



City of Westminster

# Cabinet Member Report

**Meeting or Decision Maker:** Cabinet Member for City Management and Air Quality

**Date:** 24 March 2023

**Classification:** Part Exempt, Appendices A, B and C be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A Part 1, paragraph 3

**Title:** Electric Street Cleansing Vehicles – City Wide

**Wards Affected:** All

**Policy Context:** Fairer Environment Strategy – Fairer Environment, use of clean technology vehicles for Waste and Cleansing services

**Key Decision:** This is a key decision due to significant spend and involve all Westminster Wards.

**Financial Summary:** A capital budget of £8.0M has been allocated for the street cleansing fleet replacement programme under the corporate capital spending plan. CM approval now required to procure the required electric cleansing fleet.

The project will deliver a revenue saving of £0.80m p.a on the current waste collection and street cleansing contract. The net cost impact on the council will be £0.40m per annum when capital borrowing costs are considered.

**Report of:** Amy Jones, Director of Environment

## **1. Executive Summary**

- 1.1 The Street Cleansing services are currently delivered using 130 specialist vehicles (several types and sizes of washing and sweeping vehicles etc.). As part of the council's fleet decarbonisation project, 66 cleansing vehicles (51% of total cleansing fleet) have already been switched from diesel to fully electric powered as part of the Veolia contract replacement programme.
- 1.2 This report is for replacing next 34 vehicles (26% of total cleansing fleet) to be converted to fully electric during the next 12 months.
- 1.3 Waste and Cleansing fleet replacement programme has an approved capital budget of £8m. Capital and revenue budgets exist for the programme of works described. Cabinet Member formal approval is now sought to spend £8m expenditure against the allocated budgets.

## **2. Recommendations**

- 2.1 That Appendices A, B and C be exempt from disclosure by virtue of the Local Government Act 1972, Schedule 12A Part 1, paragraph 3 (as amended), in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 2.2 That the Cabinet Member for City Management and Air Quality approves the spend of £8.0m to procure the required electric street cleansing vehicles through Veolia ES (UK) Ltd.

## **3. Reasons for Decision**

- 3.1 To move away from diesel powered street cleansing operations to fully electric and eliminate additional 600 tonnes of CO2 emissions from Westminster Streets. This is one of the key fleet decarbonisation projects to assist the City Council in delivering its carbon neutral council aspiration by 2030.

## **4. Background, including Policy Context**

- 4.1 This project forms a key part of the Council's Fairer Westminster Strategy- Fairer Environment where waste, cleansing and recycling services use clean technology to deliver services and address councils carbon emissions.
- 4.2 Preferred vehicle suppliers have been selected following extensive analysis of the market. The plan is for Veolia to purchase the vehicles on behalf of the council due to their technical expertise and buying power in the waste vehicles market. This procurement route will save the council approximately £0.512m compared to the council purchasing the vehicles directly. Legal Services have confirmed this is allowed for within the terms of the current Veolia contract.

- 4.3 Appendix A to this report provides a more detailed business case Appendix A also has 24 appendices of supporting technical information on each aspect of the project.
- 4.4 Veolia’s national waste fleet (technical) team which manages all waste related fleet across the UK and Ireland has assisted the City Council in developing the required electric fleet specification and utilised their extensive buying power in the waste vehicles market to secure better value than the Council would be able to secure independently.
- 4.5 Veolia’s sustainability and carbon decarbonisation technical (energy) wing that specialises in providing innovative electrification solutions to its all contracts across the UK has assisted the City Council in developing this project.
- 4.6 The current contract with Veolia is performing well and satisfaction levels with Street Cleansing, Waste and Recycling Collection Services are above 90% (City Survey). Independent validation of the services is carried out by Keep Britain Tidy and their regular four monthly surveys have shown continuous improvement in service delivery over the last four years.

## 5. Financial Implications

- 5.1 Within the capital programme there is an approved budget of £8.0m in 2023/24 for the acquisition of Electric Street Cleansing Vehicles. It is expected that this budget will be fully spent in 2023-24.

Scheme Name	Total Capital Budget 2023/24 £'000	External Funding £'000	WCC Borrowing Requirement £'000
Electric Street Cleansing Vehicles - City Wide	8000	0	8000

- 5.2 The total costs implications and its associated revenue savings were detailed in the Business Case Report in Appendix B.
- 5.3 The annual revenue savings expected to be generated are £802k per year within ECM from 2023-24 and these have already been included in the MTFP savings options agreed by Council in March 2023. As Westminster City Council is purchasing the new vehicles the cost of the original vehicles will be removed from the Veolia contract. The anticipated cost of electricity to charge the vehicles will be less than the cost of diesel. As electric vehicles do not incur road tax or congestion charge this will also lead to a reduction in revenue expenditure. The savings are summarised in the table below:

<b>Additional Spend/Saving on Electrification of the Street Cleansing Vehicles</b>	<b>Cost/(Saving)</b>
Purchase of electric vehicles	7,756,157
Contingency	243,843
<b>Total Capital</b>	<b>8,000,000</b>

Waste Contract - reduction of 34 vehicles per annum	(752,650)
Other Savings - reduction in congestion charge spend	(49,275)
<b>Total Annual Revenue Saving</b>	<b>(801,925)</b>

- 5.4 It should be noted that diesel fuel costs, road tax and congestion charges are based on today's rates, but the direction of travel is that diesel/petrol vehicles are becoming more expensive to run as Government and the Mayor of London seek to disincentivise such vehicles. This trend of increasing charges over time and introducing new environment benefitting requirements is unlikely to reverse and only get more punitive.
- 5.5 The revenue saving of £0.80m per annum is against the ECM budget, and consideration needs to be given to the capital financing costs relating to the £8m capital outlay. This will sit corporately and is comprised of borrowing costs and MRP (minimum revenue provision) at 12.5% per year based on an asset life of 8 years. This gives a financing cost of £1.2m per annum corporately. When combined with the saving to ECM budgets outlined above this would lead to a net cost to the council of £0.4m a year to move to an electric street cleansing fleet for the 34 vehicles. The Capital financing cost already forms part of the MTFP and Capital Strategy reports approved by Full Council in March 2023 and the forecast of this decision has been budgeted for in the capital strategy.
- 5.6 The Council is in conversation with Amber Infrastructure about the potential to secure borrowing at preferential rates through the Mayor's Energy Efficiency Fund (MEEF). The MEEF is an initiative set up by the Greater London Authority (GLA) in partnership with several commercial banks to make available funding at favourable rates for carbon reduction schemes.
- 5.7 The key criteria of the MEEF initiative is that the capital schemes will generate a carbon saving of 1 tonne CO<sub>2</sub>e per every £7k of GLA funding provided, an energy efficiency gain of 20%, and the scheme is within the 32 London Boroughs or the City of London boundaries.
- 5.8 If the criteria are met the Council will be able to secure borrowing at below market rates. The current rate is 2.75%, however, will be determined at the point of application based on the midpoint of commercial bank rates and the 0% rate offered by the GLA. This is in comparison to the current rate available from the Public Works Loan Board for an 8-year fixed term loan of 4.24% (as at 22/03/2023).

## **6. Legal Implications**

- 6.1 The Waste and Recycling Collection, Street Cleansing and Ancillary services contract opportunity was advertised in OJEU in 2009 and was procured via a competitive dialogue procedure. The tender advertisement envisaged, inter alia, supply and maintenance of vehicles used in provision of the services. Further the contract specification also provided that the contractor was required to provide the services in a manner that they are compliant with and promote the Council's environment policies. The contract also envisages permissible variations for providing services as per the changing requirements to comply with legislative and Council's policy requirements.
- 6.2 The current contract variation to procure 34 electric waste and recycling vehicles and to install suitable charging infrastructure at local cleansing depots are all part of the envisaged service specifications in the original procurement. Such variations are permissible variations under the Public Contracts Regulations Reg72(1)(a).
- 6.3 With a re-procurement and award of the new waste and recycling contract scheduled in two years' time, to pass on the ownership of the newly procured electric vehicles to a SPV controlled by the Council, makes good sense to re-risk the Council's investment in the electric vehicles in case Veolia does not win the new contract and such vehicles must be passed on to the new contractor. The SPV - Veolia ES Westminster Vehicles Limited will provide the Council a first charge on these vehicles.

## **7. Carbon Impact**

- 7.1 This project will eliminate 600 tonnes of the City Council's waste transport carbon footprint per annum.

## **8. Equalities Impact**

- 8.1 Westminster will work in partnership with Veolia's procurement team to introduce social value deliverables through the contracts they are entering into on our behalf. The aim is that these will include Fairer Environment, green economy work placement, skills and employment opportunities with vehicle suppliers through the electric vehicle maintenance and manufacturing contracts. Veolia will continue to deliver Responsible Procurement and Equality outcomes as part of the delivery of the service provision throughout the term of the contract.

## **9. Consultation**

- 9.1 The proposed change to electric cleansing vehicles is city-wide rather than specific to any ward. Ward member consultation has therefore not been

conducted as there will be no change to the frequency or method of how street cleansing operations are delivered to residents and businesses.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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**APPENDICES (Exempt under Paragraph 3 of Schedule 12A of the Local Government Act 1972)**

**Appendix A – GATE 3 Report**

**Appendix B – CRG Report**

**Appendix C – Finance Report**

For completion by the **Cabinet Member** for City Management and Air Quality

**Declaration of Interest**

I have no interest to declare in respect of this report

Signed: Paul Dimoldenberg Date: 24 March 2023  
NAME: **Councillor Paul Dimoldenberg**

State nature of interest if any:

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*(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)*

For the reasons set out above, I agree the recommendation(s) in the report entitled **Electric Street Cleansing Vehicles – City Wide** and reject any alternative options which are referred to but not recommended.

Signed: Paul Dimoldenberg  
Cabinet Member for City Management and Air Quality

Date: 24 March 2023

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.