

	REPORT TO CABINET TO BE HELD ON 24 JULY 2007	
	Key Decision	NO
Corporate Priority Creating Quality Environments	Forward Plan Ref No Cabinet Portfolio Holder	N/A Councillor Andrew Backhouse Cabinet Member for Environment & Transport

REPORT OF: Head of Street Scene Services HSS/07/019

WARDS AFFECTED: All

SUBJECT: PURCHASE OF LINKTIP EX-DEMONSTRATION REFUSE COLLECTION VEHICLE

RECOMMENDATION:

- (i) Approve the purchase of the Linktip, ex-demonstration, Refuse Collection Vehicle at a cost of £56,500 to be funded from the Capital Development Reserve (Vehicle, Plant and Equipment Fund Element), with annual revenue contribution repaying the initial outlay in five years.

REASON FOR RECOMMENDATION:

When the new recycling service is introduced Borough wide in September 2007, trade refuse will have to be collected separately in dedicated vehicles in order to avoid contamination of the dry recyclables. In order to achieve, this it will be necessary to procure an additional trade refuse collection vehicle at a cost of approximately £65,000.

However, an opportunity has arisen for the Council to obtain a suitable vehicle at a lower cost by purchasing an ex-demonstration vehicle, first registered on 7 December 2006, from LinkTip Ltd at a cost of £56,500.

HIGHLIGHTED RISKS:

Failure to purchase vehicle will put trade waste service and recycling scheme in jeopardy, miss an opportunity to save £8,500 and necessitate hiring a vehicle with subsequent cost implications. All identified risks associated with this recommendation are included in the risk matrix.

1. INTRODUCTION

- 1.1 The new recycling service to be introduced Borough wide in September 2007 is based on alternate weekly collections; recyclables one week and residual waste the next. Because of contractual obligations trade waste has to be collected at the contracted frequency, usually weekly but in many cases more frequently; this means that household collection vehicles will not be able to be utilised for the collection of trade waste. It has therefore been necessary to revise the trade refuse collection service operating throughout the Borough. Because all trade waste will now require a separate collection it is necessary to create an additional dedicated trade refuse collection round using an additional refuse collection vehicle at a cost of approximately £65,000.
- 1.2 An opportunity has arisen for the Council to obtain a suitable vehicle at a lower cost by purchasing an ex-demonstration vehicle, from LinkTip Ltd at a cost of £56,500. Approval is sought to purchase this particular vehicle at this time in order to achieve the saving of £8,500.

2. CORPORATE OBJECTIVES AND THE COMMUNITY PLAN

- 2.1 The Key Aims & Corporate Priorities affected by this report are:
 - Aim 3, Creating Healthy and Vibrant Communities
 - Aim 4, Creating Quality Environments
 - Priority – Improving the performance of our services and ensuring they provide Value For Money

3. BACKGROUND AND ISSUES

- 3.1 In September 2007 the new recycling service will be introduced across the Borough. The new service is based on alternate weekly collections; recyclables one week and residual waste the next. The Council operates a trade refuse collection service across the Borough. This service collects waste generated by businesses for disposal at a cost which included both collection and disposal elements. Currently around 50% of the trade waste collections are made using the household and street waste collection systems rather than a dedicated trade waste collection.

- 3.2 Contractual obligations necessitate trade waste being collected at the contracted frequency, usually weekly but in many cases more frequently. Because of this the household collection vehicles cannot be utilised for the collection of trade waste or street waste since they will be operating an alternate weekly collection regime. It is therefore necessary to revise the trade refuse collection service; all trade waste will now require a separate collection and it will be necessary to create an additional dedicated trade refuse collection round as a replacement for the household and street waste schemes. This will require an additional refuse collection vehicle at a cost of approximately £65,000. This vehicle will serve the Northern part of the Borough and be based at Whitby.
- 3.3 The purchase of a new vehicle will have a lead-time of approximately 16 weeks so a new vehicle ordered now will not be available when required in advance of the new recycling service. The hiring of a suitable vehicle will have to be considered but this will be an additional cost to the service. However, an opportunity has arisen for the Council to obtain a suitable vehicle at a lower cost by purchasing a demonstration vehicle, from LinkTip Ltd at a cost of £56,500. Not only does this save £8,500 on the cost of a new vehicle but it also saves the costs of vehicle hire as it is an “off-the-shelf” vehicle. Approval is therefore sought to purchase this particular vehicle at this time in order to achieve the saving of £8,500.
- 3.4 The initial capital cost of the vehicle can be funded from the Capital Development Reserve (Vehicle, Plant and Equipment Fund Element), with annual repayments covering the full cost in five years. The repayments will be met from trade waste charges, which have been increased to take account of the changes to the service resulting from the implementation of the new recycling service. These increases cover the cost of the necessary additional vehicle, but clearly the availability of this particular vehicle does mean that a saving of at least £8,500 can be achieved.
- 3.5 The vehicle is already on trial/hire to the Council and is known to be suitable for our requirements and reliable. The vehicle has been on trial/hire to the Council for a number of weeks. This is because many of the necessary changes to the trade waste service have had to be implemented. The fully revised trade waste service will have to be completed before September 2007 since this is an essential precursor to the implementation of the new recycling scheme. The company have also agreed to offset the present and accrued hire charges against the stated purchase price. This will amount to approximately £8,000.
- 3.6 This opportunity has arisen as a result of the company that currently manufactures this type of vehicle offering for sale an ex-demonstration vehicle.
- 3.7 The Transport Manager has undertaken a vehicle inspection. The inspection showed that the vehicle is in good mechanical condition. It is important to note that demonstration/hire vehicles are subject to rigorous checks to ensure continued reliability. Although there are no maintenance records to qualify the

vehicles maintenance history, it is quite apparent that the vehicle has been regularly maintained.

- 3.8 Internal Audit have been consulted, and their opinion is that providing the vehicle is in good mechanical order appropriate for its age and use, then the purchase would appear to make good economic sense. The tangible savings against its current market value are worthwhile, and it is suitable for the Borough's needs, and is a recognised and fully supportable vehicle.

4. ASSESSMENT

- 4.1 If approved the proposal will save the Borough Council £8,500 against the anticipated new price. There are additional savings through a) not having to wait 16 weeks for delivery, after award of an order during which a vehicle would be hired, and b) the company have agreed to offset the rentals already paid (currently £550 per week) against their offer price. If the vehicle is not purchased at this opportunity it will still be necessary to order a similar vehicle, to ensure the implementation of the trade waste scheme, at full cost.

5. IMPLICATIONS

(a) Policy

- 5.1 There are no policy implications resulting from this report.

(b) Financial

- 5.2 The vehicle is primarily funded through trade waste charges, which were increased to take account of the changes to the service resulting from the implementation of the new recycling service. This increase covers the cost of the necessary additional vehicle. However, the availability of this particular vehicle does mean that savings of at least £8,500 can be achieved.

(c) Risk

- 5.3 See Risk Matrix.

(d) Legal

- 5.4 (i) The Head of Legal has granted an exemption from the contract procedure rules under CPR 20.2 (c) on the grounds that this is a purchase of goods in circumstances where no genuine competition could be achieved. This means that the Council can purchase from the seller direct without following the usual procurement process.
- (ii) As highlighted in the risk register it is considered to be highly unlikely that the seller will agree to the Council's standard terms and conditions for the supply of goods under these circumstances. This means that the Council's usual contractual rights could be limited. This risk is mitigated by the fact that the Council is already in possession of the vehicle, already knows that it is fit for purpose, has conducted a vehicle inspection to ensure that it is of satisfactory quality, the Council is purchasing the vehicle at a price

that shows a considerable saving against the market price and the Council will still have the benefit of the manufacturers guarantee.

(e) Environmental and Sustainable Development

5.5 Purchase of this vehicle will support the Council's recycling scheme.

6. ACTION PLAN

6.1 An Action Plan is not applicable to this report.

A handwritten signature in blue ink, appearing to read 'B. Goulding', with a long horizontal flourish underneath.

Bernard Goulding, Head of Street Scene Services

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Background Papers:
None.

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT BARRY SCOTT ON 01723 383111 e-mail barry.scott@scarborough.gov.uk

Risk Matrix

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Failure to purchase vehicle	Unable to carry out trade waste collection service	Certain	Major	Purchase the refuse collection vehicle	Not Likely	Low
Repairs and Maintenance costs may be higher than those of a new vehicle.	Budget overspend due to Increased repair and maintenance costs.	Likely	Medium	Effective repair and maintenance programme by workshops	Not likely	Low
High cost of hiring in a refuse collection vehicle	Budget overspend due to hire charges	Likely	Medium	Purchase the vehicle at the earliest opportunity	Not likely	Low
Purchase not on Council's standard terms and conditions for the purchase of goods	Council will have limited contractual remedies in the event that there is any problem with the product	Likely	Medium	Council already in possession of vehicle, satisfied as to quality, buying at below market rate and will have benefit of manufacturers guarantee	Not likely	Low