

Report to CABINET

Waste Management Replacement Vehicle Fleet

Portfolio Holder: Cllr Arooj Shah, Cabinet Member for Neighbourhoods

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Reason for Decision

Waste Management seek approval to purchase 18 waste collection vehicles. A quote was sought from Dennis Eagle Ltd via a Mini Competition run by St Helens Council under the YPO framework for Specialist Vehicles (00652) (FC0526). Dennis Eagle Ltd submitted a quote and vehicle which best meets the specification issued by the Council via the Chest which has been assessed by Waste Management, Fleet Management and Commercial Services.

Executive Summary

Oldham Council's Waste Management Service require a fleet of 18 new vehicles to maintain efficient and effective waste collections across the Borough. After exploring all options available to us the service is seeking approval to purchase the new vehicle fleet through the procurement framework detailed above.

Recommendations

To purchase 18 new waste collection vehicles via a Mini Competition run by St Helens Council under the YPO framework for Specialist Vehicles (00652) (FC0526).

Waste Management Replacement Vehicle Fleet (NEI-07-18).

1.0 Background

- 1.1 Oldham Council's Waste Management Service require a fleet of 18 new vehicles to maintain efficient and effective waste collections across the Borough.
- 1.2 The current fleet is approaching its end life of 7 years. After this point the cost of maintaining and repairing vehicles generally exceeds the borrowing costs of a new vehicle fleet.

2.0 Current Position

- 2.1 The Waste Management Service has been running a fleet of Dennis Eagle (narrow track) vehicles for the last 6 years. This fleet of vehicles will reach their planned 'end of life' in 2019 and so a vehicle fleet replacement procurement process has now started. The Service have been using a narrow track Dennis Eagle vehicle due to access issues when collecting from terrace property and rural village areas. Standard fleet vehicles would significantly increase the amount of 'none access' missed collections we experience. The service have during the life-span of the fleet trialed a number of vehicles and lifting machinery (different manufacturers) to challenge their current Dennis Eagle (vehicle) and Terberg (lifting machinery) option. However after considering a number of factors and considerations (cost, vehicle reliability, fleet/repair experience, driver experience and maintaining efficient collections) the service would like to renew its current vehicle model/option.

3.0 Options/Alternatives

- 3.1 **Delay replacing the vehicle fleet.** The advantages of this would be that we would not incur any costs this financial year on replacing the vehicle fleet. However the vehicles are bought using pru-borrowing and therefore the repayment, repair and maintenance costs are spread over the 7-year life span. The main disadvantage would be an increased risk in vehicle break downs and a significant increase in repair costs as the vehicles get older. This has the potential to cause significant impact on waste collections due to vehicles becoming unavailable and cause increased costs through hiring replacement vehicles (approx. £1,000 per week).
- 3.2 **Purchase other vehicles options (vehicles & lifting machinery).** In terms of cost Dennis Eagle actual came out as winners of the mini competition undertaken by St Helen's due to their price being the cheapest of the five main waste collection vehicle manufacturers in the UK. We have also run the Dennis Eagle vehicle/Terberg lift option for over 10-years so are repair/fleet management and driver experience of these vehicle are a significantly positive factor.

4.0 Preferred Option

- 4.1 To purchase 18 new waste collection vehicles via a Mini Competition run by St Helens Council under the YPO framework for Specialist Vehicles (00652) (FC0526).

5.0 **Consultation**

5.1 n/a

6.0 **Financial Implications**

6.1 The proposal is to purchase 18 Refuse Collection Vehicles (RCVs) at a total cost of £3,186k (£177k per unit) with delivery taking place in autumn 2019.

6.2 According to Waste Management and Fleet Services experience, RCVs have an optimal useful working life of seven years. As with any intensively used asset, repair costs tend to escalate as vehicles age despite a regular maintenance regime. Experience has shown that RCV's become uneconomic to repair after seven years of operation.

6.3 The cost of the newly acquired vehicles will be capitalised and funded using Prudential Borrowing spread over the economic life of the assets as part of the Councils Fleet replacement programme.

6.4 The current prudential borrowing rate of interest is 3.05% p.a. (but could vary by the time the transaction is completed). The total cost of funding this investment (including principal and interest at the current interest rate) will be £3,575k. This equates to annual payments of £511k for seven years commencing in 2020/21.

6.5 The Fleet Replacement Programme (FRP) was established in 2012/13 on a seven year cycle and is near the end of its sixth year of operation. The capital resource initially allocated to the Programme, and from time to time since then, is approaching exhaustion. A separate 'overarching' report entitled "Fleet Replacement Programme" has been prepared for consideration by Cabinet and is running in parallel with this request. Two papers have been prepared due to the timing of the procurement for this replacement phase. The FRP report seeks approval for an additional allocation of capital resource totaling £5,114k and this request forms part thereof.

6.6 Surplus vehicles (including RCVs) are normally sent to auction for disposal. The value of each receipt cannot be determined at this time with reasonable accuracy as it will depend on the condition, mileage and market demand for vehicles of this type at that point in time. All receipts received will be available to support the capital programme as no value for the disposal of fleet vehicles is included in the estimates for capital receipts.

Revenue

6.7 The annual prudential borrowing costs detailed in paragraph 6.4 above will be met from within Fleet Management existing budget. The fleet costs arising will then be recharged on to Waste Management. Should the budget for borrowing repayment not be sufficient there will be a draw down from the Fleet Replacement Reserve. This reserve will be replenished from the budget line should the repayment costs be below the budgeted costs.

6.8 The repayments are already included in the Council's Medium Term Financial Strategy (MTFS) from within existing Council budget provision.

6.9 As the cost of the new RCV's is significantly higher than those they replace, this acquisition will not deliver savings in running costs over the full life of the vehicles. Any

budgetary pressures arising from their operation will have to be contained within existing service revenue budget allocations.

(Sadrul Alam/Nigel Howard)

7.0 **Legal Services Comments**

7.1 The Council has followed its own Contract Procedure Rules and selected the preferred provider for the waste management vehicles following a mini competition under the YPO Framework for Specialist Vehicles. (Elizabeth Cunningham Doyle)

8.0 **Co-operative Agenda**

8.1 The maintenance of fleet is important in maintaining the service to do #Ourbit (Vicky Sugars, SPP Manager)

9.0 **Human Resources Comments**

9.1 n/a

10.0 **Risk Assessments**

10.1 n/a

11.0 **IT Implications**

11.1 [Will proposals require acquisition of or amendments to IT systems? If so comments of the relevant officer should be sought. If not, state none]

12.0 **Property Implications**

12.1 n/a

13.0 **Procurement Implications**

13.1 Commercial Services supports the approval of the preferred option to purchase the vehicles from Dennis Eagle Ltd using the Mini Competition run by St Helens Council under the YPO framework for Specialist Vehicles (00652) (FC0526). The process undertaken complies with point 4.1 of the Council's Contract Procedure Rules which states that if an existing framework is available it should be used.
Emily Molden (Sourcing & Contracts Consultant)

14.0 **Environmental and Health & Safety Implications**

14.1 n/a

15.0 **Equality, community cohesion and crime implications**

15.1 none.

16.0 **Equality Impact Assessment Completed?**

16.1 No

17.0 **Key Decision**

17.1 Yes

18.0 **Key Decision Reference**

18.1 (NEI-07-18).

19.0 **Background Papers**

19.1 None.

20 **Appendices**

20.1 None.

Signed  Deputy Leader & Cabinet Member for Neighbourhood Services	Dated 07/01/2019
Signed  Deputy Chief Executive	Dated 16/12/2018