

CABINET MEMBER DELEGATED DECISION 3 AUGUST 2021

Report title: Fleet acquisition for new Recycling, Waste Collection and Street Cleansing Services Contract

Wards: All

Portfolio: Cabinet Members for Sustainable Transport, Environment and Clean Air: Councillor Danial Adilypour and Councillor Mahamed Hashi

Report Authorised by Bayo Dosunmu: Strategic Director for Resident Services

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REPORT SUMMARY

In advance of the commencement of the new Recycling, Waste and Cleansing Services Contract on 1 October 2021 there is a requirement to purchase sufficient vehicles and assets in order to ensure the effective delivery of services.

In June 2019 the Asset Management Cabinet Advisory Panel approved the proposed capital investment of £8,392,661 to purchase a mixture of existing contract assets from the current contractor and new additional vehicles/assets required for the new contractor, to be allocated by the Cabinet member for Environment and Clean Air under delegated authority.

In August 2019 the Cabinet Member for Environment and Clean Air approved the purchase of 18 new Refuse Collection Vehicles, one of which was an electric e-Collect Dennis Eagle vehicle.

This report seeks approval to draw down further funds from the capital programme sufficient to purchase the remaining fleet and charging infrastructure required to deliver the new Recycling, Waste and Cleansing Services Contract and to invest in improvements to overall waste depot facilities to bring them up to an acceptable standard for the required leases.

FINANCE SUMMARY

The total capital requirement is £6,711,125 which will be funded from the Waste & Recycling Theme budget agreed by Cabinet in July 2020.

RECOMMENDATIONS

1. To approve the required capital expenditure of £6,711,125 for vehicles, infrastructure and assets identified as required to deliver the new Recycling, Waste and Cleansing Services Contract
2. To authorise Serco to purchase all new authority assets and recharge the full amount to the Council on a pass-through basis.

REASONS FOR EXEMPTION FROM DISCLOSURE

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

1. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. CONTEXT

- 1.1 The current Waste and Cleansing Services contract with Veolia is due to end on 30 September 2021. Following an extensive and complex procurement exercise the new Recycling, Waste and Cleansing Services Contract has been awarded to Serco and will commence on 1 October 2021.
- 1.2 The Council, following a review of service delivery model options, opted to re-procure on the basis of partial insourcing, placing risk where it is best managed. The procurement has ensured that the council retains control over some of the key functions, together with key assets and infrastructure. This includes the financing of the fleet and charging infrastructure required to deliver the services.
- 1.3 In June 2019 the Asset Management Cabinet Advisory Panel approved the proposed capital investment of £8,392,661 to procure a mixture of existing contract assets from the current contractor and new additional vehicles/assets required by the new contractor as set out in their bid submission.
- 1.4 The council is committed to being carbon neutral by 2030. The fleet replacement programme has been developed to enable the recycling, waste and cleansing services to support this commitment through the phasing in of electric vehicles to deliver these services. Zero emission vehicles will make a significant positive contribution to improving the quality of air within the borough, supporting the life chances of our most disadvantaged residents, particularly the young and elderly who are adversely affected by high levels of poor air quality. Shifting to reduced emissions and then zero emissions once the opportunity arises is a practicable and positive approach to addressing such issues.
- 1.5 The proposed investment in new vehicles includes the electrifying all operational and support vehicles up to and including 3.5 tonne. The service has also taken the opportunity to procure its first 7.2 tonne caged tipper as an alternative to diesel. Serco's submission also included the free repurposing of an existing RCV to electric. They have committed to providing a replacement electric RCV whilst this vehicle is off the road being converted, ensuring there are two electric refuse collection vehicles from Day 1 of the new contract.
- 1.6 It is anticipated that as existing vehicles transferring come to the end of their life they will be replaced with electric powered vehicles. This will enable the council to develop and phase in the necessary charging infrastructure to support a fully electrified fleet by 2030.

2. PROPOSAL AND REASONS

- 2.1 This report proposes to use allocated capital funding to purchase vehicles and assets from the current Waste and Cleansing Contractor (Veolia), in accordance with Schedule 4 (Exit Arrangements); to purchase additional new authority vehicles and assets required to deliver the requirements of the new Recycling, Waste and Recycling Services Contract, together with associated charging infrastructure requirements.
- 2.2 The vehicles and assets required for the effective delivery of services under the new contract are set out in Appendix 1. The total amount of capital investment required to purchase the necessary infrastructure amounts is £6,711,125. With respect to vehicles and plant, the council has set a maximum asset value for new vehicles which the planned investment will not exceed.

Existing Authority Assets

- 2.3 In accordance with the provisions in the new contract (Section 14 Schedule 2 Specification), the Council has agreed to provide Existing Authority Assets to be purchased from the current

contractor at the end of the contract in accordance with Schedule 4 (Exit Arrangements) of the current contract.

- 2.4 Schedule 4 determines how the Existing Authority Assets would be valued, either Net Book Value (defined as being the vehicle's original purchase price less an amount equal to the amortisation of such item in a straight line at the time such value is to be calculated, which in the case of vehicles is over 7 years) or market value (defined as the price a willing buyer would pay to a willing seller of the vehicle on the open market), whichever is the lower. Subject to final negotiations with the incumbent contractor the estimated value of the transferring fleet is £1,403,260.
- 2.5 The various motorised vehicles within the Existing Authority Assets list will require replacement between 2024 and 2029 and the Council will seek to replace these vehicles with zero emission alternatives ensuring that the complete fleet required to deliver recycling, waste collection and cleansing services will be zero emission by 2029, thereby making a significant contribution to the Council's commitment to be net carbon neutral by 2030. The table below provides the current indicative timetable for the replacement programme:

Year	Diesel vehicles to be replaced
2023	4 X Refuse collection vehicles 1 x 7.5 Tonne caged tippers
2024	7 x Refuse collection vehicles
2026	2 x Refuse Collection vehicles 11 x 7.5 Tonne caged tippers
2029	17 X Refuse Collection Vehicles

- 2.6 The replacement programme will coincide with works to deliver the necessary charging infrastructure to power the vehicles. From day one of the new contract sufficient charging capacity will be available. However, as the fleet transitions there will be a requirement to upgrade the infrastructure to the depots and phase in the necessary charging points as required.

New Authority Assets

- 2.7 With respect to New Authority Assets the Specification states that "The Authority shall provide finance to purchase the New Authority Vehicles based on the Assets and Equipment Table submitted by the Contractor, including spares and replacements required during the Contract Period. For the avoidance of doubt the Authority shall fund Vehicles which are required for the direct operational delivery of the Services within this Specification, including collection vehicles, caged vehicles and sweepers."
- 2.8 The Specification also sets out that the contractor shall be required to procure and maintain all Contractor Assets, and maintain all Vehicles employed in the delivery of the Services. The Contractor shall also purchase the New Authority Vehicles on the Authority's behalf in accordance with the contract.
- 2.9 Schedule 6 of the new Recycling, Waste Collection and Cleansing Services Contract details all Existing and New Authority assets agreed and is attached as Appendix 1.
- 2.10 All prices quoted for New Authority Assets have been provided by suppliers. The finance required is based on these quotations and the Contract sets a "Maximum Value", which caps the amount of capital funding that will be required at £4,560,717.
- 2.11 The overall fleet replacement programme supports the Council's commitment to achieving a net carbon neutral position by 2030 and commitments to improve local air quality. At the beginning of the new contract the majority of vehicles of 3.5 tonnes and below will be electric. The intention is to shift away from the use of diesel vehicles through the life of the contract and replace diesel vehicles with electric vehicles when they reach their end-of-life. This will require the delivery of a phased programme to develop and install the necessary charging infrastructure to support the new

fleet. Pre-planning and feasibility work has been carried out and it is estimated that an investment of approximately £1,000,000 will be required to deliver this programme.

Additional Assets and Equipment

- 2.12 The Council has committed to ensure that a fully functioning workshop will be made available to support the ongoing maintenance and servicing of all vehicles utilised on the contract and to make improvements to depot facilities in line with proposed lease arrangements.
- 2.13 The Council already owns significant plant, equipment and tools utilised within the workshops but is required to purchase from the current contractor some additional tools and equipment needed to effectively maintain the council vehicles.
- 2.14 The Council has agreed to share the costs to provide required welfare facilities at the Brixton Market depot for staff servicing Brixton Market and the immediate surrounding areas. This facility will be funded on a 50/50 basis with the new Contractor Serco.
- 2.15 Based on an inventory of tools and equipment and the identified costs of providing welfare facilities at the Brixton Market depot, the estimated cost to procure these additional items is £25,000.

Contract Management

- 2.16 With respect to the procurement of new authority vehicles and assets, the team hold regular fortnightly meetings with the new contractor to agree vehicle specifications, confirm that Purchase Orders have been raised and to ensure effective oversight of suppliers. All risks associated with late delivery are recorded and mitigation plans put in place.

3. FINANCE

The total capital requirement is £6,711,125 which will be funded from the Waste & Recycling Theme budget agreed by Cabinet in July 2020. The table below sets out details of the projects this budget will be used to fund:

Table 1

Existing authority assets	£1,120,408	subject to agreement with Veolia
New authority assets	£4,560,717	subject to final agreement with Serco
Charging infrastructure	£1,000,000	TBC
Workshop plant and equipment	£25,000	Subject to agreement with Veolia
Welfare facilities (Brixton Market)	£5,000	Subject to agreement
Total	£6,711,125	

In July 2020, Cabinet agreed a 5 year budget of £14.361m for the Waste & Recycling Theme of which £1.386m was spent in 2020/21 leaving a balance of £12.975m from which this funding will be drawn.

4. LEGAL AND DEMOCRACY

- 4.1 The authority to enact this report's recommendation is delegated to the Cabinet Member for Sustainable Transport, Environment and Clean Air (the Leader of the Council).
- 4.2 The Council is contractually obliged to buy the existing fleet from the current contractor, and to provide finance to the incoming contractor to purchase the new fleet.

- 4.3 This proposed key decision was entered in the Forward Plan on 30 April 2021 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 The proposed approach at this stage will not impact directly on service users with respect to current methods of service delivery. However, this is the first stage in a longer term fleet replacement programme that intends to shift towards zero emission vehicles during the life of the new Recycling, Waste Collection and Cleansing Services Contract
- 5.2 The council has engaged with residents and key stakeholders with respect to its emerging Waste Strategy review. The proposals to shift wherever possible to zero emission/clean fuel fleet has been welcomed and fully supports the Council's ambition to be carbon neutral by 2030 and the Mayor of London's environmental ambitions with respect to environmental performance standards.

6. RISK MANAGEMENT

- 6.1 Identify potential risks associated with the options and the proposed course of action.
- 6.2 The main risks that impede on the successful delivery of this procurement and contract are:

Table 2 – Risk Register

Item	Risk	Likelihood	Impact	Score	Control Measures
1	Late delivery of vehicles	3	4	12	Interim hire arrangements put in place and suppliers confirmed on standby

Key

Likelihood	Very Likely = 4	Likely = 3	Unlikely = 2	Very Unlikely = 1
Impact	Major = 8	Serious = 4	Significant = 2	Minor = 1

7. EQUALITIES IMPACT ASSESSMENT

- 7.1 The procurement of the required vehicles, plant, equipment and facilities will ensure the delivery of the new Recycling, Waste Collection and Cleansing Contract. The report outlining the rationale for the award of the contract contains a full and complete Equalities Impact Assessment.

8. COMMUNITY SAFETY

- 8.1 None

9. ORGANISATIONAL IMPLICATIONS

Environmental

9.1 Improving air quality is a priority for Lambeth and the Council has declared a Climate Emergency. The fleet replacement programme and the procurement of the required vehicles and assets as planned will increase the number of zero emission vehicles in operation through this contract. The phased approach will enable the council to phase in the necessary charging infrastructure to support a full zero emission fleet by 2030 in accordance with the Council's commitment to be net carbon zero by 2030.

Health

9.2 The early introduction of zero emission vehicles and the phased approach to fully electrify the fleet by 2030 will have significant positive effect on the air quality impacts of waste collection and cleansing services across the borough. This will result in improved levels of air quality and associated health benefits, particularly for those disadvantaged residents, including the young and elderly who are adversely affected by high levels of poor air quality

Corporate Parenting

9.3 None

Staffing and accommodation

9.4 The provision of welfare facilities at the Brixton Market will contribute to improved working conditions and facilities for frontline staff engaged in cleaning operations in and around Brixton market.

Responsible Procurement

Good Quality Jobs with Fair Pay and Decent Working Conditions

9.5 Covered in Contract award report

Quality Apprenticeships, targeted Employment for Lambeth residents and Lambeth Priority Group

9.6 Covered in Contract Award report

Reduce Emissions: Lambeth Council has a commitment to being Zero Carbon by 2030

9.7 Covered in Contract Award report

Single Use Plastics

9.8 Covered in Contract Award report

Positive Health and Wellbeing

9.9 Covered in Contract Award report

Other Offers (Innovation)

9.10 Covered in Contract Award report

10. TIMETABLE FOR IMPLEMENTATION

10.1 The table below details the stages and deadlines for implementing the recommendations:

Activity	Proposed Date
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Date published on Forward Plan	30/04/21
Publication on Decisions online	26/07/21
Officer or Cabinet Member Decision	28/07/21
End of Call-in Period (key decisions only)	11/08/21

Audit Trail				
Name and Position/Title	Lambeth Directorate	Date Sent	Date Received	Comments in paragraph:
Councillor Danial Adilypour	Cabinet Member for Sustainable Transport, Environment and Clean Air (job share)	21.07.21	21.07.21	Various
Councillor Mahamed Hashi	Cabinet Member for Sustainable Transport, Environment and Clean Air (job share)	21.07.21	21.07.21	Various
Bayo Dosumnu, Strategic Director	Resident Services	09.07.21	19.07.21	None
Derek Roopnarine, Finance	Finance and Property	02.07.21	02.07.21	Various and Section 3
Michael O'Hora, Legal Services	Legal and Governance	01.07.21	01.07.21	Various and 4.1 and 4.2
Democratic Services	Legal and Governance	05.07.21	14.07.21	Various and 4.3

Report History	
Original discussion with Cabinet Member	April 2021
Report deadline	n/a
Date final report sent	20/07/21
Part II Exempt from Disclosure/confidential accompanying report?	Yes
Key decision report	Yes
Date first appeared on forward plan	30.04.21
Key decision reasons	2. Expenditure, income or savings in excess of £500,000.
Background information	Cabinet Member report: Waste and Cleansing Fleet Replacement Programme (29.08.2019) Cabinet Report: Recycling, Waste Collection and Street Cleansing Services Contract (20.02.2021)
Appendices	none

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board, and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Cormac Stokes
Head of Environmental Services

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Councillor Danial Adilypur
Cabinet Member for Sustainable Transport, Environment and Clean Air (joint)
Councillor Mahamed Hashi
Cabinet Member for Sustainable Transport, Environment and Clean Air (joint)

Any declarations of interest (or exemptions granted):

Any conflicts of interest:

Any dispensations: