

CABINET

15 August 2023

WASTE AND STREET CLEANSING VEHICLE PROVISION- OPTIONS FOR PROVISION OF VEHICLES

Report of the Portfolio Holder for Highways, Transport, and the Environment

Strategic Aim:	Sustainable lives	
Key Decision: Yes	Forward Plan Reference: FP/080923	
Exempt Information	Yes, exempt appendices A, B, C & E	
Cabinet Member Responsible:	Cllr C Wise: Portfolio Holder for Highways, Transport, and the Environment	
Contact Officer(s):	Angie Culleton, Head of Public Realm	aculleton@rutland.gov.uk
	Penny Sharp, Strategic Director for Place	Tel: 07973 854906 psharp@rutland.gov.uk
Ward Councillors	All	

DECISION RECOMMENDATIONS

That Cabinet recommends that Council;

1. Authorises the Strategic Director for Places, in consultation with the Portfolio Holder for Highways, Transport, and the Environment and Portfolio Holder with responsibility for Finance, to agree to fund the purchase of vehicles to provide the fleet for the contract, to be initially financed by the Contractor so that orders may be placed without delay.
2. Authorises the Strategic Director for Places, in consultation with the Portfolio Holder for Highways, Transport and the Environment to agree the fleet replacement programme with the Contractor.
3. Approves the required capital contribution to the Contractor for the purchase of vehicles up to £2.069m as per the financial implications in Appendix B paragraph 2.
4. Amends the Treasury Management Performance Indicators as per Appendix B paragraph 3.
5. Authorises the Strategic Director of Resources in consultation with the Portfolio Holder with responsibility for Finance to incorporate the financing of the capital contribution into the Medium-Term Financial Strategy making best use of reserves and borrowing options to mitigate risks as outlined in paragraph 8 and Appendix B.

6. Notes the risk to service continuity if replacement fleet is not available by May 2024.

1 PURPOSE OF THE REPORT

- 1.1 The report sets out the options available for the provision of vehicles in the contract and undertakes an evaluation of costs, benefits and risks of each option.
- 1.2 The report makes recommendations with regard to the best option for the Council to make provision of vehicles for use the contract.
- 1.3 Financial implications of the options are identified in the report and in the case of purchase of vehicles, provides an outline of the ways in which the Council could choose to finance the purchase of vehicles within the contract.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 At its meeting held on the 18th October 2022 Cabinet considered and approved a report “Waste and Streetscene services (including waste collection and disposal) – Contract Options”.
- 2.2 Council also approved the leasing of vehicles to support service delivery in the contract. Other options to purchase vehicles have been identified which give financial savings to the Council and these options are explored in the report.
- 2.3 Waste vehicles are depreciated over a 7-year period and in the current extension from April 2022 to March 2024, the existing fleet were refurbished so it could continue to operate and higher maintenance costs were included in the cost of that extension. The impact of the aged vehicles is now being felt in the current service delivery as vehicle breakdowns are becoming more frequent, meaning collection rounds cannot be completed as planned on a regular basis.
- 2.4 The majority of the vehicle fleet needs to be replaced from April 2024. The vehicles required for the waste collection service include seven collection vehicles with two spare vehicles. The remaining fleet of 10 vehicles are required to provide street cleansing services, bulky collections and to support the Household Waste Recycling Centres (HWRC) as well as vehicles for operatives and supervisors. See Appendix D for the list of vehicles to be replaced. Nineteen vehicles are required in the fleet and fifteen of these require replacement.
- 2.5 The three high level vehicle options, are outlined in exempt Appendix A. There are further variations on these high-level options which can be considered.
- 2.6 The current contractor has highlighted increasing lead-in times for the placing of orders for vehicles which are reported to have increased significantly from 10 months to 18 months. This applies to both purchased and leased options as hire companies now order vehicles to supply and vehicles are not available at short notice. This is an emerging significant risk to the continuity of the waste collection service due to the increasing obsolescence of the existing fleet, demonstrated by the frequent breakdowns currently being experienced.

3 PROVISION OF VEHICLES FROM APRI 2024

- 3.1 The existing waste and recycling collections contract includes the provision of vehicles to deliver the service. The contractor has provided the vehicles as part of the current contract and extension period thus far, the cost of which is within the current annual contract value. It is the intention that vehicles continue to be provided within the contract.

4 OPTIONS FOR VEHICLE PROVISION

- 4.1 Indicative costs for three scenarios covering both leasing and purchased vehicles are outlined in exempt Appendix A.
- 4.2 Within the three high level scenarios there are further choices in terms of depreciation and financing. Five options have been identified for consideration and are analysed and evaluated in this report in terms of cost, relative benefits and risks, as outlined in exempt Appendix B.

5 FUTURE GREENING THE FLEET

- 5.1 The Council is keen to achieve reductions in carbon emissions and improve air quality as part of its green agenda. The step change needed to green fleet will take time to put in place essential supporting infrastructure and to fully assess what green technology is right for Rutland to take forward.
- 5.2 Switching to low emission vehicles addresses the biggest source of localised air pollution from standard diesel fuelled refuse collection vehicles (RCVs). Electric RCVs produce no exhaust fumes leading to significant public health benefits. They are also quieter than diesel equivalents, reducing noise pollution and improving the working environment for the crews.
- 5.3 The introduction of electric RCVs will require new charging infrastructure to be available and may require upgrades to the electricity grid. In some cases, a new transformer or a new substation will be required which leads to additional costs. Grid upgrades are subject to application and queue prioritization systems. This can be a time-consuming process. Changes to depots and infrastructure need to be planned well in advance of fleet electrification. The current position in Rutland will need to be assessed and the cost of the infra-structure. It can also be a significant additional cost.
- 5.4 The operational range of an electric RCVs is currently around 100 miles with 6 to 9 hours between charges being achieved. Charge time is approximately 3 to 6 hours. The long-term performance of vehicle batteries is, as yet, relatively unknown. These are a significant and costly part of the vehicle and if batteries lose efficiency more quickly than anticipated, this can affect the vehicle's operation.
- 5.5 Maintaining electric RCVs requires access to suitable qualified engineers. Operators have highlighted the limited availability of such engineers as a potential issue.
- 5.6 Alternatively, hydrogen powered RCVs have some advantages over electric RCVs as they can provide quicker refuelling and longer ranges. This is a benefit particularly for more rural rounds. Hydrogen RCVs have similar environmental benefits to electric vehicles as they also have no emissions, reduce noise pollution

and improve resident and crew living/working conditions.

- 5.7 In a similar way to electric vehicles, one of the biggest challenges around the adoption of hydrogen is the infrastructure requirement. A hydrogen refuelling station is required and generally a minimum of 10 vehicles are needed to justify its installation. The current Rutland fleet of collection vehicles falls short of that number, however, once the infrastructure is in place, it can be used to support hydrogen vehicles in other services and may even encourage the take up of this greener fuel by the Council and potentially other partners.
- 5.8 There is a requirement for specialist mechanics and site infrastructure to ensure the safe storage and use of hydrogen. The provision of a reliable hydrogen fuel supply is required along with suitable workshop facilities. There is limited use of hydrogen RCVs so it is difficult to provide certainty regarding repair and maintenance costs. The availability of hydrogen vehicles is much less mature when compared to electric vehicles. Vehicles are less readily available for lease and purchase. This position will evolve in future years, so the Council will be in a much stronger position to make decisions, once there is more experience in the sector.
- 5.9 The longer-term ambition is set out in the waste strategy and Council's Corporate plan will be realised in the future. It is anticipated that in the next few years, experience will be gained elsewhere so that best practice will be developed. This will place Rutland in a better position to make the right choices to achieve the longer-term goals.

6 CONSULTATION

- 6.1 Scrutiny has identified the longer-term waste procurement as an area of interest.
- 6.2 Public consultation on waste including collection requirements set the direction for the development of the new waste strategy as reported to Cabinet in March 2022.
- 6.3 The Future Rutland Conversation considered environmental issues. The consultation on the Draft Future Rutland Vision ran for a period of four weeks, throughout November 2021.
<https://rutlandcounty.moderngov.co.uk/documents/s22265/Report%20No.%2053.2022%20Future%20Rutland%20Vision.pdf>
- 6.4 Soft market testing was carried out in March 2022 on various aspects of the longer-term procurement project.

7 ALTERNATIVE OPTIONS

- 7.1 Three options are discussed in the exempt report at Appendix E, to include leasing and purchase of vehicles and financial implications for the Council.

8 FINANCIAL IMPLICATIONS

- 8.1 The financial implications are set out in paragraph 8 of the exempt report and include;
- 8.1.1 Uplift/reduction in costs (vehicle element)
- 8.1.2 Hire costs

- 8.1.3 Balloon payment
- 8.1.4 Capital Financing Costs
- 8.1.5 Loss of investment income (if council resources used)
- 8.1.6 Inflation
- 8.1.7 Detailed Financial Implications are addressed in Exempt Appendix B.

9 LEGAL AND GOVERNANCE CONSIDERATIONS

- 9.1 Legal advisors are in place to support the project and to finalise the terms of agreements and vehicle provision including clearly documenting the ownership position during and at the end of the contract.

10 DATA PROTECTION IMPLICATIONS

- 10.1 A Data Protection Impact Assessments (DPIA) has been completed. No adverse or other significant risks/issues were found. A copy of the DPIA can be obtained from Angie Culleton, aculleton@rutland.gov.uk

11 EQUALITY IMPACT ASSESSMENT

- 11.1 There are no implications arising out of this report.

12 COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are no implications arising out of this report.

13 HEALTH AND WELLBEING IMPLICATIONS

- 13.1 There are no implications arising out of this report.

14 ORGANISATIONAL IMPLICATIONS

14.1 Environmental implications

- 14.2 Greening of the fleet through low emission vehicles will be key in the longer-term procurement project. The Council will monitor developments in this area and consider the required infra-structure to facilitate green fleet options in the main procurement exercise.

14.3 Human Resource implications

- 14.4 There are no TUPE implications for the provision of vehicles.

14.5 Procurement Implications

- 14.6 The procurement implications are set out under Section 9 Legal and Governance Considerations of the exempt report.

15 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 15.1 The impact of the aged vehicles is now being felt in the current service delivery as vehicle breakdowns are becoming more frequent, meaning collection rounds cannot be completed as planned on a regular basis. The majority of the vehicle fleet needs to be replaced from April 2024.
- 15.2 The report sets out three high level options for consideration in the provision of the replacement fleet. The benefit and costs of each option is evaluated and the financial implications and risks are assessed.
- 15.3 Greening of the fleet is considered and will require further consideration and infrastructure and other resources will need to be put in place to facilitate this in future years and is therefore a longer-term objective.
- 15.4 Significant cost savings can be achieved through the purchase of vehicles compared to leasing of vehicles and this is reflected in the recommendations in the report.
- 15.5 The financial implications of vehicle purchase are discussed and how the Council can best incorporate the financing of any capital contribution into the Medium-Term Financial Strategy making best use of reserves and borrowing options to mitigate risks.

16 BACKGROUND PAPERS

- 16.1 Insert links to the previous cabinet reports (exempt reports October 2022)

17 APPENDICES

- 17.1 Exempt Appendix A: Contractor Costs of three options
- 17.2 Exempt Appendix B: Financial Considerations and further identified options
- 17.3 Exempt Appendix C: Risk Assessment
- 17.4 Appendix D: List of fleet required for replacement
- 17.5 Exempt Appendix E: Cabinet Report

A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.