



<b>Committee</b>	Cabinet
<b>Date</b>	09/04/2024
<b>Subject</b>	Acquisition of new Refuse Collection Vehicles
<b>Cabinet Member</b>	Councillor Rachel Smith-Lyte Cabinet Member with responsibility for The Environment
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Key Decision?	Yes
Is the report Open or Exempt?	OPEN

## Purpose/Summary

As part of the transition from Norse to East Suffolk Services Ltd (ESSL) an operating agreement with Norse for several vehicles, to include 10 Refuse Collection Vehicles (RCV's) will expire on 31 December 2024, and as a result these vehicles will no longer be available for ESSL's use.

Therefore, an alternative arrangement needs to in place from the 1 January 2025 to ensure continuity of service. The Council has been working with ESSL to understand the best way to resource these vehicles from the 1 January 2025.

Whilst the smaller vehicles can be leased directly by ESSL, this report proposes that the 10 RCV's are purchased by the Council and leased to the company using the same mechanism to be put in place for the 23 RCV's that were purchased by the Council during 2023. This mechanism is currently being worked through and will be put in place during 2024/25.

## Recommendation(s)

That Cabinet:

1. Approves the virement of £300,000 from the capital budget 24/25 Bath Tap Terrace allocation to the £2 million capital budget allocated to operational vehicles and equipment for 24/25.
2. Approves the expenditure of £2.3 million from the 24/25 capital programme for the purchase of 10 new RCV's from the operational vehicles and equipment budget.

## Strategic plan

How does this proposal support Our Direction 2028?

<b>Environmental Impact</b>	All RCV's operated by ESSL use HVO fuel, alongside this the new vehicles will have the latest Euro VI engines, which are more fuel efficient.
<b>Sustainable Housing</b>	Not applicable.
<b>Tackling Inequalities</b>	Not applicable.
<b>Thriving Economy</b>	Not applicable.
<b>Our Foundations / governance of the organisation</b>	This proposal will be managed through existing procurement arrangements, and will include involvement by Procurement, Finance, Legal and Operations departments.

## Justification for recommendations

### 1. Background

- 1.1. East Suffolk Services Ltd (ESSL) currently deploys 150 collection rounds per week across the district, picking up refuse, recycling, garden waste and trade waste. To enable this service, a fleet of around 50 Refuse Collection Vehicles (RCV's) are in operation.
- 1.2. An RCV collection vehicle is usually crewed by a driver and two loaders. To ensure a robust service, the general rule for fleet numbers is one spare vehicle for every five in service. This allows for the regulatory six-weekly service schedule to be carried out, along with allowing for breakdowns, MOT's etc.
- 1.3. In 2020 the Council approved a proposal to move to use HVO (Hydrotreated Vegetable Oil) fuel instead of diesel, thus reducing total carbon emissions by >40%. All of ESSL's heavy fleet now runs on HVO as a result, and the majority of their light fleet does as well. Vehicles that still use white diesel are due for replacement in the next year or so.
- 1.4. Whilst this paper focusses on the current fleet requirements for ESSL, it should be noted that there is ongoing work with ESSL to understand the implications of RAWs (Resources and Waste Strategy white paper), now superseded by Simplified Recycling, which will require additional RCV's for ESSL in the longer term.

### 2. Introduction

- 2.1. As part of the transition from Norse to East Suffolk Services Ltd (ESSL) an operating agreement with Norse for several vehicles, including 10 Refuse Collection Vehicles (RCV's) will expire on 31 December 2024, and as a result these vehicles will no longer be available for ESSL's use.
- 2.2. Therefore, an alternative arrangement needs to be in place from the 1 January 2025 to ensure continuity of service. The Council has been working with ESSL to understand the best way to resource these vehicles from the 1 January 2025.
- 2.3. Lead in timescales to purchase fleet are long, to ensure that we have new RCV's operationally available to ESSL from the 1 January 2025 an order needs to be placed by the end of April. The procurement process to enable the purchase of these vehicles is already underway, although no final order will be made until Cabinet considers this paper.

### 3. Proposal

- 3.1. To procure 10 RCV's to be in service by the end of 2024.
- 3.2. ESSL are currently developing a fleet strategy which will consider how they will manage and further green their fleet in the longer term. This should provide the Council with a better understanding of when and the type of fleet that will need to be purchased in subsequent years.

3.3. The specification for these RCV's is detailed in Appendix A of this report.

#### **4. Financial Implications**

4.1. The capital programme has £2 million allocated for operational vehicles in 24/25. The current cost of a new RCV is approximately £230,000 (excluding VAT). 10 new RCV's are required to replace the 10 currently leased with Norse.

4.2. The estimated maximum cost for purchasing 10 new RCV's totals £2.3 million.

4.3. Within the capital budget for 24/25 it has been identified that we will not require all the budget allocated to Bath Tap Chalets, Felixstowe for 24/25 as this project is only at the early stages of feasibility. It is therefore recommended that £300,000 is vired to the operational vehicles and equipment budget, increasing this budget to £2.3 million.

4.4. As both these budgets have been previously agreed there will be no impact on the projected Minimum Revenue Provision (MRP) for 24/25 outside that which has already been accounted for.

4.5. With the purchase of any fleet, there will also be ongoing revenue costs in terms of leasing these vehicles from the Council, fuelling and maintaining these vehicles. These costs will be borne by ESSL.

#### **5. Legal Implications**

4.6. East Suffolk Councils Constitution includes Contract Procedure Rules which are the Council's contract standing orders under section 135 of the Local Government Act 1972. They must be followed every time the Council enters into a contract for works, goods or services and set the minimum standards which must be adhered to.

4.7. The current Public Procurement Threshold for the supply of local authority service contracts is £214,904 including VAT and any procurement above this value must go through a procurement process as set out in the Public Contract Regulations 2015. Work is already in progress with the Council's procurement team to ensure that the purchase of these RCV's is fully compliant with the relevant legislation.

#### **5. Risk Implications**

5.1. If we don't purchase 10 RCV's before 31 December 2024 then the remaining fleet available to ESSL will not be sufficient to service the current waste and recycling collection service.

5.2. Current lead times for delivery of new RCV's is approximately 30 – 32 weeks, we also need to allow two weeks for delivery, pre-service checks and registration. To ensure these vehicles are available from the 1 January 2024 we need to place an order by Friday 26 April 2024.

## 6. Options

- 6.1. Whilst this report recommends the purchase of 10 RCV's there is also an option to hire these vehicles. It costs approximately £1,300 per week to hire an RCV, this would therefore equate to £67,600 per RCV per year. A total of 10 RCV's per year would cost £676,000.
- 6.2. Using an estimated life of 7 years for an RCV, hire cost for 10 RCV's would be substantially more compared to the purchasing costs. Also, at the end of the 7 years an owned vehicle will have a residual value. See the table below for further information.

	Purchase				Lease/hire		
	N° Vehicles	Cost per unit	Net Cost		N° Vehicles	Cost per unit/week	Total annual cost
Year 1	10	226,943	2,269,430		10	1,300	676,000
Year 2					10	1,300	676,000
Year 3					10	1,300	676,000
Year 4					10	1,300	676,000
Year 5					10	1,300	676,000
Year 6					10	1,300	676,000
Year 7					10	1,300	676,000
<b>Total</b>			2,269,430				4,732,000
					Purchase cost v. Hire cost		2,462,570
					Differential		48%

- 6.3. In conclusion, the preferred method of replacement would be to purchase, this provides better value for money, however this requires a comprehensive vehicle replacement programme to be worked up to ensure that peak levels of future replacement are avoided in the future. ESSL are working on such a strategy.

## 7. Recommendations

- 7.1 Approve the virement of £300,000 from the capital budget 24/25 Bath Tap Terrace allocation to the £2 million capital budget allocated to operational vehicles and equipment for 24/25.
- 7.2 Approve the expenditure of £2.3 million from the 24/25 capital programme for the purchase of 10 new RCV's from the operational vehicles and equipment budget.

## 8. Reasons for Recommendations

- 8.1 To ensure continuity of service and an efficient, adaptable and resilient waste & recycling collection service for East Suffolk.

## Areas of consideration comments

### Section 151 Officer comments:

The budget requirement for the recommendations is within the current General Fund capital programme as approved by Full Council in February 2024, and complies with the Financial Procedure Rules.

### Monitoring Officer comments:

The acquisition of the 10 New Refuse Collection Vehicles is an executive decision for Cabinet. The recommendations in this report are pursuant to the Council's Finance Procedure Rules and Contract Procedure Rules.

### Equality, Diversity and Inclusion/EQIA:

Not applicable.

### Safeguarding:

Not applicable.

### Crime and Disorder:

Not applicable.

### Corporate Services implications:

*(i.e., Legal, Finance, Procurement, Human Resources, Digital, Customer Services, Asset Management)*

Procurement support is ongoing.

### Residents and Businesses consultation/consideration:

Engagement with ESSL has taken place to ensure any new fleet purchased by the Council meets with their requirements.

## Appendices:

<b>Appendix A</b>	RCV Specification
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## Background reference papers:

None.