



## Hinckley & Bosworth Borough Council

Forward timetable of consultation and decision making

Council 1 October 2024

Wards affected: All Wards

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### Procurement of HGV Fleet

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Report of Director Corporate and Street Scene Services

#### 1. Purpose of report

- 1.1 To advise Council on requirement to replace the HGV fleet, and to agree amendments to future years budgets to facilitate this procurement.

#### 2. Recommendation

- 2.1 That Council approves the procurement of the replacement HGV vehicle fleet from 1 September 2025 and supplementary budgets as detailed below:-
- a) a supplementary capital budget of £4,422,608 for fleet,
  - b) a supplementary revenue budget of £420,616 for the annual financing cost and additional maintenance,
  - c) an increase the Council's capital financing requirement of £4,422,608 to allow for the HGV purchase.

#### 3. Background to the report

- 3.1 The current HGV fleet is operated for refuse collection, waste transfer, street cleansing and road sweeping and all vehicles are on contract hire until 31/8/25. Contract hire includes both the lease of the vehicle and the ongoing maintenance, tyres etc. Government has mandated all local authorities need to provide a separate weekly food waste collection for all households from 31 March 2026. These additional 9 HGVs also need to be procured.

A full tender exercise has been run supported by Link Asset Services utilising an existing HGV framework. One submission was received which Link have advised is consistent with the current market rates for HGV's.

- 3.2 Fleet composition has been reviewed and updated to reflect the current operational needs such as housing growth and new services, and where possible reduce costs where operationally feasible. This includes retaining existing fleet where viable to reduce costs:

New Qty	Make & Model	Term	Mileage per annum
6	Refuse Vehicle - 6 x 2 mid-lift, Standard Width – Dry Recycling Vehicle	8 Years	13,000
6	Refuse Vehicle - 6 x 2 mid-lift, Narrow Width	8 Years	13,000
5	Refuse Vehicle - 6 x 2 mid-lift, Narrow Width – Garden Waste Vehicle	8 Years	13,000
4	<i>Refuse Vehicle - 6 x 2 mid-lift *</i>	TBC*	<i>13,000</i>
9	Food Waste Collection 7.5T Vehicles	8 Years*	25,000
1	Large 15T Sweeper	8 Years	1500 hours
1	Road Sweeper 3.5T Sweeper	4 Years	1000 hours
1	<i>Daf 4x2 18t Hook Lift Vehicle*</i>	TBC*	<i>15,000</i>
3	7.5T Box Van with 1,000kg tail lift	8 Years	13,000

*\*Existing vehicles retained on new rolling annual agreements (subject to annual value for money / reliability assessment)*

- 3.3 An appraisal of the financial options for fleet renewal have been undertaken with the help of Link Asset Services. Based on how our vehicles are used and maintained the most cost-effective option was an 8-year agreement (one year longer than the current agreement of 7 years).
- 3.4 The Council has declared a climate emergency and aims to be net zero by 2030. The suitability of currently available electric vehicles was evaluated and the performance of electric alternatives currently available was deemed operationally higher risk. The requirement for HGV fleet to transport weight over distance and at speed was not met. Due to level of cost associated with an Electric HGV's this option was discounted. Currently on the specifications available the costs for an electric Refuse vehicle are HGV are circa £218,000 per vehicle more. Electric vehicle charging infrastructure would also be required including a significant increase in power supply at the depot. This has not been fully costed but a high-level estimate is that this would be in excess of £750,000.

- 3.5 Following full consideration of the financial and operational implications Officers recommend contract hire of the vehicles for the following reasons:-
- Financial saving of £100,962 over the contract period.
  - On site maintenance resulting in minimal off road time
  - Resilient business continuity for vehicle maintenance
  - Lower costs risk to the Council e.g. tyres, lubricants, mechanic costs are all volatile.

**4. Exemptions in accordance with the Access to Information procedure rules**

4.1 This report will be taken in public session.

**5. Financial implications IB**

5.1 The financial implications for non-food waste and food waste have been assessed separately. For the existing non-food waste service, a like for like comparison can be made.

**Non-Food Waste Fleet**

5.2 The vehicle contract will be based on an 8-year lease term compared against the current 7-year term. This increase in term is in line with current standard practice in the industry and will still ensure that vehicle remain fit for purpose across the term of the contract. The only exception to this is one of the road sweepers which has a 4-year life.

**Purchase and Leasing Costs**

5.3 The gross cost is estimated to be £5,924,584. If purchased the total financing cost is £6,074,896. This is based on borrowing £4,422,608 over 8 years at a PWLB rate of 4.87%. This compares to a lease cost of £5,710,304.

5.4 The lease cost assumes sale proceeds at the end of 8 years of £49,350. If the same sale proceeds are assumed the estimated net cost of purchasing will be £5,892,114. This means it is estimated that the overall cost over 8 years for the purchase option will be more expensive by £100,962. The information is summarised in the table below.

	Purchase			lease
	mrp £	int £	Total Cost £	Cost £
yr 1	552,826	206,536	759,362	740,573
yr 2	552,826	206,536	759,362	740,573
yr 3	552,826	206,536	759,362	740,573
yr 4	552,826	206,536	759,362	740,573
yr 5	552,826	206,536	759,362	740,573

yr 6	552,826	206,536	759,362	740,573
yr 7	552,826	206,536	759,362	740,573
yr 8	552,826	206,536	759,362	740,573
	<b>4,422,608</b>	<b>1,652,288</b>	<b>6,074,896</b>	<b>5,924,584</b>
less sales proceeds			49,350	in above
<b>Cost over 8 Years</b>			<b>6,025,546</b>	<b>5,924,584</b>

In accordance with proper accounting practice, the assets will be included in the Council's Balance Sheet. Closer to when the final delivery date is agreed, the leasing costs will be reassessed to consider movement in interest rates. It is hoped that the final charges may be lower if a potential reduction in the base rates are realised. If the cost does increase this will require further approval in accordance with financial procedure rules.

- 5.6 Based on the indicative costs above for leasing Council will need to approve a budget of:
- Capital is £4,422,608.
  - Revenue is £1,652,288 for the annual financing cost.
- 5.7 There is also a requirement to increase the Council's capital financing requirement by £4,422,608 to allow the purchase.
- 5.8 The current lease charge including maintenance is £721,223. The new cost is £1,116,34 and this is a cost increase of £420,616 but includes the cost of an additional refuse round / vehicle (£58,220). Based on the ONS RPI tables the in last 7-year increase inflation has increased by 36%. If this rate is added to the current cost the new cost should be £974,025.

The annual change is summarised in the table below.

Current financing charge	New financing charge	Current Maintenance	New Maintenance	Additional requirement
£448,781	£713,788	£246,951	£402,560	£420,616

### **Other changes fleet**

- 5.9 To keep costs down the following vehicles will not be replaced. The Council will continue to use old vehicles from the current contract where economically viable and operationally reliable to do so. The following items will therefore be rented on favourable terms. The telehandler (owned by HBBC) will also be retained rather than replaced.

Qty	Make
4	Mid lift Refuse Vehicles
1	DAF Hook Lift

### **New Food Waste Collection Vehicles**

5.10 Due to the anticipated high demand and long lead times food waste vehicles also need to be procured now. The cost of these will primary be grant funded. Capital grant funding of £1,182,585 has be received from Defra for the purchase of food waste vehicles and collection containers (bins). From this £859.368 has been set aside for the vehicle purchase cost. This should fund the purchase of 8 Vehicles. Currently it is estimated the 9 vehicles will be required. For the 9<sup>th</sup> vehicle the annual leasing cost will be £18,410 per annum and an annual maintenance cost of around £16,000 per annum.

Implications arising from future changes in mileage and maintenance will require approval accordance with financial procedure rules

5.11 In order for the vehicle order to be placed the necessary budgets need to have been agreed by Council to ensure compliance with financial procedure rules.

5.12 Increased fleet costs will be reflected in the updated medium term financial strategy (MTFS).

### **6. Legal implications HI**

6.1 The current contract ending in September 2025 necessitates a new contract to maintain legal and operational standards for the fleet. This is crucial for the council to continue fulfilling its statutory duties, such as food waste collection and street cleansing.

6.2 As provided in paragraph 3.1, the procurement process, supported by Link Assets Services, has been completed in compliance with relevant regulations. This ensures transparency, fairness, and adherence to legal requirements.

6.3 The draft contract has been reviewed by legal, who have provided comments and suggested amendments. This step is vital to secure the council's interests and ensure the contract terms are robust and legally sound.

### **7. Corporate Plan implications**

7.1 The HGV fleet is essential to the delivery of the Council's statutory waste collection and street cleansing services. The new fleet includes food waste collection vehicles to meet the corporate plan aim "increase recycling including the introduction of food waste collection with government funding".

## 8. Consultation

- 8.1 None. Staff within streetscene were involved in writing vehicle specifications and managers in finance and street scene evaluated and negotiated the final terms.

## 9. Risk implications

- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

### Management of significant (Net Red) risks

Risk description	Mitigating actions	Owner
Failure to secure fleet resulting in service failure (waste and cleansing)	Continuity of supplier means guarantees have been given replacements will be key to key. Early ordering of food waste vehicles reduces this risk where demand will be high	Caroline Roffey
Failure to meet zero fleet emissions by 2030	Use of HVO will (depending on affordability) reduce emissions by 90%. The remaining 10% will need to be offset between 2030 and 2033 or the target date of 2030 will need to be revised	Caroline Roffey
Increased maintenance costs for retained fleet, and 8 year contract hire term	Close monitoring of costs by transport manager, shorter agreements on retained fleet (annual reviews), and robust contract management	Caroline Roffey
Poor maintenance resulting in increased off road time affecting service reliability. (Using a contractor provides grater resilience than if HBBC ran this in house)	Chosen supplier has robust business continuity for fleet maintenance and currently provided a reliable maintenance service. Robust contract management of maintenance performance by Transport Manager	Caroline Roffey

## **10. Knowing your community – equality and rural implications**

- 10.1 Vehicles selected are suitable for the delivery of our waste collection and street cleansing services. They can meet the needs of our rural and urban populations, and the governments requirement for a new weekly food waste collection. Additional storage boxes have been added onto the RCV's to allow small electrical items to be collected in future should this be needed.

## **11. Climate implications**

- 11.1 See 3.4. Electric vehicles have been rejected at the current time for both cost and operational reasons. All the new vehicles can operate on HVO (rather than diesel) which will reduce emissions by up to 90% and contribute significantly to the net zero 2030 ambition. However, 10% of fleet emissions will remain until 2033.

## **12. Corporate implications**

- 12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

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Background papers: [list any background information or insert 'none'. If the report is public, background papers must be publicly available documents (available on the website or state here where they can be obtained) and remain available for four years from the date of the meeting.]

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