

**CABINET MEETING – 15 FEBRUARY 2012
EXECUTIVE SUMMARY SHEET - PART 1**

Title of Report:

Procurement of Refuse Collection and Gully Cleansing Vehicles

Author(s):

Executive Director of City Services

Purpose of Report:

To approve the procurement of 10 Refuse Collection Vehicles and 2 Gully Cleansing vehicles for the Highways Drainage Service and to support Streetscene operational services.

Description of Decision:

Cabinet is recommended to approve the procurement of 10 refuse collection and 2 gully cleansing vehicles to replace the equivalent number for use throughout the city.

Is the decision consistent with the Budget/Policy Framework *Yes/~~No~~

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The cost of replacement of the 12 vehicles will exceed £250,000 which may entail, hire, lease or purchase options, as determined appropriate by the Head of Audit, Risk and Procurement. In accordance with the Constitution, Cabinet approval is required to the principle of letting a contract exceeding £250,000 in value.

Alternative options to be considered and recommended to be rejected:

No alternative options are offered for consideration. The Head of Audit Risk and Procurement will determine the best option to acquire and operate the vehicles prior to procurement.

Is this a "Key Decision" as defined in the Constitution? Yes/~~No~~

Is it included in the Forward Plan? Yes/~~No~~

Relevant Scrutiny Committee:

Environmental and Attractive City

REPORT OF EXECUTIVE DIRECTOR OF CITY SERVICES

PROCUREMENT OF REFUSE COLLECTION AND GULLY CLEANSING VEHICLES

1 PURPOSE OF THE REPORT

- 1.1 To approve the procurement of 10 Refuse Collection and 2 Gully Cleansing Vehicles.

2. DESCRIPTION OF DECISION

- 2.1 Cabinet is recommended to approve the procurement of 10 refuse collection and 2 gully cleansing vehicles to replace the equivalent number for use throughout the city.

3. BACKGROUND

- 3.1 The Streetscene Fleet Manager has identified vehicles that need to be replaced as the costs to keep the vehicles operational is no longer economical.
- 3.2 The usual life expectancy of heavy goods vehicles (Refuse Collection and Gully Cleansing Collection vehicles) is 7 years.
- 3.3 The Streetscene Fleet Manager evaluated the current vehicles to determine those that require replacement. The review has identified 10 Refuse Collection Vehicles that vary between 9 and 12 years old require replacement and 2 Gully Cleansing vehicles that are 8 and 10 years old respectively.
- 3.4 The cost for the replacement of these vehicles during 2012/13 is estimated at £1.75 million. This can be translated into an annual revenue cost of circa £250,000 by means of a finance lease or hire arrangement.
- 3.5 To ensure that best value is achieved the costs for purchase, contract hire and hire will be evaluated over a 7 year period (the normal expected operating life of the vehicle).
- 3.3 The Head of Audit, Risk and Procurement will manage the process. An Open Tender process will be used and each vehicle will be offered as a separate lot to ensure that best value is achieved.
- 3.4 The method of financing the acquisition will be determined by the Executive Director of Commercial and Corporate Services upon receipt of tenders and may take the form of an Operating or Finance lease or loan.

4. PROCEDURE

- 4.1 Advice from Head of Audit Risk and Procurement has indicated that, due to the diversity of the vehicles, more than one supplier may be required to achieve 'Best Value'. It is recommended that each type of equipment is indicated as a 'lot' during the tender process and that tenders are sought for one or a number of lots from potential contractors.
- 4.2 The total value of the vehicles is estimated at £1.75 million and is, therefore, subject to the procurement regulations and Official Journal of the European Union (OJEU) procedures.
- 4.3 Different sourcing options (purchase, contract hire, short term hire) will be evaluated to determine the lowest cost option.
- 4.4 The successful contractor(s) will supply the vehicles in accordance with the Council's requirements.
- 4.5 A schedule of procurement costs and delivery timescales will provide the basis on which the supply will be evaluated.

5. REASON FOR DECISION

- 5.1 In accordance with the Constitution, Cabinet approval is required to let a contract exceeding £250,000 in value.

6 ALTERNATIVE OPTIONS

- 6.1 The Council is required to make arrangements for the collection of household refuse and cleansing the public highway. The Head of Audit Risk and Procurement will determine the most appropriate way to acquire and operate these vehicles.

7. RELEVANT CONSIDERATIONS/CONSULTATIONS

- 7.1 The views of the Executive Director of City Services and The Head of Audit Risk and Procurement have been incorporated into this report.

- a) **Financial considerations**

Provision for the procurement is made within the 2012/13 budgets for refuse collection and highways maintenance.

- b) **Legal Implications**

The vehicles are required to enable the Council to discharge its statutory duties under the Highways and Environmental Protection Acts, and comply with operational health and safety responsibilities covering all aspects highways maintenance and refuse collection.

c) **Procurement**

The Head of Audit Risk and Procurement has been consulted in respect of the procurement procedure.

8. BACKGROUND PAPERS

8.1 Appendix 1 to this report sets out the background information and costs which are relied upon in the preparation of this report.

CABINET MEETING 15 FEBRUARY 2012

REPORT OF EXECUTIVE DIRECTOR OF CITY SERVICES

PROCUREMENT OF REFUSE COLLECTION AND GULLEY CLEANSING VEHICLES

BACKGROUND

The Streetscene Fleet Manager has carried out a review of vehicle requirements in respect of refuse collection and Gully Cleansing operations.

The refuse collection service operates a weekly collection service for all domestic households and some trade premises across the city which is organised into rounds serviced by 20 vehicles.

Efficiencies introduced during 2011/12 using specialist computer software has already helped reduce the number of refuse collection vehicles by one during 2011 and this will be reduced by a further refuse collection vehicle in early 2012.

Having made these vehicle reductions during 2011/12 the refuse collection service still requires 24 vehicles which includes the required number to cover for scheduled servicing and repairs and breakdowns.

Gully Cleansing vehicles operate throughout the year on a shift pattern to carry out routine maintenance as responding to emergency situations such as flooding. As such there is no scope to reduce the number of vehicles required for this service.

The garden waste collection service carried out fortnightly is provided by 6 refuse collection vehicles plus one spare for 8 months of the year and arrangements for the provision of these possibly through short term hiring arrangements is being evaluated separately. The new blue bin dry recycling fortnightly kerbside collection service was introduced in 2010 and as such all required vehicles have been acquired.

SPECIFIC CONSIDERATIONS REFUSE COLLECTION VEHICLES

As set out above the refuse collection service requires 25 vehicles to provide a weekly collection service. Spare vehicles need to be allowed for to cover Planned and unplanned unavailability and cannot be hired at short notice. Spares are thus required to be retained by the service to ensure that daily Collection operations can continue without disruption.

The service is operating a large number of its fleet which are over 7 years old, however the number of requested replacement vehicles (10) has been limited to reflect the need to replace only those which are:

Costing large sums to service, maintain and repair and where applicable pay lease fees. The average estimated cost per vehicle is £27,000 per annum. The expected cost of acquiring the new vehicles is £33,000 per annum, a net increase per vehicle of £6,000.

The requirement for 10 new refuse collection vehicles would be balanced by the age profile of the existing fleet and minimise the additional net budget expenditure to be £60,000 per annum. The longer term review of the costs of providing garaging and maintenance services and the potential further savings by hiring vehicles in the longer term has not been factored into these costs, but will be dealt with later in the transport and fleet service review.

The procurement decisions on the refuse collection vehicles will also be influenced by potential joint working with the South Tyne and Wear Waste Management Partnership which may provide efficiencies in the longer term by sharing refuse and recycling services.

SUMMARY OF COST AND SAVINGS

The current cost of a RCV is approximately 27K per year but due to the age of our fleet this figure can only increase as more serious and costly repairs are required. If you then take into consideration the hidden costs such as downtime, replacement hire costs and poor productivity then it would appear to be a false economy to keep the vehicles for any longer than necessary. The additional 60K that would be required to upgrade our vehicles would also return greater mpg, produce less carbon emissions and improve the overall efficiency of the current fleet.