

**Forward Plan reference number: FP/009/03/21**

<b>Report title:</b> Integrated Waste Handling Service Delivery – Fleet and Plant Procurement	
<b>Report to:</b> Councillor Malcolm Buckley - Cabinet Member for Waste Reduction and Recycling	
<b>Report author:</b> Samantha Kennedy - Director Environment and Climate Action	
<b>Date:</b> 26 May 2021	<b>For:</b> Decision
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<b>County Divisions affected:</b> All Essex	

**1. Purpose of Report**

- 1.1 To provide information about Essex County Council's (**ECC**) arrangements, as the Waste Disposal Authority (**WDA**), to ensure that suitable provision of vehicles and trailers which are critical in the operation of ECC's Recycling Centres for Household Waste (**RCHW**) and specialist plant which is required for the loading and compaction of waste at the ECC Waste Transfer Stations (**WTS**) and RCHW.
- 1.2 To seek approval for the proposed procurement approach for the contract hire of vehicles, trailers, and specialist plant at the RCHW and WTS.

**2. Recommendations**

- 2.1 To agree that ECC will go out to the market to procure arrangements for the contract hire of vehicles and trailers to assist in the delivery of statutory services at the RCHW for a 7 year period using The Procurement Partnership Limited (**TPPL**) Framework.
- 2.2 To agree that ECC will go out to the market to procure arrangements for the contract hire of specialist plant to assist in the delivery of statutory services at the RCHW and WTS for a period of 5 + 2 years using the Eastern Shires Purchasing Organisation (**ESPO**) Framework.
- 2.3 To agree the proposed evaluation criteria of 60% price and 40% quality of which 5% will be allocated to social value for both tenders, which is acceptable under both Frameworks.

**3. Summary of issue**

- 3.1 A previous Cabinet decision FP/803/09/20 on 24 November 2020 agreed that ECC will assume responsibility for operating RCHW and WTS using a Hybrid Sourcing Model, after the expiry of the Integrated Waste Handling Contract (**IWHC**) with Veolia on 31 March 2022.

- 3.2 The decision also delegated authority to the Cabinet Member for Environment and Climate Change Action in consultation with the Cabinet Member for Finance to approve the procurement approach, evaluation criteria, contract length and terms of the award for the provision of Plant and Equipment, including vehicles, operational plant and waste containers for efficient operation of the services.
- 3.3 The existing vehicles, trailers and specialist plant are provided through the IWHC contract by Veolia. This contract expires on the 31 March 2022 and therefore new vehicle fleet, trailers and specialist plant are required by this date, to coincide with the implementation of the new Hybrid Sourcing Model.

### **Vehicles and Trailers**

- 3.4 The procurement of vehicles and trailers will ensure that ECC will have suitable arrangements in place for transporting Local Authority Collected Waste (LACW) from the RCHW to delivery points across Essex and other locations.
- 3.5 The number of vehicles and trailers required to provide the service have been considered in line with current transport provision. A breakdown of the numbers and types of vehicles and trailers can be found in Appendix 2.
- 3.6 Market engagement has identified potential prices for purchase or contract hire of the vehicles and trailers and these have been assessed over a seven-year period to account for the anticipated life of the vehicles and equipment.
- 3.7 Paragraph 5.1 of this report demonstrates that the contract hire option over seven years would provide ECC with the best value for money through this procurement.
- 3.8 The contract hire option would also avoid capital outlay for the equipment and the need to procure separate contractual arrangements for servicing and maintenance, as this would be included within the contract hire cost. This option would result in less administration for the provision of the vehicles and allows more flexibility on vehicle numbers, if haulage destinations were to change in the future.
- 3.9 The responsibility of the warranty agreements for these vehicles will be between the hire company and the dealership and ECC will receive the benefit of the warranties in the contract period. The hire company is obligated under the contract to provide ECC with fully maintained and operational vehicles for the 7 year term based on an annual mileage of 50,000 miles per vehicle. This mileage has been calculated based on current service provision and if this limit is exceeded, an additional mileage charge will apply. The additional mileage cost will be assessed as part of the quality evaluation.
- 3.10 The TPPL Framework is recommended for this procurement, as it is well established in this market and has a number of suppliers registered that would be suitable to provide the contract hire services that ECC require.

- 3.11 The proposed contract value is approximately £5 million for contract hire of the vehicles and trailers over the full seven-year contract duration. The contract duration is permissible under the TPPL Framework and under the Public Contract Regulations 2015 (**Regulations**).

### **Specialist Plant**

- 3.12 The procurement of specialist plant is a separate requirement to the vehicles and trailers and do not need to be compatible. This equipment will ensure that ECC will have suitable machines for the efficient handling and loading of LACW at the RCHW and WTS. The loading and compaction equipment, quantities found in Appendix 2, are essential to the operation of these facilities to improve the efficiency of haulage operations by maximising weights in containers at the RCHW and bulk haulage trailers at the WTS, thereby reducing haulage costs.
- 3.13 The equipment requirements have been considered in line with current service provision. A breakdown of the numbers and types of specialist plant can be found in Appendix 2.
- 3.14 Market engagement has identified that most suppliers would provide this plant on a five-year contract hire basis due the environment that they would be working in. However, the life of the machines used at the RCHW could be up to seven years, so the costs for purchase or contract hire have been assessed over a seven-year period to account for the anticipated life of the equipment.
- 3.15 Paragraph 6.1 of this report demonstrates that the contract hire option over 5 years with the potential to extend the arrangements for a further two years would provide ECC with the best value for money through this procurement. The contract duration is permissible under the ESPO Framework and under the Regulations.
- 3.16 The contract hire option would also avoid capital outlay for the equipment and the need to procure separate contractual arrangements for servicing and maintenance, as this would be included within the contract hire cost. This option would result in less administration for the provision of the specialist plant.
- 3.17 The hire company is obligated under the contract to provide ECC with fully maintained and specialist plant for the 5 + 2 year term based on an annual usage of 2,000 hours. The hire includes ECC receiving the benefit of the warranties between the hire company and the dealership. This usage has been calculated based on current service provision and if this limit is exceeded, an additional hourly charge will apply. The additional will be assessed as part of the quality evaluation.
- 3.18 The TPPL Framework does not have an option for contract hire of specialist plant, so the ESPO Framework is recommended for the procurement of this equipment, as it well established in this market and has a number suppliers registered that would be suitable to provide the contract hire services required.

- 3.19 The proposed contract value is £6.5m for specialist plant over the full seven-year contract duration, including the potential extension period.
- 3.20 Both tenders will be evaluated on the basis of price (60%) and quality (40%) of which 5% will be allocated to social value.
- 3.21 Market engagement has identified a limited variation in price for the vehicles and specialist plant, so a higher quality score is recommended in order to drive overall value for money. The lead times and maintenance arrangements for vehicles and equipment are critical to the delivery of services, so the quality aspects of this evaluation will assess the robustness of bidder's responses for delivery of the vehicle, trailers and specialist plant, servicing and maintenance, warranties, contingency plans and social value. These will include minimum standards to ensure that the equipment is of sufficient quality and will be in place by the required timescales.
- 3.22 To ensure that a quality service is delivered throughout the life of the contract, the use of Key Performance Indicators (KPIs) is proposed to cover the following broad themes. The KPIs shall enable the Authority to manage the suppliers through contract management and will include mechanisms to hold contractors to these, if performance is not to the required standard:
- Compliance – to ensure that vehicles and trailers are roadworthy and both these and the specialist plant are meeting the necessary standards.
  - Response to vehicle breakdowns – to ensure that in the event of vehicle or specialist plant breakdown, the contractor responds to these and keeps the fleet moving or the specialist plant operational.
  - Completion of works – to ensure that contractor servicing and repairs to the fleet and specialist plant are carried out within agreed timescales.
  - Provision of service documentation – to ensure that the contractor provides the Authority with the service documentation in a timely manner.
- 3.23 Investigation has been undertaken to look at more environmentally friendly vehicles. However, the technology for electric engines on heavy duty fleet with hydraulic lifting gear and specialist plant is presently in the early testing stage with the first companies envisaging production by 2022, which will be too late for the new Hybrid Sourcing Model. Feedback from market engagement has also highlighted that even once these vehicles are available, they would require significant upfront capital expenditure and the range for these engines are limited, which would significantly impact on ECC's ability to deliver to certain disposal and reprocessing facilities.
- 3.24 Given the absence of alternative engine options, to ensure that the contract meets ECC's future aspirations for carbon reduction and environmental improvement, the contract will include a requirement for vehicles and specialist plant to be of the latest emissions standards. The quality evaluation will also look for potential benefits such as options for using alternative fuels or other technologies that may assist with overall environmental performance.

- 3.25 Following the Covid-19 outbreak and European Union exit, lead times for vehicles and specialist plant have increased. The suggested procurement route within the options appraisal focuses on the use of established procurement frameworks as the majority of suppliers have already met their qualifying criteria and have accepted set terms and conditions. This will shorten procurement timescales and still deliver a competitive solution for the contract hire arrangements.

#### **4. Options**

- 4.1 The following options were considered for the development of this recommendation:

##### **Option A – Do nothing (not recommended)**

- 4.2 This option means that ECC, as the WDA, will fail to meet its statutory duty by not having suitable arrangements in place for the transfer of LACW from the WTS for onward treatment or disposal. The absence of compaction equipment at the RCHW would significantly increase ECC's haulage costs and carbon emissions as more container movements would be required. There would also be an impact on the level of service to residents, as containers would fill up more frequently, which could lead to unavailability for certain materials and increase the risk of site capacity being reached, resulting in temporary closures.

##### **Option B - Procurement: Open or Restricted Procedure for Contract Hire (not recommended)**

- 4.3 This option would involve undertaking a full procurement using either the open or restricted procedures. Whilst this approach would allow for competition to take place and value for money to be achieved, it would require a significant amount of work and time in preparing the tender documents to ensure that these are suitable for the market.
- 4.4 The Authority is not established in this market and does not routinely purchase this type of equipment. This presents a value for money risk compared to using an established framework where all necessary due diligence on the contract documents as well as pre-selection of suitable suppliers has already been completed. This risk was highlighted during market engagement where it was identified that in this market suppliers require buyers to adopt their terms and condition upon award of contract.
- 4.5 Undertaking an open or restricted procurement will take longer to complete than running a call off from an established framework. This creates a risk as market engagement has highlighted that the lead times for both fleet and specialist plant has increased as a result of European Exit and COVID-19. This presents a risk to delivery of the service by 1 April 2022.
- 4.6 An open or restricted procedure is likely to attract those suppliers already included within a national framework. On that basis they are likely to prioritise the tenders issued via the Framework rather than undertaking a full tender

selection process. This would represent a value for money risk due to a lack of competition that could be mitigated by using a national framework.

### **Option C – Framework - Contract Hire (recommended)**

- 4.7 This is the recommended option, as TPPL and ESPO frameworks are well established procurement routes used by the public sector.
- 4.8 The use of frameworks still allow competition between manufacturers and will reduce procurement timescales, as prequalification checks have already been carried out. Frameworks also allow for further competition as providers on the framework will be required to bid on ECCs specific requirements which would not be the case if ECC direct awarded one provider. This approach also avoids the need to draft specific ECC Terms and conditions, which bidders may not be keen to accept leading to unnecessary delays.
- 4.9 The timescales surrounding delivery of vehicles and equipment are critical to the mobilisation of the new service. This route provides a competitive and compliant procurement route which will drive value for money, whilst ensuring that the procurement timescales are minimised.
- 4.10 The proposed contract term for the procurement of vehicles and trailers via the TPPL Framework would be for a period of seven years from services commencement. The contract term has been selected to align with the median vehicle life associated with this type of service following market engagement. This will give bidders the best opportunity to depreciate assets over the term of the contract, thereby maximising value for money for ECC.
- 4.11 The proposed contract term for the procurement of specialist plant via the ESPO Framework would be for period of five years from services commencement with the potential for extension up to a further two years at ECC's discretion. The initial contract term has been selected due to the intensive environment that the specialist plant would be working in. The potential extension will provide the opportunity to extend the arrangements for certain equipment, where the life has not been exhausted, thereby maximising value for money for ECC.
- 4.12 The payment for the vehicles, trailers and specialist plant will be an all-inclusive monthly charge, which includes all maintenance and servicing requirements.
- 4.13 Both tenders will be evaluated based on total cost, quality, and social value over the seven-contract term, including the potential two-year extension for specialist plant.
- 4.14 In order to evaluate the quality element of the proposals, Bidders will be asked to provide method statements addressing the following critical areas for effective contract delivery:
  - a. Servicing & Maintenance
  - c. Delivery & Mobilisation
  - e. Contingency Planning

- f. Warranty Arrangements & Account Management
- g. Health, Safety and Environment
- h. Social Value

- 4.15 The Contract Hire option would avoid the need to procure separate contractual arrangements for servicing and maintenance, as this would be included in the agreement. Replacement vehicles will also be a requirement of the contract hire agreement, which will reduce downtime and ensure the services can continue to be delivered while maintenance is being carried out.

#### **Option D – Framework - Purchase (not recommended)**

- 4.16 This is not the recommended option, as market engagement has indicated that prices for purchase would be very similar to contract hire.
- 4.17 Purchasing the vehicles, trailers or specialist plant would require significant upfront capital investment. ECC would also effectively be locked into using these vehicles for their anticipated seven-year life and the only option to reduce numbers would be resale on the open market.
- 4.18 Outright purchase would also result in needing a separate contract for servicing and maintenance to deliver best value. Any arrangements could create conflict between maintenance requirements and vehicle availability, so short term hire agreements would still be needed to ensure continuity of service.

### **5. Links to Essex Vision**

- 5.1 This report links to the following aim in the Essex Vision:

- to Develop our County sustainably.

*For more information visit [www.essexfuture.org.uk](http://www.essexfuture.org.uk)*

- 5.2 This links to the following strategic aim in the Organisational Plan:

- to help create great places to grow up, live and work

### **6. Issues for consideration**

#### **6.1 Financial implications**

- 6.1.1 Indicative pricing was benchmarked for options A-D through a market engagement survey.
- 6.1.2 The vehicles and trailer engagement survey attracted pricing from 5 suppliers. Options were appraised on a discounted cash flow basis, rebased on a like for like scenario for equivalent costs of a capital purchase, or contract hire,

alongside an associated repair and maintenance contract underpinning the operational requirement.

- 6.1.3 Capital options incorporated the minimum revenue provisions, including sales proceeds at the end of the term from asset disposal.
- 6.1.4 Evaluation was reviewed on both 5 and 7 year terms. All options delivered comparable pricing, with favourable rates received from 2 of the 5 surveys promoting contract hire as the most flexible value for money solution. The remaining 3 suppliers ranged between £70,000 and £100,000 per annum more expensive than the capital estimates, or c.£500 per month per vehicle. Part of this variance would be utilised in the administration and management cost of an Authority owned fleet, with additional financial risk passed to the Authority on ensuring fleet availability, covering breakdown and repair/servicing cover.
- 6.1.5 The Market Engagement Survey returned costs in line with those anticipated and used in the decision paper to bring the service in house. Whilst these prices give a good indication of the market rates for equipment, the final prices cannot be confirmed until the recommended procurement process is completed.
- 6.1.6 The Plant evaluation was run over a similar basis, but for a 5 year term only. The respondents to the survey (6), like the vehicles and trailers delivered a very close comparison to capital purchase over contract hire, with 3 of the 6 surveyed demonstrating better value in Contract Hire.
- 6.1.7 The prices received were only for a 5 year term, so no additional calculations have been made in regard to the “plus 2 years” referenced in the report. This will be financially evaluated post final prices received before final award.
- 6.1.8 In order to comply with the commercial sensitivity, intelligence on the results has been tabulated from the in-house evaluation and can be demonstrated as:

**Table 1 Results of Survey**

Market Survey Results £' over term							
				Lowest 5 Year Capital Cost	Lowest 5 Year Contract Hire Cost	Lowest 7 Year Capital Cost	Lowest 7 Year Contract Hire Cost
			Fleet	£3,156,054	£2,761,967	£3,756,002	£3,658,362
				Average 5 Year Capital Cost	Average 5 Year Contract Hire Cost	Average 7 Year Capital Cost	Average 7 Year Contract Hire Cost
			Fleet	£3,229,547	£3,214,511	£3,837,847	£4,113,120
				Lowest 5 Year Capital Cost	Lowest 5 Year Contract Hire Cost		
			Plant	£4,244,017	£3,838,932		
				Average 5 Year Capital Cost	Average 5 Year Contract Hire Cost		
			Plant	£4,682,487	£4,455,427		



6.1.9 Table 1 demonstrates on the lower end of the market survey prices, the Contract Hire result demonstrate better value for money for ECC.

6.1.10 In addition, Contract Hire, reduces the resource requirements in management of an owned fleet and unquantified risks, or major failure in plant and equipment across its lifecycle, without adding to ECC capital borrowing.

6.1.11 Final costs and the budget impact will be fully evaluated post final tender and will be subject to a further decision for final approval before contract award. Costs for the Hybrid Sourcing Model were included in the February cabinet paper. This included a range of projected costs depending on whether the vehicles, trailers and plant and equipment were procured via contract hire or capital purchase, overlaid with the complete cost of scheme delivery. The market engagement results have fallen within the costs outlined in that paper.

## **6.2 Legal implications**

6.2.1 'Do Nothing' is not an option for ECC as it means ECC would fail to meet their statutory duty by not having suitable arrangements in place for onward treatment or disposal of Essex residents waste.

6.2.2 ECC is a contracting authority for the purposes of the Public Contract Regulations 2015 and must ensure they comply with these Regulations.

6.2.3 ECC intends to run mini competitions through Framework Agreements which are already established and compliant with the Regulations.

6.2.4 ECC must follow the call-off processes as established under each Framework Agreement for the procurement route to be legally compliant. Any contract awarded under each Framework Agreement will be in line with the terms and conditions of the call-off contract under the framework.

## **7. Equality and Diversity implications**

7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil

partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

- 7.3 The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **8. List of appendices**

8.1 Appendix 1 – EQIA

8.2 Appendix 2 – Vehicle and Equipment Requirements

<b>I approve the above recommendations set out above for the reasons set out in the report.</b>	<b>Date</b> 26 May 2021
<b>Councillor Malcolm Buckley, Cabinet Member for Waste Reduction and Recycling</b>	

### **In consultation with:**

<b>Executive Director, Finance and Technology (S151 Officer)</b> Stephanie Mitchener on behalf of <b>Nicole Wood</b>	19 May 2021
<b>Director, Legal and Assurance (Monitoring Officer)</b> Susan Moussa on behalf of <b>Paul Turner</b>	11.05.2021