

## **Item F3 – Urgent item of business – Procurement of Vehicles**

### **Purpose of report and reasons for urgency**

Cabinet have approved the replacement of front line refuse collection vehicles. The replacement of Refuse vehicles was highlighted in the Capital budget to impact on the first quarter of 2015/16 as approved by full Council 2014.

The reason for bringing this as an urgent item despite having approval by council earlier this year, is to ensure full transparency of the process being followed but importantly to note the impact on the capital programme may well occur in the final quarter of 2014/15.

The financing of vehicles is expected to be achieved by the use of internal cash resources supported by the repayment of capital borrowing which is included within the Council's core budget costs for 2014/15 and future years. The early acquisition of a new vehicle fleet therefore has no material impact on the Council's revenue budget nor its net asset base. The 2014/15 revenue budget currently includes provision for the repayment of borrowings (known as the Minimum Revenue Provision). Given current low interest rates any early capital payment has no material impact on the Council ability to earn investment interest receipts.

However, the current procurement exercise subject to supplier lead times, may result in the delivery of vehicles in the final quarter of 2014/15, albeit at this stage any delivery date has yet to be agreed.

This decision cannot wait until the September Council meeting owing to the need to commence the procurement process for replacement.

Members are therefore asked to approve the following.

### **Recommendation:**

To approve the recommendation from Cabinet to procure 10 frontline vehicles and for members to note the impact on the capital programme may well occur in the final quarter of 2014/15.

<b>Subject:</b>	Refuse Collection Vehicles Replacement	<b>Status:</b>	For Publication
<b>Report to:</b>	Cabinet	<b>Date:</b>	9 <sup>th</sup> July 2014
<b>Report of:</b>	Head of Operations	<b>Portfolio Holder:</b>	Operational Services and Development Control
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	Yes	Attached: Yes
<b>Biodiversity Impact Assessment</b>	Required:	No	Attached: No
<b>Contact Officer:</b>	Joe Kennedy	<b>Telephone:</b>	01706 252519
<b>Email:</b>	josephkennedy@rossendalebc.gov.uk		

<b>1.</b>	<b>RECOMMENDATION(S)</b>
1.1	That Cabinet approves the replacement of front line Refuse Collection Vehicles.

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to inform members of frontline Refuse Collection Vehicle replacement requirements and available options.

## 3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Regenerating Rossendale:** This priority focuses on regeneration in its broadest sense, so it means supporting communities that get on well together, attracting sustainable investment, promoting Rossendale, as well as working as an enabler to promote the physical regeneration of Rossendale.
- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.
- **Clean Green Rossendale:** This priority focuses on clean streets and town centres and well managed open spaces, whilst recognising that the Council has to work with communities and as a partner to deliver this ambition.

## 4. RISK ASSESSMENT IMPLICATIONS

4.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

Potential operation, financial and reputation risks for the Council:-

- The natural lifespan of the vehicles means they become less reliable and costs of maintenance significantly increase after the five year point
- Health and Safety risks potentially increase as vehicles become less reliable
- Potential impact on service delivery if vehicles do not meet current and future service needs, and become less reliable

## 5. BACKGROUND AND OPTIONS

5.1 Rossendale currently deliver Refuse and Recycling services using 10 frontline Refuse Collection Vehicles (see below) in addition to auxiliary support vehicles and 2 spare vehicles available in the event of maintenance requirements or mechanical failure.

2 x Glass, Cans & Plastics  
2 x Paper and Card

- 4 x Residual Waste
- 1 x Organic Waste
- 1 x Organic / Back-up

- 5.2 The current Refuse Collection Vehicle fleet was purchased in March/April 2010 at a cost of £1.35m, and is approaching 5 years old and as a result due to the challenging nature of the local terrain, is mechanically less reliable than in previous years. This results in higher maintenance costs and increasing risk of breakdown, impacting service delivery. In previous years the frontline fleet has been replaced initially in 2006 and again in 2010, with optimum efficiency in terms of service delivery identified in the first 3 years due to reduced levels of mechanical failure. Years 4-5 show significant increase in maintenance costs and incidence of mechanical failure.
- 5.3 Following analysis of available finance options which compared Lease v Purchase over a period ranging from 3-5 years. The most cost effective model in terms of Council finance has been identified as the purchase of 10 replacement frontline vehicles over a 5 year period; see table below

**Vehicle Replacement Options – Costs over 5 years**

	Purchase of 10 Vehicles - Replace after 5 years	Lease of 10 Vehicles - renew after 5 years	Lease of 10 Vehicles renew after 3 years
	£'000	£'000	£'000
Purchase Price (10 x £162k)	1,620	0	0
Loss of interest	24	0	0
Lease Costs	0	1,650	1,920
Maintenance	444	444	300
Residual Value (£15k per Vehicle)	(150)	0	0
Subtotal - Projected Costs	<b>1,938</b>	<b>2,094</b>	<b>2,220</b>
Resources available	1,925	1,925	1,925
<b>Budgetary Pressure</b>	<b>13</b>	<b>169</b>	<b>295</b>

- 5.4 The financial analysis above does not make any assumptions regarding the residual value of the current fleet, it is anticipated that some vehicles may be retained to act as spare vehicles in the event of mechanical failures. Any sale proceeds will be recycled into the Vehicle Replacement Reserve, which has a current balance of £275k
- 5.5 Due to Operational requirements in the Borough, local terrain and difficult access to collection areas, there is a requirement for the Refuse collection vehicles to be highly manoeuvrable and relatively narrow, whilst achieving maximum pay load. In order to achieve these goals the collection vehicles are required to be 2.2mtrs wide (narrow track) as opposed to being 2.5mtrs wide (standard track) with one step low entry cabs for safe operator access.
- 5.6 The only vehicle that fully complies with our required specification is the Dennis Elite 6 – 6 x2 Narrow track and mid-lift vehicle. The only other alternative vehicle that is comparable in design and commonly used by similar local authorities is the Mercedes Benz Econic, however, this is of a standard track design and would not fully meet our requirements.

- 5.7 Due to standard build times for new Refuse Collection Vehicles currently ranging from 16-26 weeks, it is important that processes to replace current vehicles commence as soon as is reasonably possible.
- 5.8 The cost of 10 replacement frontline vehicles, circa £1.938 million including maintenance has been identified in the medium term financial model with cost spread over a 5 year term in order to best meet the requirements of the Council budgetary objectives. The indicative cost for 5 year lease option over the same period amounts to £2.094 million.

#### **COMMENTS FROM STATUTORY OFFICERS:**

#### **6. SECTION 151 OFFICER**

- 6.1 The preferred financial option is the purchase and renewal over 5 years, the budgetary pressure identified of £13k (over 5 years) will be absorbed from savings elsewhere within the Operations budgets.

#### **7. MONITORING OFFICER**

- 7.1 Procurement option to be identified.

#### **8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT**

- 8.1 Should the Council not pursue the replacement of its refuse collection vehicles, this may have operational and financial implications.
- 8.2 No adverse impact has been identified on any protected equality group as a result of the proposals in this report.
- 8.3 Consultation carried out with staff, Portfolio Holder, Overview and Scrutiny Committee, Cabinet.

#### **9. CONCLUSION**

- 9.1 The Council is committed to ensuring service delivery is of a high standard for the benefit of residents in Rossendale. The provision of replacement Refuse Collection Vehicles will reduce non-productive time and provide surety of service delivery.

No background papers