

<b>Extraordinary Council</b>	
<b>Meeting Date</b>	4 January 2023
<b>Report Title</b>	Waste and Street cleansing fleet funding
<b>EMT Lead</b>	Lisa Fillery, Director of Resources
<b>Head of Service</b>	Martyn Cassell, Head of Environment and Leisure and Claire Stanbury, Head of Finance and Procurement
<b>Lead Officer</b>	Martyn Cassell, Head of Environment and Leisure and Claire Stanbury, Head of Finance and Procurement
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. That Council approve the fleet funding as outlined within the exempt appendix and it is included in the Medium Term Financial Strategy (MTFS) and capital programme; and</li> <li>2. That delegated authority is given to the Section 151 Officer to adjust the detailed financing of the scheme if required to maximise the value for the Council.</li> </ol>

## **1 Purpose of Report and Executive Summary**

- 1.1 The current Waste and Street Cleansing contract expires on 23 March 2024. The Mid Kent Waste partners (Swale, Ashford and Maidstone Borough Councils) carried out a four stage tender process based on the most economically advantageous tender (MEAT), which was evaluated on 40% price and 60% quality.
- 1.2 Environment Committee approved the award of contract on 19 December 2022 to Company A. They also recommended that Policy and Resources Committee and then Full Council approve the vehicle fleet funding and amendment of the Medium Term Financial Strategy (MTFS) and capital programme to accommodate it.

## **2 Background**

- 2.1 The waste and street cleansing contract specification required completely new vehicles across the whole range of services. The bidders were asked to submit a list of vehicles they needed to deliver the service and to detail the estimated costs of them.
- 2.2 The winning bidder will be required to purchase the vehicles ensuring we will still be able to benefit from the contractor's purchasing power. It is estimated that the Councils would be charged at least a 5% premium on top of the prices that contractors can get from manufacturers and lead in times will likely be better as they book build slots in advance.

- 2.3 It became clear during the early rounds of the competitive dialogue process that private sector rates of borrowing to fund the new fleet requirements were more expensive than the Councils borrowing to provide the funding. The final tender specification therefore confirmed that Councils would provide the funding.
- 2.4 There are a number of benefits of owning the fleet beyond the financial savings. If a contractor ceased trading or withdrew from the service, the Council would be better placed to continue a service for residents without significant disruption and lengthy legal processes. Furthermore, the Council will retain the assets at the end of the contract and could either continue to use them, retrofit them for carbon emission reductions or recover some of the capital outlay through sale/scrapping.
- 2.5 These benefits of ownership do carry a certain level of risk. The contract documents, via a vehicle schedule, detail exactly how the contractor must manage the asset during the contract, to ensure service is maintained and the vehicles remain an asset for the Council at the end of the term. Bidders put forward their method statements and experience in meeting this requirement and Company A met all of the criteria. The performance mechanism used to hold contractors to account when service delivery fails was strengthened as part of the tender process and so we have the relevant mechanisms (and financial penalties) in place should this not be achieved.
- 2.6 Appendix I shows the estimated capital required for the new fleet. It is an estimate (albeit based on real quotes from manufacturers in October 2022) due to the fact that in the current financial climate, manufacturers of the vehicles are regularly increasing prices and will not hold prices until the point of order, which can only be done when the contracts are approved. The sum also includes an amount set aside for a small number of vehicles that will not last the 8 years of the contract and are therefore scheduled for replacement at the halfway point of the contract.
- 2.7 The current assumptions in the Medium Term Financial Strategy cover the costs of the actual contract and enabled the Environment committee to approve the award on 19 December 2022. However, the acquisition of the vehicles is not, and it also needs to be placed in the Council's capital programme. All of the costs were included in the draft Medium Term Financial Strategy approved for public consultation by the Policy and Resources Committee on 30 November 2022. However, the final MTFs will not be resolved until the meeting of Council on 22 February 2023.
- 2.8 During the dialogue process of the tender, bidders stated that new vehicle turnaround times were much longer than normal. A contract extension was therefore agreed to run to 23 March 2024 to allow sufficient time for procurement and delivery of the vehicles. Therefore, due to the need to place orders as soon as possible, the decision here today could not wait until the Budget is resolved at Full Council.

### **3 Proposals**

- 3.1 That Full Council approves the formal amendment to the capital programme to include the acquisition of the fleet required to support the contract agreed by Environment Committee on 19 December 2022. The estimated cost of the fleet is included within the exempt appendix but as outlined above, the final price will not be confirmed until the order is placed.
- 3.2 It was initially assumed that the Council would need to borrow to finance the purchase of the fleet but there is potentially an option to use a mix of capital receipts and internal borrowing as well to help minimise interest payments. It is therefore recommended that delegated authority is given to the Section 151 Officer to adjust the detailed financing of the scheme if required to maximise the value for the Council.

### **4 Alternative Options Considered and Rejected**

- 4.1 The 'do nothing' option is not advised. The Environment Committee has approved the award of contract and any delays in procuring the fleet would risk the service not being delivered from the start date. It would also impact our Mid Kent Partners and risk delivery of their service.

### **5 Consultation Undertaken or Proposed**

- 5.1 Significant consultation has been undertaken with residents, councillors and staff during the commissioning process.
- 5.2 The Member Finance sub-group has been consulted in relation to these matters.

### **6 Implications**

<b>Issue</b>	<b>Implications</b>
Corporate Plan	A new waste collection and cleansing service offers the opportunity to consider the priority 'Investing in our environment and responding positively to global challenges', with particular reference to 2.5 'Work towards a cleaner borough where recycling remains a focus and ensure that the council acts as an exemplar environmental steward, making space for nature wherever possible.'
Financial, Resource and Property	The draft MTFS for 23/24 onwards includes provision for the costs of a new contract and the acquisition of the fleet to support the delivery of the service. The orders for the fleet need to be placed before the final decision on the budget is taken on 22 February 2023 and so approval to amend the MTFS and place in the capital programme is required to ensure that our financial procedures are adhered to.

	<p>The cost of the fleet for Swale is estimated in the exempt appendix. The proposal is to fund as much of the capital as possible from existing capital receipts that the Council holds (estimated at £2m). This will reduce the amount we need to borrow and there may be other short term options available to further increase the saving. Current interest rates at the time of writing are 4.16% for borrowing over the 8 years of the contract. A full breakdown of contract costs is at Appendix I.</p> <p>The vehicles will remain the property of the Council and at the end of the contract will provide an asset for the Council either for future services or sale.</p>
Legal, Statutory and Procurement	<p>Delivering this service is a requirement under the Environmental Protection Act 1990. Failure to accept the recommendations without agreeing suitable alternatives may place the Council in breach of the Environmental Protection Act 1990.</p> <p>Mid Kent Legal Services have provided legal advice during the tender process and this included a vehicle schedule which details exactly how the contractor will manage and maintain the Council fleet to remain fit for purpose for delivery of the service throughout the contract.</p>
Crime and Disorder	Not applicable to this decision
Environment and Climate/Ecological Emergency	<p>The waste and street cleansing contract is currently the most significant contributor to the Council's carbon footprint and therefore any reductions in this contract are critical to helping us achieve the Climate and Ecological Emergency Action Plan targets. The fleet being purchased will bring a reduction in carbon emissions compared to the current contract.</p> <p>The carbon footprint of the fleet was considered during the tender process and detailed in the contract award report.</p>
Health and Wellbeing	Not applicable to this decision
Safeguarding of Children, Young People and Vulnerable Adults	Not applicable to this decision
Risk Management and Health and Safety	As mentioned above, the contract documents detail how the vehicles will be managed during the 8 year contract to ensure they remain an asset for the Council.

Equality and Diversity	Not applicable to this decision
Privacy and Data Protection	Not applicable to this decision

## **7 Appendices**

7.1 The following documents are to be published with this report and form part of the report:

Exempt Appendix I: Breakdown of contract pricing including fleet funding

## **8 Background Documents**

8.1 Environment Committee 19 December 2022 can be found [here](#).