

**HAMBLETON DISTRICT COUNCIL**

**Report To:** Cabinet  
12 June 2012

**Subject:** **REPLACEMENT OF WASTE VEHICLES 2012**

**All Ward(s)**  
**Scrutiny Committees**  
**Portfolio Holder for Housing and Planning: Councillor M Robson**

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**1.0 PURPOSE AND BACKGROUND:**

- 1.1 At Cabinet on 14 March 2012 approval was given to procure replacement vehicles for the collection of household waste and recycling in two separate projects via framework agreements. This report provides details of the outcome of the tender process for the waste vehicles.
- 1.2 Currently there are 11 waste vehicles, 9 are leased and have maintenance included, these agreements expire in July 2012. The other 2 vehicles are owned and maintained by the Council, these are 12.5 years old and 8 years old.
- 1.3 The last procurement of the leased 9 household waste vehicles was 5 years ago in 2007, since this time both vehicle and maintenance costs have increased.
- 1.4 The recycling vehicles are due to be replaced in November 2012 and the procurement of these vehicles will be influenced by the new recycling contract which commenced on 16 January 2012, this includes options for increasing the range of materials collected. A report will be submitted to Cabinet in July on options for extending the range of recyclables collected at the kerbside and the type of recycling vehicles required to facilitate this.
- 1.5 As part of the procurement, consideration has been given to the Scrutiny Committee review on the current leasing of Council vehicles, the conclusions and recommendations were presented to Cabinet on 13 December 2011. The current procurement for waste vehicles provides options for the replacement of vehicles covering purchase or lease, with or without maintenance. In addition evaluation of the current contract has been made and the lessons learnt have informed the development of the current specifications. This includes; performance measures, the provision of on-site mechanics every morning, end of life terms and interim solutions whilst awaiting delivery and early termination agreement and costs.

**2.0 CURRENT POSITION**

- 2.1 The current lease costs for each vehicle is £33,944 (including maintenance) per year plus general maintenance costs of £3,758 per year. Other annual costs for each vehicle include tyres £2,700 and insurance £900, fuel has been excluded as this is a variable cost dependant on fuel price increases. Average expenditure during 2011-2012 on each general waste vehicle was £41,302.

**3.0 OPTIONS**

- 3.1 The tenders have been evaluated and a summary of prices is included at Annex A, this includes the client side costs, where the tender does not provide for this e.g. scheduled maintenance. In addition running costs have been uplifted to anticipate future price increases.

- 3.2 Option 1 Lease with maintenance for 3 years plus 1 year plus 1 year (total 5) Along with Option 2: This provides the most economically advantageous price overall and enables flexibility to allow exit from the contract with no penalty at the 3 and 4 year points. This facilitates any future changes to the waste collection regime and partnerships. This option has therefore been ranked in 1<sup>st</sup> place.
- 3.3 Option 2 Lease with maintenance for 5years: This provides the same pricing as Option 1, however it does not offer the same flexibility as the contract term is for a minimum of 5years and there would be penalties if the Council should wish to exit the contract term early. This option therefore ranks 2<sup>nd</sup>.
- 3.4 Option 3 Purchase only: Whilst this provides the lowest price for the vehicles, it does not take into account the running costs, when adding client side costs of scheduled and incurred maintenance etc, this option ranks 3<sup>rd</sup> in price to the Council.
- 3.5 Option 4 Lease only for 3 years plus 1 year and 1 year (total 5): Lease only for the split 5 years is ranked second in price until the essential client side costs are added, this option then ranks 4<sup>th</sup> in price to the Council.
- 3.6 Option 5 Lease only for 5years: Lease only for a minimum of 5 years is ranked equal second in price until the essential client side costs are added, this option then ranks equal 4<sup>th</sup> in price to the Council.
- 3.7 Option 6 Purchase with maintenance: There were no tenders received for this option.
- 3.8 Included in the specification was the option to price for items which are mandatory to agree to the Council to undertake if the company did not wish to price, this includes the installation of the tracker and fuel miser systems and to agree to advertising on the vehicles. These costs are included within the pricing listed at Annex A. An example of quotes received indicate provision of fittings for advertising would be approximately £444 per vehicle, this excludes the cost of the actual advertising and advertising boards.

#### 4.0 **DECISIONS SOUGHT:**

- 4.1 To approve the most economically advantageous option, as detailed in the table at Annex A and agree to orders being placed for the vehicles.

#### 5.0 **LINK TO CORPORATE PRIORITIES:**

- 5.1 This links to the Customer Services Priority of collecting household waste and recycling and improving the recycling rate.

#### 6.0 **RISK ASSESSMENT**

##### 6.1 **Risk in approving the recommendations**

There are no significant risks.

##### 6.2 **Risk in not approving the recommendations**

Risk	Implication	Prob*	Imp	Total	Preventative action
Delay in replacement increase the risk of vehicles breaking down.	Disruption to waste collection services to the community and increased repair costs.	4	4	16	Replace vehicles as quickly as possible by reducing procurement process times.

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

Overall the risk of agreeing with the recommendations outweighs the risks of not agreeing them and is considered acceptable.

## **7.0 SUSTAINABILITY IMPLICATIONS:**

7.1 The specification for vehicles included evaluation of fuel efficiency and any benefits to reduce impact on the environment. All new vehicles are fitted with the latest Euro 5 engines, ensuring minimal carbon emissions to help minimise air pollution.

## **8.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES:**

8.1 Annex A shows the outcome of the evaluation of the options. Option 1 (Lease with maintenance for 3 years plus 1 year plus 1 year) is the best option for the Council.

8.2 Table 1 shows the annual cost of Option 1 against the current budget. Due to the age of existing agreements, which commenced in July 2007, the current budgets are insufficient to meet the costs, although maintenance costs should be less in the first years when vehicles are new. Also the current budget only provides for the costs associated with lease (for 9 vehicles) and running costs, there is no provision for the replacement of the 2 owned vehicles. The option appraisal at Annex A provides the analysis for each option.

**Table 1 – Additional Costs**

<b>(11 Vehicles)</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total 5 Yrs</b>
			<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Budgetary Provision	406,134	406,134	406,134	406,134	406,134	2,030,668
Estimated Cost (Option 1)	-491,568	-536,668	-547,668	-500,104	-397,254	-2,473,262
Surplus / Deficit	-85,434	-130,534	-141,534	-93,970	8,800	-442,594

8.3 This increase in costs will reduce the expected budget surplus as follows:

<b>Table 2 – Budget Outlook</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Expected Revenue Budget Surplus	161,850	266,340	208,600	208,450
<b>Less:</b>				
Increase in Cost of Vehicles	-85,430	-130,530	-141,530	-93,970
Revised Surplus	76,420	135,810	67,070	114,480

## **9.0 LEGAL IMPLICATIONS:**

9.1 Mini competitions have been conducted which comply with European Union procurement requirements. The procurement will tie in with existing vehicles coming to the end of their current lease arrangement.

**10.0 RECOMMENDATIONS:**

10.1 It is recommended that approval is given for:

- 1) Option 1 and the placing of orders for the 11 general waste vehicles; and
- 2) the additional budget required to operate the fleet during the term of the contract.

MICK JEWITT

**Background papers:** None

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120612 Cabinet General Waste Vehicle Procurement

## Cabinet Report - 12 June 2012 - Replacement of Waste Vehicles

Option Ref'	Option description	Price for 5 yrs per vehicle	Scheduled Maintenance per vehicle for 5yrs est' (see note * )	General Maintenance per vehicle for 5 years	Tyres per vehicle for 5 years	Insurance per vehicle for 5 years	Mandatory Items	TOTAL
1	Lease 3yrs + 1yr + 1yr (5yrs) with maintenance	189,242		16,600	15,000	4,000		£224,842
2	Lease 5yrs with maintenance	189,170		16,600	15,000	4,000		£224,770
3	Purchase	131,000	83,000*	16,600	15,000	4,000		£249,600
4	Lease 3yrs + 1yr + 1yr (5yrs)	135,000	83,000*	16,600	15,000	4,000		£253,600
5	Lease 5yrs	135,000	83,000*	16,600	15,000	4,000		£253,600
6	Purchase with Maintenance	No tenders						No tenders

\* The figure provided is an estimate based on the current fleet expenditure of the owned vehicles, if separate maintenance is required formal quotes would be required, also additional client side costs would be incurred for management of the schedule to reduce the risk to the Council's operating licence. (note: this estimate does not included the requirement for a mechanic on-site every morning and evening which the lease with maintenance options do provide).