the specification and tender documentation and proceed to issue Tender Documentation to YPO, for bidders to respond.

Decisions regarding the finance methodology for the procurement need to be agreed, this will involve a further paper to cabinet for review and agreement.

In order for the recycling vehicle types specified to deliver maximum operational efficiencies to the Council further work is needed to identify and secure suitable Waste Transfer stations in advance of the delivery of the vehicles. Similarly, there is further work needed across the refuse and recycling areas to perform route planning and scheduling to fully utilise these vehicles.

It should be noted that in the generation of this report no assumptions have been made regarding the impact of any potential changes to Trade Waste agreements and operations across Powys.

8.0 Support Services (Legal, Finance, HR, ICT, BPU)

The Service Accountant commented: Before numbers and sizes of residual waste vehicles can be ascertained with any certainty further work is needed around route planning and the transfer of waste as mentioned above. It will also be necessary to formulate a strategy for the Trade Waste Collection Service.

The Principal Accountant (Capital) commented: that a sum of £3.2m has been included in the Capital Strategy for the Recycling/Refuse vehicles.

Advice has been obtained from both the Legal and Health and Safety teams in the creation of this report.

Legal Officer commented: It is very unusual to utilise a Framework Agreement when the contractual terms and conditions of that Framework Agreement are not known at the outset and those terms and conditions only become known after the identity of the bidders has become known. There are concerns as to the legality of the YPO framework and its use will come with the risk of legal challenge from stillage type vehicle manufacturers who are not on the YPO framework.

The advice from the legal team with regard to the use of the Yorkshire Procurement Organisation framework and the advice not to use this framework has been accepted and incorporated in this report.

The Corporate Health and Safety Adviser commented: that following observations and discussions with operatives and Management involved in the trials of the stillage vehicles, it is considered that this type of vehicle can provide an effective method of collecting recyclates without adversely affecting the wellbeing of collection operatives. However, It is recommended that training, to include the new manual handling methods, be introduced and that an ergonomic assessment undertaken of the vehicles prior to their introduction.

9.0 Sustainability and Environmental Issues/Equalities/Crime and Disorder/Welsh Language/Other Policies etc.

Sustainability and Environmental issues have been fully considered in recommending this procurement. The vehicles will, as a minimum, have engines rated as compliant with the Euro V legislation. However, all vehicles registered after 31st December 2013 will be compliant with the Euro VI standard which further reduces particulate discharge from LGV diesel engines.

No other issues have been identified relating to Equalities/Crime and Disorder/Welsh Language or any other policies.

10.0 Local Member(s)

The introduction of the proposed vehicles will change operations across the whole of the Council and therefore will be of interest to all members.

11.0 Other Front Line Services

If the purchase of the vehicles is not made, there is a risk to both the ability of PCC to achieve the Welsh Government recycling targets, and the potential financial penalties that could trigger, and the financial impact of using sub-optimal and expensive hire solutions. Both of these impact on the authorities ability to provide services across other service areas.

12.0 Local Services Board/Partnerships/Stakeholders etc.

Not applicable at this time.

13.0 Communications

Once the procurement process has commenced there are plans to create a comprehensive review across the refuse/recycling areas to ensure that the routes are optimised and all staff/stakeholders are kept fully briefed with developments via a detailed communications plan until the vehicles are procured and deployed.

14.0 Statutory Officers

Chief Finance Officer's Comments: The Chief Finance Officer notes the comments of the Accountants. The procurement is being structured in a way to protect against some of the current uncertainties on vehicle numbers. He notes the provision in the capital budget.

Recommendation:	Reason for Recommendation:
Approve Stillage type vehicles to collect recyclates in Powys	Following extensive testing and comparisons, including potential Health and Safety Hazards, stillage vehicles have been identified as the most appropriate vehicle type for Powys.
PCC creates standalone tender documentation for direct issue to the market	It has been identified that using the YPO route to procurement could place Powys at risk of failing compliance. Although producing standalone documentation takes slightly longer and requires more PCC resource it is both cheaper and reduces the risk of non-compliant procurement.
That the procurement seeks pricing for two volume bandings from potential suppliers	This will enable the procurement to commence whilst further detailed work is performed within the service area to identify the optimum vehicle routes and numbers required

Relevant Policy (ies):	
Within Policy:	Y / N
Within Budget:	Y / N

Relevant Local	
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Member(s):	
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Person(s) To Implement Decision:	
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Date By When Decision To Be Implemented:	
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Contact Officer Name:	Tel:	Fax:	Email:

Enclosures

Appendix 1: High Level Waste Fleet Replacement Programme

Appendix 2: WRAP Report: October 2012