

## Overview & Scrutiny

22 April 2024

### Reprofiling of Capital Fleet Replacement Budget – Domestic Waste Fleet

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| Relevant Portfolio Holder  | Councillor P. J. Whittaker - Cabinet Member for Environmental Services and Community Safety (including Car Parking)                  |
| Portfolio Holder Consulted   | Yes  |
| Relevant Head of Service   | Simon Parry  |
| Report Author:<br>Matthew Austin   | Job Title: Environmental Services Manager<br>Contact email: matthew.austin@bromsgroveandredditch.gov.uk<br>Contact Tel: 01527 548206 |
| Wards Affected   | All  |
| Ward Councillor(s) consulted   | No   |
| Relevant Strategic Purpose(s)  | Communities which are safe, well maintained & green  |
| Scrutiny Report  |  |
| If you have any questions about this report, please contact the report author in advance of the meeting. |  |

#### 1. Context:

- 1.1. In 2021, as part of a review of Council finances, the decision was taken to extend the life of operational vehicles by an extra year before replacement, and also to start refurbishing Waste Collection Vehicles to extend their life by a further period in order to reduce the capital expenditure on new vehicles, and make savings that could be put towards the increased costs of more expensive energy efficient vehicles as part of our Climate Change ambitions in the future.
- 1.2. This was mirroring an approach taken by other Local Authorities, such as neighbouring Wyre Forest, who have refurbished their vehicles previously with positive results to extend the life of their assets.
- 1.3. This would also have given more time for the HGV Electric Vehicle market to develop, as current options are limited in performance and cost more than twice as much as existing internal combustion vehicles.
- 1.4. This saw a reduction on Capital investment from circa £200,000 per vehicle to an intended £70,000, with an expectation of a further five-year operational life before replacement.
- 1.5. When this adjustment was made, no allowance was given for the operational impact of refurbishment, which removed multiple vehicles from the operational services for extended periods, requiring the use of hire

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vehicles to support service delivery, and introducing an additional unbudgeted revenue pressure.

- 1.6. In addition to this, the first few vehicles took nearly 12 months to be refurbished as a result of parts and supply issues that were confirmed as affecting the sector during 2022/23, and subsequent vehicles have all over run on planned timescales, resulting in significant unbudgeted costs on Hire Vehicles.

Actual Revenue Costs - Truck Hire against a zero budget.

|            | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |
|------------|----------------|----------------|----------------|
| <b>BDC</b> | 59,869         | 103,700        | 260,874        |

- 1.7. This has resulted in a backlog of vehicles that have exceeded their operational life, and we currently have six vehicles that should have been refurbished/replaced by the end of the 2023/24 financial year, that haven't.
- 1.8. Due to significant mechanical failures with these older vehicles on our existing fleet, in addition to the normal operational requirements for vehicles to be in for servicing, MOT's, and day to day repairs, we are currently reliant on a number of hire vehicles to maintain our minimum service at additional un-planned cost.
- 1.9. It has also been identified in conjunction with our corporate procurement team that the refurbishment and vehicle hire done to date has not been arranged through a compliant procurement route, and so further work has been paused whilst reviewing our options regarding the capital replacement schedule.
- 1.10. Having extended the operational life of our Waste Collection vehicles from seven years to eight, it has become apparent that the level of failure and breakdowns associated with these vehicles has increased considerably as a result of the volume of work and mechanical wear and tear experienced.
- 1.11. In parallel with these pressures, the workshop providing maintenance for all of the Environmental Services vehicles has been understaffed for over five years now as result of high demand for HGV mechanics in the private sector on higher salaries, and the recent retirement of one of our HGV mechanics has now left us with 50% of the mechanics built into our staffing structure.
- 1.12. This is a similar picture at our Redditch workshop as well, which also supports our shared fleet across the two authorities, and is also running at 50% of planned staffing levels.

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- 1.13. We currently have four mechanic vacancies that we are attempting to recruit to across the two sites, and this has necessitated increased use of third parties to support the maintenance of our fleet and avoid service failure, as well as associated delays as a result of capacity pressures on the private sector as well.
- 1.14. In conjunction with the reduced staffing currently in place at our Workshops, the extended life of Refuse vehicles and associated increased mechanical failure has put considerable pressure on our already reduced workshop teams to maintain an operational fleet each day, and those vehicles that have been refurbished have continued to see mechanical failure arising from the age of the chassis and elements that were not included in the refurbishment specification, which was primarily targeted at the body of the vehicle and waste compaction systems.
- 1.15. This need to prioritise work on the Waste Collection fleet (Domestic & Commercial) has impacted on the availability of other vehicles required for statutory services such as road sweepers, Place Team vans for litter picking and fly tip removal. It has also impacted on discretionary and chargeable services such as the District Public Toilet cleaner's vehicle, and WRS's dog warden van, which has impacted on their income generation as well.

## **2. Background:**

- 2.1. The combined collection fleet for Domestic Waste in Environmental Services consists of sixteen 26ton vehicles, one 18ton vehicle, and three smaller trucks operating from the Bromsgrove Depot; and eight 26ton vehicles and one 18ton vehicle operating from the Redditch Depot. Services require a minimum of twenty 26ton vehicles, one 18ton vehicle, and one small RCV daily to operate the service across the two Authority areas.
- 2.2. Due to the legal requirement for regular inspections and servicing to maintain a safe and compliant fleet, as well as routine maintenance and repairs on an operational fleet that collects waste from 40,000 households each week, it is best practice to operate a number of spare vehicles, and the rural nature of Bromsgrove puts additional pressure on the fleet as a result of high mileages and narrow lanes requiring specific vehicles to support consistent collections in certain areas where standard RCV's cannot gain access.
- 2.3. The Redditch information is included for reference, as the shared service operates jointly across the two Local Authorities areas.

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### 3. Proposals:

3.1. In light of the increased costs and operational challenges arising from the extended vehicle operational lifespans, refurbishment experience, and staffing issues within our workshop, it is proposed to revert to a seven-year replacement cycle on our Waste fleet, and re-profile the Capital Fleet Replacement budgets to support the purchase of replacement vehicles that will reduce the maintenance pressure on our workshop and support our operational service delivery.

3.2. It is proposed to increase revenue funding to support the ongoing use of hire vehicles to safeguard operational service delivery of the waste service during 2024/25 to recognise the pressures on the existing fleet and maintenance arrangements.

3.3. In light of the proposed continuance of using ICE vehicles for the Waste Collection Service, it may be appropriate to consider a planned timescale for investing in HVO to ensure that we maximise our Carbon benefits by reducing our usage of fossil fuels in the operation of our Fleet.

### 4. FINANCIAL IMPLICATIONS

4.1. It is proposed to re-profile the existing Capital replacement budget apportioned to the Waste Fleet as shown below, which illustrates the timeframe consistent with the 7 year life span of the vehicles currently on our fleet:

|  | 2023/24    | 2024/25    | 2025/26    | 2026/27 | 2027/28   | 2028/29   | 2029/30   | 2030/31  | Total Spend |
|--|------------|------------|------------|---------|-----------|-----------|-----------|----------|-------------|
| Current Capital Programme                                | 280,000    | 350,000    | 350,000    | 0       | 3,500,000 | 2,250,000 | 2,250,000 | 0        | 8,980,000   |
| No. of Vehicles  | 4 (Refurb) | 5 (Refurb) | 5 (Refurb) |         | 8 (Buy)   | 5 (Buy)   | 5 (Buy)   | 0        |             |
| Proposed Reprofiling                                     | 0          | 2,180,000  | 1,265,000  | 820,000 | 0         | 0         | 0         | 0        | 4,265,000   |
| No. of Vehicles  | 0          | 10 (Buy)   | 6 (Buy)    | 4 (Buy) | 0         | 0         | 0         | 0        | 0           |
| Impact on Revenue Repayments (MRP) and Interest Payments | -15,960    | 88,350     | 342,654    | 371,536 | 289,179   | -339,071  | -660,499  | -644,539 | -568,350    |

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- 4.2. The current timescales on the purchase of new refuse collection vehicles is approximately 40 weeks. During that time, it is expected that there will be an ongoing need for Hire Vehicles to support the delivery of Operational Services, for which there is currently no revenue budget.
- 4.3. To address this, it is recommended that a one-off revenue budget of £150,000 be approved for 2024/25 to reflect the current reliance on hire vehicles until such time as new vehicles become available, or staffing in the workshop be improved to reduce the down time of existing assets.
- 4.4. This additional revenue funding would be linked to the proposed re-profiling and purchase of new vehicles, and would need to be increased significantly beyond this as an on-going pressure beyond the 2024/25 financial year if the replacement programme is not adjusted.

### **5. Environmental/Climate Change Implications**

- 5.1. Previous discussions had been looking at the possible transition to alternative energy efficient vehicles from 2026/27, but it has been identified that until parallel discussions around the future of the existing depots have been resolved and implemented, it is unknown what infrastructure will be achievable to support a transition to such vehicles.
- 5.2. With no current timescale for a rationalisation/relocation of our current space limited Depot Spaces, it is unlikely that we will be in a position to invest in alternative vehicles before 2030.
- 5.3. A decision has already been made to make greater use of HVO<sup>1</sup> as a Diesel alternative that provides sustainable carbon savings over fossil fuels at an approximate cost increase of 20% at current prices.
- 5.4. Current plans have been built into the Medium-Term Financial Plan for 30% of our Diesel usage to be replaced with HVO from the 2024/25 financial year on, and this will support a Carbon benefit to the authority alongside on-going use of ICE vehicles when compared with our previous arrangements.
- 5.5. The use of HVO in 2024/25 will reduce the Carbon impact from our Domestic Refuse service by an estimated 162 Tons of CO<sub>2</sub> per year in comparison with the use of Diesel alone.
- 5.6. Although HVO is more expensive than Diesel, and so places a pressure on revenue budgets, this will defer the higher financial pressure associated with converting the fleet to Electric or other alternative energy

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<sup>1</sup> Hydrotreated Vegetable Oil

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sources until such a time as technology and funding allows for a further review of the fleet and investment in appropriate vehicle technology to support delivery of improvements in line with the Climate Emergency declaration that the Council made in 2019.

### **6. LEGAL IMPLICATIONS**

6.1. The current refurbishment programme has not been compliant with procurement rules, and a return to purchase of vehicles through a compliant framework agreement will prevent further non-compliance.

6.2. As there is no legal agreement or contract linked to the refurbishment programme, there are no legal implications associated with not continuing with this approach.

### **7. OTHER - IMPLICATIONS**

#### **7.1. Equalities and Diversity Implications**

7.2. There are no implications arising from the reprofiling of the fleet.

### **8. REPORT SIGN OFF**

| <b>Department</b>  | <b>Name and Job Title</b>   | <b>Date</b>   |
|--|---|---------------|
| Portfolio Holder   | Cllr Whittaker – Cabinet Member for Environmental Services and Community Safety | 10 April 2024 |
| Lead Director / Head of Service                            | Simon Parry - Head of Environmental Services                                    | 27 March 2024 |
| Financial Services   | Peter Carpenter – Deputy Chief Executive  | 27 March 2024 |
| Legal Services   | Nicola Cummings – Principal Solicitor   | 27 March 2024 |
| Policy Team (if equalities implications apply)             | N/A   |               |
| Climate Change Team (if climate change implications apply) | Matt Eccles – Climate Change Manager  | 27 March 2024 |