

| Purchase of two additional refuse collection vehicles | |
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| Executive Summary | This report outlines the requirement for allocation of capital funding for the purchase of two new refuse collection vehicles for the commercial and garden waste collection services delivered by Serco on behalf of the Council. These services have experienced significant customer growth over the last few years and are at a point whereby additional vehicles are required to ensure that the Council can continue to meet customers' expectations and deliver its statutory duties around domestic and commercial waste collections. |
| Options considered | <p>Do nothing – this would result in a deteriorating service level and loss of customers resulting in lost income for the Council.</p> <p>Hiring additional vehicles – deemed poor value for money.</p> <p>Purchasing second-hand vehicles – no availability of suitable vehicles.</p> <p>Contractor purchasing vehicles – poor value for money and not in line with current fleet.</p> |
| Consultation(s) | The proposal has been drawn up in conjunction with Serco who have recommended the provision of the additional vehicles and will look to factor their use in to a future round reorganisation. |
| Recommendations | <p>That Cabinet recommend to full Council an addition to the Capital programme of £385,000 to purchase two new refuse collection vehicles and that the £385,000 be added to the residual £65,000 that is left over from the original budget to purchase refuse vehicles from 2019 to date.</p> <p>That Cabinet recommend to full Council that the purchase be funded by borrowing of £335,000 and a revenue contribution of £50,000.</p> |
| Reasons for recommendations | To ensure the Council can meet customers' expectations and provide a service that can keep up with the continuing increase in demand for garden and commercial waste collection services. To ensure statutory duties around waste collection can be fulfilled. To support the future growth in revenue generating services. |
| Background papers | None |

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| Wards affected | All |
| Cabinet member(s) | Cllr. Callum Ringer |
| Contact Officer | Scott Martin, Environment and Safety Manager, scott.martin@north-norfolk.gov.uk |

| Links to key documents: | |
|---------------------------------------|---|
| Corporate Plan: | N/A |
| Medium Term Financial Strategy (MTFS) | The provision of additional resources on the revenue generating garden and commercial waste services will enable a better level of service delivery and help achieve future customer and revenue growth, supporting the MTFS. |
| Council Policies & Strategies | None |

| Corporate Governance: | |
|--|---------------------------------------|
| Is this a key decision | Yes |
| Has the public interest test been applied | Is the item exempt, if so, state why. |
| Details of any previous decision(s) on this matter | N/A |

1. Purpose of the report

- 1.1. This report outlines the request for Cabinet to recommend to Full Council the addition of a £385,000 capital budget in the 2023/24 financial year for the purchase of two new refuse collection vehicles. The vehicles will be used to service the commercial and garden waste collections, delivered on behalf of the Council by Serco. The two services have experienced significant customer growth over the last few years and when combined are budgeted to generate income for the authority of around £3m in 2023/24.
- 1.2. Both services have reached a point whereby additional vehicles are required to deliver a satisfactory service level to customers and in order for the Council to adequately fulfil statutory duties to collect garden waste and commercial waste.

2. Introduction & Background

- 2.1. The Waste and Related Services Contract was awarded to Serco in late 2019 and commenced in April 2020. As part of the contract, the vehicles to be used, although specified by the Contractor, were purchased by, and remain in the ownership of, the Council. This was deemed the most economically advantageous approach as the Council can access borrowing at preferential interest rates when compared with the private sector and as such, this will result in a lower cost over the life of the contract than other methods of providing vehicles.
- 2.2. A capital budget for the purchase of the original vehicles required to deliver the contract was included in the capital programme and this was funded by borrowing. Of that original capital budget, around £65,000 remains unspent and can be utilised towards the purchase of the two vehicles proposed as part of this report.

- 2.3. Quotes for the two new vehicles have been obtained and total £435,000 currently but these prices are valid for a limited time and so are subject to increases. The additional budget being requested is £385,000 giving a total budget of £450,000 for the purchase. See the table below which summarises this.

| | £'000 |
|--|--------------|
| Quotes obtained (time limited) | 435 |
| Contingency for increase in price | 15 |
| Total cost | 450 |
| Budget required: | |
| Residual budget from original purchase of vehicles | 65 |
| Additional request being made | 385 |
| Total budget | 450 |
| Funding: | |
| Revenue contribution | 50 |
| Borrowing | 400 |
| Total Funding | 450 |

- 2.4. It is proposed that the purchase of the two new vehicles is funded by a combination of borrowing and a revenue contribution. The revenue contribution will come from the use of part of the 2021/22 Performance Management Failure deduction payment that the Council has received from the contractor. Performance Management Failure deductions are made where the contractor fails to perform elements of the contract in accordance with the contract specification. It is agreed as part of the contract that these payments will be reinvested in the Waste Collection Service to develop and improve services.
- 2.5. The performance of the contract in respect of the number of bin collections not completed on the scheduled day of collection has not been satisfactory, particularly the amount of time it has taken to resolve collections issues following the introduction of a route and round optimisation in September 2022. Serco have a period of time to rectify these missed collections and if they fail to do so a performance deduction is applied.
- 2.6. Both the garden waste and commercial waste services have seen significant increases in the number of customers and income growth over the last few years. Since the start of the contract with Serco, there have been approximately 4,000 new garden waste customers generating in excess of £200,000 revenue annually. Growth in the commercial waste customer base has also achieved a revenue increase of around £500,000 in the last 4-5 years.
- 2.7. Customer levels have reached a point whereby the resources available in terms of number of vehicles, is not sufficient for the current level of demand. It is important to maintain/improve service levels to ensure customer retention and to achieve further growth in the services. The purchase of the two new vehicles will assist in developing the service the Council provides.
- 2.8. For Garden Waste it is anticipated that the additional vehicle will enable Serco to manage the collection rounds more effectively and this in turn should improve their ability to complete rounds in a timely manner and improve missed bin

performance. It is anticipated that this will improve customer experience for this service area, particularly as Serco are looking to undertake a route and round optimisation to rebalance rounds, following the growth in customer numbers. This will not only reduce the potential for missed collections but be more efficient for vehicle mileage and therefore contribute to carbon reduction.

- 2.9. The additional Trade Waste Vehicle will provide capacity that enables further growth of this commercial service area, in turn contributing to the income the council receives to provide services.
- 2.10. In order to be as efficient as possible a number of existing commercial Trade Waste collections are undertaken on the domestic household collection rounds, particularly those where the frequency matches the alternate weekly collection frequency, such as holiday lets. Whilst this assists in reducing the carbon impact of these collections, by reducing the miles travelled to a minimum, the growth in trade customer numbers does place strain on the household collections. Additional collections not only take time to complete, particularly those using larger bins sizes than the domestic 240l bins, but also add volume to the vehicles often meaning that they have to tip collected waste more frequently which can add to challenges in completing rounds on the scheduled day of collection.
- 2.11. Providing the additional vehicle will allow a number of trade collections to be removed from the household rounds and thereby reduce the likelihood for crews to run out of time to complete rounds on the scheduled day, in turn reducing the number of missed collections. The vehicle will provide capacity to grow the Trade Waste Service over time further increasing income. Whilst the customer base is increased any spare capacity in the vehicle can be used to support collections in other service areas, including household collections, assisting in ensuring collections are completed on the scheduled day and thereby reducing the number of missed collections and improving performance.

3. Proposals and Options

3.1. A number of options have been considered.

- Do nothing – this would result in a deteriorating service level and loss of customers resulting in lost income for the Council.
- Hiring additional vehicles – The cost of hiring a refuse collection vehicle can be around £1000 per week and as such, this was deemed poor value for money.
- Purchasing second-hand vehicles – Serco have undertaken an exercise and identified that the type of vehicles required are extremely limited in the second-hand market. They were unable to find anything suitable in terms of age and specification in a recent market search.
- Contractor purchasing vehicles – this would come at a cost premium as the Council has access to preferential rates of borrowing. This would be contrary to the current approach the Council has, whereby it has purchased the rest of the fleet.

- Purchasing our own vehicles – this is in line with the current arrangements. This has two major advantages in that it provides the best value for money as the Council has access to borrowing at preferential interest rates and so avoids paying the higher levels of interest that the Council would pay through the contract payments it pays to the contractor. The second advantage is that the Council would own all its own refuse vehicles and so if for any reason it had to take the service back in-house at short notice it could continue to provide a refuse collection service with minimal disruption to council taxpayers and customers. This mitigates a big risk for the Council.

4. Corporate Priorities

- 4.1. The provision of additional resources on the revenue generating garden and commercial waste services, will enable a better level of service delivery and help the Council meet statutory objectives for the collection of household and commercial waste. It will also support aspirations around future customer and revenue growth as part of the MTFS.

5. Financial and Resource Implications

- 5.1. Quotes have been obtained from suppliers. The current total cost for the two vehicles required is around £435,000 however, supplier quotations have a time limited validity and are subject to changes. Therefore a request for a total budget of £450,000 has been made to cover any increases in price between the original final quotations.
- 5.2. There is a residual capital budget from the purchase of the original vehicles of £65,000 which can be used for the purchase of the two additional vehicles. It is expected that even with changes in pricing, the total cost of the two vehicles would not exceed £450,000. Therefore, an additional capital budget of £385,000 is required in order to complete the purchase.
- 5.3. It is proposed that the capital requirement is funded by a £50,000 revenue contribution, arising from Performance Failure Deductions imposed upon Serco during the 2021/22 financial year with the remainder, up to £335,000, by borrowing.
- 5.4. There are no additional revenue implications as a result of this report as all revenue costs associated with the vehicles (staffing, maintenance, servicing, fuel etc.) are met by Serco and associated costs to NNDC are already accounted for in existing revenue budgets.

6. Legal Implications

- 6.1. There are no known legal implications arising from this report.

7. Risks

- 7.1. Collection services have struggled over the last six months and without additional capacity into the fleet there is a risk that performance will continue to be below an acceptable standard.
- 7.2. There is currently a long lead time for new refuse collection vehicles of around 12-15 months for new orders. Serco, as a significant provider of refuse collection services, has pre-allocated build slots with vehicle suppliers and are able to

make use of their available slots to secure a much shorter lead time. Failure to decide promptly would likely result in the loss of the allocated build slots and a delay in the provision of the new vehicles.

8. Net Zero Target

- 8.1. Achieving Net Zero and reducing our carbon emissions are at the forefront of officers' thinking when developing services. Investigations into purchasing electric refuse collection vehicles have been undertaken and are ongoing. However, the findings show that range limitations of electric refuse vehicles that are currently available mean that it is not viable at present to operate electric refuse collection vehicles in the large rural district of North Norfolk. The cost of the vehicles also make it prohibitive at present.
- 8.2. Officers have worked with Serco to explore the possibility of using Hydrotreated Vegetable Oil (HVO), a bio-based liquid fuel made from vegetable oils and animal fats which can be used as a more sustainable alternative to diesel. Currently, there is limited reliable and regular availability of HVO fuel on the scale required to deliver the services across the contract and there is also a cost premium when compared to regular diesel. However, the new vehicles would be able to run on HVO fuel if this situation were to improve in future.
- 8.3. The provision of these vehicles will assist with the delivery of services which help residents and businesses manage their waste in a sustainable manner, through the recycling and composting. The vehicles will be built to the latest Euro 6 engine and will all have electric bins lifts to help reduce emissions.

9. Equality, Diversity & Inclusion

- 9.1. There are no Equality, Diversity and Inclusion issues arising from this report.

10. Community Safety issues

- 10.1. There are no Community Safety issues arising from this report.

11. Conclusion and Recommendations

- 11.1. The garden waste collection service and the commercial waste collection service are both services that generate a significant level of income for the Council and enable the Council to meet its statutory duties. The take up of both these services has increased significantly over the last few years and has now reached a level whereby the existing fleet cannot meet the demand. To meet the demand now and in the future requires the purchase of two additional vehicles. These will cost a maximum of £450,000.
- 11.2. An additional capital budget of £385,000 is required to add to an existing budget of £65,000 currently in the 2023/24 capital programme to purchase the vehicles. It is proposed that this would be funded by a £50,000 revenue contribution and borrowing.
- 11.3. It is therefore recommended that Cabinet recommend to full Council an addition to the Capital programme of £385,000 to purchase two new refuse collection vehicles and that the £385,000 be added to the residual £65,000 that is left over from the original budget to purchase refuse vehicles from

2019 and that Cabinet recommend to full Council that the purchase be funded by additional borrowing of £335,000 and a revenue contribution of £50,000.