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<b>Purchase of new Fleet and Plant for Environment Base Services</b>
<b>Councillor Marco Cereste , Cabinet Member for Waste, Street Scene and the Environment</b>
<b>February 2021</b>
<b>Deadline Date:</b> N/A

<b>Cabinet portfolio holder</b>	Councillor Marco Cereste, Cabinet Member for Waste, Street Scene and the Environment
<b>Responsible Director</b>	Steve Cox – Executive Director Place and Economy
<b>Is this a Key Decision?</b> If yes has it been included on the Forward Plan	Yes, reference number – KEY/31AUG20/04 Yes
Is this decision eligible for call-in?	Yes
Does this Public report have any annex that contains exempt information?	Yes – Exempted Appendices 1A - 1E by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 as the appendix contains commercial information
Is this a project	Yes this will be a PCC procurement

<b>RECOMMENDATIONS</b>
<p>The Cabinet Member for Waste, Street Scene and the Environment is recommended to:</p> <ol style="list-style-type: none"><li>1. Consider and approve the release of capital funding from the capital programme to the value of £14 million to fund the purchase of new vehicles and plant to be used by Peterborough Limited (PL) in the delivery of certain services on behalf of the Council.</li><li>2. Approve the commencement of the procurement process for new vehicles and plant, the outcome of which may lead to an award to more than one successful bidder and the amendment, where necessary of the hire agreement relating to the existing vehicles and plant under the Operational Services Agreement (OSA).</li><li>3. Consider and approve amendments to the OSA in relation to the General Data Protection Regulations (GDPR).</li></ol>

**1. SUMMARY OF MAIN ISSUES**

- 1.1. This report outlines the details needed for approval to be given to release capital funding from the capital programme and the commencement of the procurement process, for new fleet and plant for environmental services delivered within Peterborough by PL on behalf of the Council in accordance with the terms of the OSA. Vehicles and plant will consist of refuse freighters, small cage vans, minibuses and mowers etc.,

- 1.2. The capital funding is to (i) replace fleet vehicles and capital assets which have now reached the end of their economic viability (ii) To invest capital to reduce revenue expenditure on leased vehicles (iii) to expand the recycling and waste collection fleet to meet the growing demands of Peterborough.
- 1.3. The new fleet and plant will remain the property of the Council (which is currently the case) and will be made available to PL in order to deliver environmental services and the OSA will require amendment to reflect changes to new hire terms.
- 1.4. This report also asks the Cabinet Member to consider and approve amendments to the OSA in order to update its GDPR provisions.

## 2. PURPOSE AND REASON FOR REPORT

- 2.1 This report is for the Cabinet Member for Waste, Street Scene and the Environment to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (i).
- 2.2 The purpose of this report is to seek approval to release capital funds from the capital programme to purchase new fleet and plant for the delivery of environmental services, to commence the procurement process and to amend the OSA both to reflect these intended purchases and update the GDPR provisions.
- 2.3 Elements of this report (See Appendix 1) are exempt, that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because they contain information which is commercially sensitive. The public interest test has been applied to the information contained within the exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.

## 3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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## 4. BACKGROUND AND KEY ISSUES

- 4.1 The delivery of environmental services is heavily reliant on certain fleet and plant. A business case has been created for each of the following service areas to ascertain the best option for their provision:
  - Recycling and Waste Collection – See Appendix 1a
  - Parks, Trees and Open Spaces – See Appendix 1b
  - Passenger Transport Service– See Appendix 1c
  - Other – See Appendix 1d
  - Electrification of the Fleet – See Appendix 1e
- 4.2 All the business cases (See Appendix 1) show that in relation to the capital purchase of vehicles across all service areas, spreading the capital repayment cost and interest over nine years represents the best financial and service option.
- 4.3 For each service, option three has been assessed as the best approach, as it allows for all the fleet and plant to be replaced at the least cost, whilst blending the purchase of

brand-new vehicles with those purchased out of lease – allows us to extract the maximum amount of life out of the remaining fleet and will allow us to adopt new technologies gradually over time.

4.4 The options are all profiled for lease or finance repayment until March 2029. This is to align with:

- The Council’s declaration of a climate emergency and the commitment not to operate any fossil fuel powered vehicles past 1st January 2030; and,
- The end of the term of the OSA.

4.5 The table below sets out the initial capital investment required for approval based on the business cases in Appendix 1. Also included is the additional investment needed from 2022/23 for information:

Table 1	For Approval		For Information			
	2020/21	2021/22	2022/23	2023/24	2024/25	2025 to 2029
<b>Recycling and Waste Collection</b>	£508K	£6,153K	£61k	£228k	£0	£0
<b>Parks, Trees and Open Spaces</b>	£1,459K	£140k	£361k	£36k	£0	£39k
<b>Passenger Transport</b>	£1,925K	£200K	£0	£0	£253k	£910k
<b>Other</b>	£1,079K	£418k	£36k	£0	£0	£339k
<b>TOTAL</b>	<b>£4,971K</b>	<b>6,911K</b>	<b>£458K</b>	<b>£264k</b>	<b>£253K</b>	<b>£1,288k</b>

4.6 The viability of moving towards electrification of the fleet and plant in each of the four service areas has been undertaken using independent advice. Independent advice and review was provided by the Energy Saving Trust (EST) utilising funding from the Department for Transport (DfT).

4.7 The DfT review has concluded that from a carbon and life-cycle costing perspective - there are benefits to introducing electric vehicles into sub 3.1t vans and cars fleet; as well as collections fleet. Electrification of the full collection fleet is not practical at this time given the long working day and distances travelled.

4.8 Review of the report considering market availability of these units, their operational suitability as well as technical limitations i.e. RCV’s being produced cannot have food pods (as we currently utilise) due to displacement of the battery pack, has identified the following to be practical:

- Recycling and Waste Collection – Introduction of two electric collection vehicles on the garden waste service only.
- Parks, Trees and Open Spaces – Introduction of one sub 3.1t electric vehicles and to defer half of our diesel 3.5t and 7.5t order for two more months to allow electric alternatives to come to market for review/

- Passenger Transport Service – No introduction of electric vehicles at this time; and,
  - Other – the introduction of one sub 3.1t van.
- 4.9 For the economical assessment the “Shadow Carbon Cost” was not included as the ‘Cost’ is a concept and not an actual charge.
- 4.10 Currently there are government grants available on electric RCV’s. This grant is for £20,000 and is managed directly between the government and the manufacturer but it has been excluded from our financial analysis because it is not assured until the order is placed; funding is limited to the first 200 RCV’s purchased across the UK.
- 4.11 Irrespective of electric vehicles being introduced or not; the services emissions across the new fleet will decrease compared to the current fleet as the newer vehicles’ environmental standards will be generations higher than those currently in service.
- 4.12 Key elements such as bin lifts will move from diesel powered to electric irrespective of the vehicles’ fuelling source as electric bin lifts provide emission improvements and reduced noise for both residents and collection crews.
- 4.13 When building the business cases, it has been taken into account that the Government has still not published its paper on how they expect waste collection to be conducted moving forwards. Whilst this could pose a change in the way we collect waste, given the current age and mechanical standard of our fleet it is deemed that we cannot wait further before placing orders. If we failed to move forwards with changing the fleet, we would see regular failed collections of kerbside waste due to breakdowns and vast increased costs to the authority in repairs to the point where vehicles would be uneconomical to repair.
- 4.14 The new fleet and plant will be operated by Peterborough Limited under the Aragon Direct Services banner. Operation, maintenance and repair costs will be borne by PL in accordance with the terms of the OSA.
- 4.15 The procurement will:
- replace a mixture of vehicles and plant owned by the Council which are the financial responsibility of PCC to replace; and
  - Replace certain vehicles and plant owned by PL and which PL has a responsibility under the OSA to replace.
- 4.16 In respect of the vehicles that will be funded by PL, two procurement options were considered:
- The Council provides a loan to PL to purchase the vehicles (the loan being subject to approval by Cabinet); or,
  - The Council purchases the vehicles and then allows PL to utilise them for the remaining duration of the contract subject to appropriate payment and other terms being put in place,
- and it is proposed to move forwards with the second option; the Council will purchase the new vehicles and the OSA and existing hire arrangements will consequently need to be amended to reflect the change in ownership of these new replacement vehicles purchased on behalf of PL detailing the repayment terms to the Council.
- 4.17 Finally, while the existing OSA with PL details terms relating to GDPR, it is proposed this is updated to include a new Appendix, Appendix A, which will further detail who the PL nominated GDPR officer is and be prescriptive on the types of data that will be shared with PL, how this will be shared and how it will be kept secure.

## **5. CONSULTATION**

- 5.1 No external consultation is required
- 5.2 Internal consultation has been carried out with PL and PCC officers.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 If approved, procurement of the new fleet will commence. Where possible appropriate Frameworks will be used, such as ESPO, in order to reduce procurement time and resources required.
- 6.2 PL will define its operational requirements for the delivery of services to the Council for each vehicle including payload, size, safety equipment (i.e. CCTV, reversing cameras and beacons), and will work collaboratively with the Council's Procurement function in acquiring the required assets.
- 6.3 The new fleet will meet a higher environmental standard than that currently in service. The large goods vehicles will be replaced with Euro 6 Engine requirement, rather than our current Euro 5 specification resulting in a reduction in Nitrogen oxide emission from 3.5 g/kWh to 2.0 g/kWh.
- 6.4 The recycling and waste collection fleet will use electric powered bin lifts reducing both fuel usage and noise levels.
- 6.5 The Council and PL will enter into a Deed of Variation to amend the OSA to provide for new data protection clauses in accordance with the Data Protection Act 2018 and Data Protection Regulations and in due course once successful contracts are awarded as a result of the procurement process, the OSA and hire agreement will be amended to reflect further changes.

## **7. REASON FOR THE RECOMMENDATIONS**

- 7.1 The current fleet and plant being used to deliver environment services are reaching the end or have surpassed their economic life. Maintenance costs have significantly increased, which has also increased down time during which the vehicles are not in productive use.
- 7.2 The proposed new fleet is programmed to last until 30/05/2029, to be co-terminus with the end of the OSA initial contract term. This will also enable a non-diesel fleet to be implemented at this time to meet the Council's carbon commitment to have no diesel vehicles by 2030.
- 7.3 The Council will procure the entire fleet as it has access to a wide range of procurement frameworks which is anticipated to give best value for money and also allows the Council to retain ownership of the vehicles in case there is ever cause to step in and operate these services under the terms of the OSA.
- 7.4 The update to the GDPR clause in the OSA will ensure the contract is fully compliant with the laws and regulation surrounding GDPR.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 It was considered as to whether options to lease vehicles on a short or long term basis should be used. This was rejected as the business cases for each area showed that this would be a more expensive option for service delivery (See Appendix A).
- 8.2 Investigations into purchasing electric vehicles are ongoing and will be pursued if economically viable.

8.3 Not updating the GDPR clause in the contract would be in breach of GDPR

## **9. IMPLICATIONS**

### Financial Implications

9.1 Appendix 1 contains all the business cases for each of the service areas. Capital investment is proposed to the value of £14 million, of which £12.6m is for renewals up to 2023/24, the period covered by the MTFS to be presented to Cabinet for approval in February. Including borrowing costs, the whole life revenue impact of all purchases required is likely to be around £15.65m. Whilst funding for the initial investment has been factored into the MTFS it may be necessary to adjust the budget in later years to consider the final profile of the capital repayments, including those for purchases outside of this initial period.

### Legal Implications

9.2 Peterborough limited is a “Teckal” compliant company (advice is detailed in KEY/11JUN18/04 – Link found in background documents) and thus exemption from needing to compete with other companies under procurement legislation for works and services supplied to the Council.

9.3 The Council is a contracting authority for the purposes of the Public Contracts Regulations 2015 – a body governed by public law. The Council is therefore bound to comply with these Regulations in the procurement of the new fleet and further governance will be brought forward in due course to reflect the contract(s) awarded as a result of the procurement process.

9.4 The use of a legally compliant procurement process, and the update of GDPR provisions within the OSA will ensure that the Council complies with its legal obligations.

### Equalities Implications

9.5 There are no negative equalities implications.

### HR Implications

9.6 None at this time

### Carbon Impact Assessment

9.7 This report provides for the City Council to purchase several new vehicles for Aragon Direct Services, it is noted through the business cases that not all vehicles can be moved to electric at this stage however it is also recognised the great improvements through using some electric vehicles and a mixture of hybrid refuse vehicles having diesel engines and electric lifts will have a positive impact on reducing our carbon emissions.

## **10. BACKGROUND DOCUMENTS**

10.1 Cabinet Meeting, 11<sup>th</sup> June 2018. Item 6

<https://democracy.peterborough.gov.uk/ieListDocuments.aspx?CId=116&MId=4142>

## **11. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED**

11.1 None

## **12. APPENDICES**

- Appendix 1A-1E - Exempted Section Not for Publication Business Cases for Fleet and Plant replacement

