



**Corporate Policy and
Resources Committee**

Thursday, 20 July 2023

**Subject: Operational Services Fleet Update and Vehicle Procurement
Request**

Report by:

Director of Commercial & Operational Services

Contact Officer:

Ady Selby
Director - Operational & Commercial Services

ady.selby@west-lindsey.gov.uk

Purpose / Summary:

To update members on current Operational Services fleet issues and request a capital investment to reduce pressure on vehicle maintenance budgets.

RECOMMENDATION(S): Members approve a capital investment of £440k to be added to the Vehicle Replacement Reserve to fund two new vehicles from 2024. To fund this recommendation the estimated balance in the vehicle replacement reserve at the end of 2024/25 is £270k, which would be used along with internal borrowing of £170k.

IMPLICATIONS

Legal:

Operators licencing forms the backbone of commercial road transport rules in the UK. The rules are designed to mean businesses taking unnecessary risks by not complying with their operators licensing requirements will see action being taken against them. In order to hold an Operator's Licence, businesses must demonstrate that the fleet operator is professionally competent. Currently the Operator Licence holder for the Council is the Director of Commercial and Operational Services, two other officers have passed exams which demonstrates their professional competence. Operators are regularly assessed and graded on a traffic light system based on their compliance and safety standards. The Council has achieved green status for a number of years and continually strives to improve further.

FINANCIAL IMPLICATIONS:

A review of the current waste collection fleet has taken place. To complete daily collection rounds the service requires a maximum of thirteen vehicles a day to complete all waste collections. At present we are running with 16 large Refuse Collection Vehicles (RCVs). Six of the 16 RCVs are over six years old. These older vehicles are requiring high levels of maintenance resulting in high costs and being out of service.

The recommendation is to change the fleet by increasing the number of RCVs under six years old and disposing of the oldest vehicles requiring high maintenance. To do this, we need to purchase two additional vehicles in 2024/25 at a cost of £440k. To achieve delivery next year, we would have to make the commitment in 2023/24 due to the extensive lead time.

The RCVs over six years old are requiring high levels of maintenance. Average cost of fleet maintenance for these vehicles is £27.9k a year in comparison to those under six years old average of £12.1k. In 2022/23 the pressure for fleet maintenance for Waste collection vehicles was £88.2k. This was mainly due to the RCVs over six years old.

The reduction in old RCVs should produce a large reduction in the fleet maintenance costs. From 2025/26 we are proposing an ongoing saving of £33k per year in the MTFP

The proposal to fund the additional capital spend of £440k is to use the remaining balance of the Vehicle replacement reserve of £270k, which would be used along side the internal borrowing of £170k.

	2023/24	2024/25
Vehicle Replacement Reserve opening Bal	(330,300)	(258,100)
Capital spend as per MTFP	420,000	440,000
Contribution to EMR in MTFP	(347,800)	(451,800)
Revised balance	(258,100)	(269,900)
Two additional vehicle replacements	0	440,000
Internal borrowing		(170,000)
Vehicle Replacement Reserve closing Bal	(258,100)	100

As part of the Budget setting process for 2024/25 a review of vehicle replacements will be undertaken which will encompass a review of the reserve balance and the amounts contributed to it throughout the MTFP period.

FIN REF: FIN/33/24/CPR/SSc

Staffing:

No staffing implications

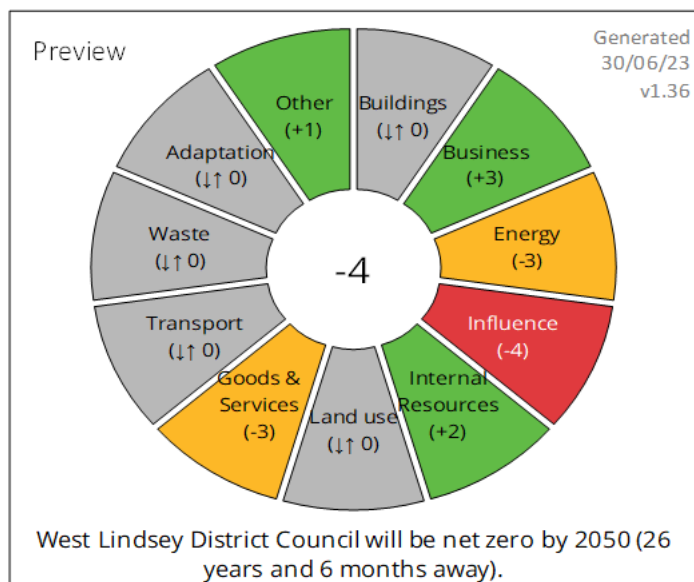
Equality and Diversity including Human Rights:

Not applicable for this report

Data Protection Implications:

Not applicable for this report

Climate Related Risks and Opportunities:



The recommendation is to change the fleet by increasing the number of RCVs under six years old and disposing of the oldest vehicles requiring high maintenance. To do this, we need to purchase two additional vehicles in 2024/25.

Analysis relating to this decision has reinforced the view that reinforcement of the grid connection network is the biggest technological impediment to Electric HGV's. In due course, a depot electrification project group will be set up, resourced, and supported by the Director of Commercial & Operational Services and included in the Operational Services Business Plan. This activity will support WLDC in applying best practice and sustainable solutions our in our business model and represents our intention to make a quantifiable shift in business practice to reduce climate impact.

Section 17 Crime and Disorder Considerations:

Not applicable for this report

Health Implications:

Not applicable for this report

Title and Location of any Background Papers used in the preparation of this report :

Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.

Risk Assessment:

Continuing to operate older spare vehicles could bring risks around compliance with Operator Licencing rules. In addition, it is likely that operating older vehicles will increase the financial burden on maintenance budgets as they are increasingly expensive to maintain. It is proposed that the recommendations of this report will mitigate these risks.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. **Executive Summary**

- 1.1. This report proposes introduces the current position regarding the Operational Services fleet and seeks a capital investment in two new vehicles, whilst reducing the total fleet size by two vehicles.
- 1.2. A significant increase in the amount of residual waste collected for the reasons set out below has resulted in a reliance on using spare vehicles on front line duties. This has brought about a sharp rise in maintenance costs as spare, older vehicles require more maintenance when in regular use.
- 1.3. The current vehicle replacement strategy does not account for the need for increased capacity, therefore a further capital investment is proposed. However, within the report Members will note that this revised strategy will result in a revenue benefit for maintenance lines.
- 1.4. Of course, whilst a reduction in fleet size and the use of newer vehicles with the latest powertrains will bring environmental benefits, it remains the case that there are significant carbon implications resulting from procuring new vehicles.
- 1.5. The conclusion to all this is that we remain committed to delivering carbon net zero across Council services and will strive to achieve this wherever possible using innovative & new technologies. However, we also need to balance this with delivering and maintaining services for our customers and in some circumstances, such as these, maintaining key services has to be the priority.

2. **Background**

- 2.1. Operational Services currently operate a fleet of vehicles which service the needs of waste collection and street cleansing in the District. It is critical that the fleet is operated and maintained in line with Operator Licence regulations.
- 2.2. Three factors have impacted the waste collection service in recent times. Firstly, the pandemic meant many people were choosing to spend more time in, and in many cases work from, home. This has resulted in an increase in waste collected from domestic properties.
- 2.3. In addition, a subscription-based garden waste collection service was introduced in West Lindsey in 2018, this has gradually grown in popularity meaning more collections are required.
- 2.4. Finally, there has been substantial growth within the District. All new properties within the District require waste collections in line with service standards.
- 2.5. All these factors have combined to put additional pressure on collection rounds. Additional rounds have been rolled out, however the lack of capital investment in vehicles has meant there is an increased reliance on spare vehicles. Additionally, the cost to maintain these spare vehicles has increased as they are being used on a daily basis, this has coincided with a significant increase in the cost and availability of spare parts and labour.

- 2.6. This report will also update members on the latest environmentally beneficial improvements made to the wider fleet, including the procurement of Supervisor’s vans. There is an intention to rationalise this part of the fleet by reducing the number in use from five to three. In addition, in line with the Council’s carbon reduction ambitions, two of these vans will be fully electric.
- 2.7. All this means it is timely to review the profile and replacement strategy of the Council’s fleet.

3. Fleet Profile – Large Goods Vehicles (LGVs)

3.1. The Council’s Operator Licence specifies it has sixteen 26 tonne Refuse Collection Vehicles (RCV’s) on its fleet. There are also two smaller 18 tonne vehicles used for difficult to reach areas such as the South West Ward, which are also spares, but mostly discounted for the main discussion within this report. The normal operational life of an RCV is six years, however it is common for vehicles to be operated as spare lorries beyond that parameter. Due to increased collection rounds for the reasons outlined above, a number of these older vehicles are now performing front line duties on a daily basis. Table 1 below demonstrates;

Table 1 Collection rounds vs vehicles

Number of collection rounds	Number of vehicles under six years old	Number of vehicles on front line duty over six years old	Number of spare vehicles over six years old
16*	10	4	2

*whilst there are sixteen collection rounds, there are a maximum of thirteen rounds out on any one day because staff operate a four day week.

4. Maintenance

4.1. The cost of vehicle maintenance has grown significantly in recent times. This has been due to increased costs for staff and parts; in addition the ageing profile of the fleet means more breakdowns and more downtime. Table 2 below shows the average annual maintenance spend on older vehicles compared with RCV’s under six years old.

Table 2 Comparison of maintenance spend

Average annual maintenance spend	RCV under six years old	RCV over six years old
	£12.1k	27.9k

5. Garden Waste

5.1. Since a subscription based service was introduced in 2018, the popularity of the offering has increased. In 2018/19, 25,911 subscriptions were received, gradually rising to over 28,000 in 2022/23. This has required an extra (spare) vehicle to be utilised to service this increased demand.

6. Growth

6.1. There has been significant growth in new homes in the District over the last five years. Table 3 below shows that 2,313 new collections have been implemented between 2017 and 2022. For context, depending on the rurality of the collection round, operatives normally collect around 800 bins per day.

Table 3 Growth

Gross Completions	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
New Build	267	402	564	495	566
Other	13	16	30	40	31
Gross Total	280	418	594	535	597
Losses	21	11	21	50	8
Net Total	259	407	573	485	589

7. Pandemic Impact

7.1. The pandemic resulted in residents spending considerably more time at home, this trend has continued post-pandemic as new ways of working continue to be developed. This has contributed to a steep increase in the amount of residual (black bin) waste which is being presented. Table 4 below demonstrates;

Table 4 Impact of pandemic on residual waste

Year	Residual Waste collected (tonnes)
2018/19	20099.66
2019/20:	20538.82
2020/21	22532.66
2021/22	22195.38
2022/23	22279.97

- 7.2. It can be seen that almost 2,200 more tonnes of residual waste was collected in 2022/23 than in 2018/19, in that time there has been no increased investment in new vehicles. As an indication, the average collection round picks up 21.42 tonnes of residual waste per day.

8. The Future

- 8.1. The full implications of the Environment Bill (2021) are yet to be confirmed by Government. It is highly likely that all Councils will be required to provide separate food waste collections for all residents from 2025. It is also possible, although less likely, that all authorities will be required to provide free garden waste collections for all. The Government has committed to part-funding these new collections through new burdens funding, Officers will bring further reports to Members as and when more details become available.
- 8.2. Growth in households will continue, with an average of 813 new properties per year predicted. Whilst this will increase pressure on collection rounds, it is also relevant that the impending introduction of food waste collections will reduce the weight of residual waste collected. It is anticipated the net impact will be zero.
- 8.3. It is envisaged that collected residual waste weights will flatline now the new burdens resulting from the pandemic are fully understood.

9. Proposal

- 9.1. Have undertaken a full analysis of collection rounds schedules, officers consider that the size of the fleet can be reduced by two vehicles, however an investment in two new vehicles would be required to enable this to happen. In essence, investing in two new vehicles to work on front line duties would reduce reliance on spare vehicles, hence the four of the oldest vehicles could be disposed of and the total fleet size reduced by two. Table 5 below demonstrates how collection rounds could be serviced if all vehicles were available every day with no breaks in service.

Table 5 Collection Round Schedule

Round/Day	Monday	Tuesday	Wednesday	Thursday	Friday
Refuse 1	Lorry a	Lorry a	Lorry a	Lorry a	Day off
Refuse 2	Lorry b	Lorry b	Lorry b	Day off	Lorry b
Refuse 3	Lorry c	Lorry c	Day off	Lorry c	Lorry c
Refuse 4	Lorry d	Day off	Lorry d	Lorry d	Lorry d
Refuse 5	Day off	Lorry d	Lorry c	Lorry b	Lorry a
Refuse 6	Lorry e	Lorry e	Lorry e	Lorry e	Day off
Refuse 7	Lorry f	Lorry f	Lorry f	Day off	Lorry f
Refuse 8	Lorry g	Lorry g	Day off	Lorry g	Lorry g
Refuse 9	Lorry h	Day off	Lorry h	Lorry h	Lorry h
Refuse 10	Day off	Lorry h	Lorry g	Lorry f	Lorry e
Refuse 11	Lorry j	Day off	Lorry j	Lorry j	Lorry j
Green 1	Lorry k	Lorry k	Lorry k	Lorry k	Day off
Green 2	Lorry l	Lorry l	Lorry l	Day off	Lorry l
Green 3	Lorry m	Lorry m	Day off	Lorry m	Lorry m
Green 4	Lorry n	Day off	Lorry n	Lorry n	Lorry n
Green 5	Day off	Lorry n	Lorry m	Lorry l	Lorry k

- 9.2. Of course, it isn't reasonable to expect all vehicles to be roadworthy at all times, allowances should be made for breakdowns (MOT's are undertaken in winter months when garden waste isn't running and routine servicing is undertaken in evenings). Discussions with the Vehicle Maintenance Contractor suggest that one spare vehicle in good condition, alongside the two smaller vehicles mentioned above, should be a proportionate level to keep the fleet in operational condition.
- 9.3. In order to deliver the regime in Table 5, thirteen front line vehicles and one spare would be required (plus the two smaller 18 tonne vehicles). Whilst this is two fewer vehicles than is in the fleet now, a capital investment would be required to invest in two new vehicles as currently only ten vehicles are in the vehicle replacement programme. The spare vehicle would come from a rolling programme of choosing the best six year old vehicle to undertake a further one year's service. The overall objective is to reduce reliance on expensive to maintain, old vehicles and reduce downtime by investing in new fleet. This proposal would result in the oldest vehicle in the fleet being seven years old, currently the oldest vehicle is ten years old.

10. Impact on Maintenance Budgets

10.1. In 2022/23 the vehicle maintenance budget for RCV's incurred a pressure of £87k. Table 6 below shows the projected spend using average data for vehicles over the past year. The guiding principle is that operating less and newer vehicles will reduce the level of maintenance required.

Table 6 Maintenance Budget

	Projected 2023/24 maintenance spend			Projected 2024/25 maintenance spend		
	Number of vehicles	Average spend	Total spend	Number of vehicles	Average spend	Total spend
Spend on vehicles under 6 years old	10	£12,109	£121,090	12	£12,109	£145,308
Spend on vehicles over six years old	6	£27,853	£167,118	2	£27,853	£55,706
		Total	£288,208		Total	£201,014

10.2. The current budget for vehicle maintenance is £234k, so this new proposal should bring an efficiency saving of c£33k. That said, it should be noted that maintenance procedures are extremely dynamic, vehicles increasingly rely on new technologies to become more environmentally friendly meaning more expensive repair bills. However, it should be assumed that the current pressure on budgets would be significantly reduced or eradicated. The £33k proposed saving can be included in the MTFP from 2025/26 – the first full year of new vehicle operation.

11. Carbon Impact

11.1. Operational Services has the biggest impact of any service on the Council's carbon emissions. Through its Business Planning process, the service aspires to reduce this impact wherever possible. A new vehicle replacement strategy is being procured which will deliver an action plan including consideration of the options when procuring new vehicles. Arrangements were in place for the Energy Saving Trust to work with officers to deliver this strategy, unfortunately the Trust was unsuccessful in securing future Government funding for their work, therefore officers are sourcing a new supplier and will deliver a strategy to Members in due course.

11.2. Aside from a strategy being approved, it is clear through research that neither electric nor alternative fuel driven RCV's are suitable for the Council's fleet at the present time. Current variations have neither the range or capacity to adequately undertake the work required of them; in addition, the infrastructure required to service these vehicles is some way from being deliverable in the District.

- 11.3. It is however relevant to consider that procuring two new RCV's, including the very latest Euro 6 Step E Volvo powertrains, will deliver environmental benefits when compared to the proposed disposal of four 2016 versions. The new lorries will be specified with electric bin lifts and solar panels to power other ancillary equipment. The impact of fleet emissions is measured annually and the full impact of this proposal will be reported in due course.
- 11.4. Members will be aware that solar panels have been fitted to six of our newest RCV's. It is estimated that these solar panels will reduce the CO2 usage by a tonne for each vehicle per year. Also, they will reduce fuel usage, it isn't possible to provide accurate estimates for this at this time, as any saving will be unique to each vehicle's usage, however it will be monitored and reported in the coming months.
- 11.5. Due consideration is also being given to improving the environmental impact of the smaller fleet vehicles. Changes to the way Supervisors work means that the current range of five Supervisor vans can be reduced to three. Two of these three vehicles will be bought new and will be fully electric, existing charging points at the new Depot at Caenby Corner mean these new vehicles can be charged when not in use. The remaining van will remain diesel powered as it covers out of hours operational demands and needs to be based at the home of the out of hours duty officer. It is anticipated that the cost of the two new electric vehicles will be similar to replacing the five existing vans, so there are no capital financing implications from that initiative.
- 11.6. Officers will continue to monitor advances in vehicle technologies and align vehicle procurement strategies with advances in the alternative fuels market.

Recommendation

For a capital investment of £440k to be added to the Vehicle Replacement Reserve to fund two new vehicles from 2024. To fund this recommendation the estimated balance in the vehicle replacement reserve at the end of 2024/25 is £270k, which would be used along with internal borrowing of £170k.