

Report of:	Meeting	Date
Councillor Alan Vincent, Resources Portfolio Holder and Mark Billington, Service Director People and Places	Cabinet	26 June 2019

## Refuse Collection Vehicle Procurement Update

### 1. Purpose of report

- 1.1 To update Members on the procurement exercise undertaken by Veolia for the new Waste and Recycling fleet and to authorise the capital budget spend.

### 2. Outcomes

- 2.1 That high quality, value for money and sustainable waste management services are in place for April 2020 and beyond.
- 2.2 That the service delivery continues to meet legislative requirements.

### 3. Recommendation

- 3.1 That Members approve the overall capital expenditure of £2,496,795 to fund the upfront contract payment for purchase of the new refuse collection vehicle (RCV) fleet, funded from the Vehicle Replacement and Street Cleansing Maintenance Reserve and that this be reflected on the 2019/20 Capital Programme.

### 4. Background

- 4.1 On 11 July 2018, the Street Scene, Parks and Open Spaces Portfolio Holder submitted a Cabinet report outlining the options for managing the Waste and Recycling Collection Service beyond March 2020. The report recommended a number of service changes, associated capital expenditure for upfront contract payments and a decision to extend the contractual partnership with Veolia for a second term from 2020 to 2028.

**4.2** Cabinet approved the provision of an upfront contract payment from capital funding to Veolia to procure the new RCV fleet. At that stage the fleet costs were estimated to be in the region of £1,915,000. The Vehicle Replacement and Street Cleansing Maintenance Reserve had already been increased utilising underspends at the end of 2017/18 in order to fund the additional expenditure.

## **5. Key issues and proposals**

**5.1** Veolia have completed their European fleet procurement exercise and additional modelling has been undertaken due to projected housing growth and the reduction in local available fleet resource. It is now recommended to purchase 17 vehicles rather than the 15 operated within the current service and this is reflected along with increased costs than that initially estimated in early 2018, in the table below.

Configuration A	Configuration B
£2,565,633	£2,496,795

**5.2** At the initial extension phase Veolia provided costs for a different configuration of vehicles. Veolia have since completed their annual procurement exercise for 2019 and the core supplier of that option has been removed from their framework as a result of reliability and significant maintenance concerns. Whilst it is beneficial to the council that these concerns have been identified prior to the commencement of the new contract term and before we have committed to the purchase of the new fleet, the increased overall procurement cost needs to be factored into the capital programme.

**5.3** Veolia as a company have been long-term customers of the suppliers of both Configuration A and B. They are one of the largest procurers of RCVs in the UK and have given assurances that they can provide the experience, knowledge, technical and service satisfaction to highest of standards and meet the agreed procurement times. Both have service personnel based in the North West which would enable fast response times should any vehicle issues arise.

**5.4** The lower maintenance, excellent reliability, extended warranties and local personnel are essential. The refuse collection service is based on transport and without reliable collection vehicles the service could fail, damaging the council's and Veolia's reputation.

**5.5** The council's Transport Officer and Financial Services Team have verified the quotes direct with the suppliers.

**5.6** The standard RCVs would be equipped with electric bin lifts and two of the non-standard RCVs would be hybrid vehicles. This will improve fuel efficiency and improve the overall environmental impact of the fleet. The change in specification demonstrates the council's commitment to

supporting innovations in new vehicle technology and achieving a cleaner, greener Wyre.

- 5.7** A further £585,000 will be added to the Vehicle Replacement and Street Cleansing Maintenance Reserve following underspends achieved as part of the 2018/19 outturn (subject to confirmation at Audit Committee on 23 July 2019). The increased costs of the RCVs will be met from this top-up to the reserve.
- 5.8** Borrowing internally negates the need for external borrowing saving on current PWLB finance costs of 2% or £400,000 over the eight year life of the contract. If Veolia were to fund the purchase of the vehicles a further Return on Capital percentage would apply to the expenditure in addition to any other operating and overhead costs and we estimate this to be a cost of £80,000 over the life of the contract. The total saving is therefore forecast to be £480,000. This saving is possible owing to the achievement of efficiencies across the council through managing our resources prudently to be able to allocate underspends to upgrade our fleet and maintain high levels of service without the need to borrow. By purchasing the vehicles the council will benefit from any residual value proceeds in their entirety. This figure can't be quantified at this point in time but any proceeds will be used to top up the vehicle replacement reserve in 8 years' time.
- 5.9** The updated build and lead in time quoted is 26 weeks and consequently the decision to procure cannot be delayed without impacting negatively on service delivery. The fleet needs to be with Veolia by 1 April 2020 to enable the planned service changes to go ahead.
- 5.10** Based on the above criteria and costs it is recommended that the upfront capital funding is provided to Veolia through the contract payment mechanism to procure vehicles from Configuration B.
- 5.11** Suppliers in configuration B have committed to freezing these prices for delivery in 2020 providing an order is placed before the end of July.

<b>Financial and legal implications</b>	
Finance	The Vehicle Replacement and Street Cleansing Maintenance Reserve currently includes £1,915,000 for the purchase of RCVs in 2019/20 or later meaning the council can secure the best value for money. A further £585,000 has been identified through 2018/19 year-end underspends to fund the additional expenditure requirement following the procurement exercise. This top-up to the Vehicle Replacement and Street Cleansing Maintenance Reserve will be reflected following the Audit Committee on 23 July 2019.

	Borrowing internally to fund the upfront purchase price negates the need to externally borrow in order to fund the fleet thus saving financing costs.
Legal	Veolia have undertaken a European fleet procurement exercise in accordance with their Procurement Guidelines.

### **Other risks/implications: checklist**

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	x
sustainability	✓
health and safety	✓

risks/implications	✓ / x
asset management	x
climate change	✓
ICT	x
data protection	x

### **Processing Personal Data**

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a 'privacy impact assessment (PIA)' is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

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<b>List of background papers:</b>		
name of document	date	where available for inspection
None		

### **List of appendices**

None