

RECORD OF DECISION MADE UNDER DELEGATED AUTHORITY

*PART 1 – PUBLIC DOCUMENT

Any interest to declare/ or conflict and any dispensation granted [if applicable]: N/a

SERVICE DIRECTORATE: RESOURCES AND PLACE

1. DECISION TAKEN

To provide capital funding of £5.285 million (excluding VAT) for the purchase of waste and street cleansing vehicles for the new contract.

2. DECISION TAKER

*Ian Couper, Service Director: Resources and Sarah Kingsley Service Director: Place
In consultation with Cllr Ian Albert (Executive Member for Finance and IT) and Cllr Amy Allen (Executive Member for Recycling and Waste Management)*

3. DATE DECISION TAKEN:

12 November 2024

4. REASON FOR DECISION

4.1 Providing capital funding for the vehicles is in the financial interest of the Council, compared with the contractor funding the vehicles. The reduction in the annual contract amount is greater than the Council's cost of capital.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 The Council could require that the contractor funds the vehicles, but overall, this would be a higher cost for the Council.

6. CONSULTATION (INCLUDING THE EFFECT ON STAKEHOLDERS, PARTNERS AND THE PUBLIC)

6.1 This matter formed part of a Cabinet report in July 2024. Based on the information at the time it was highlighted that it was likely to be in the Council's best financial interests to provide the capital funding, but the final decision needed to be based on receipt of final vehicle cost information from the contractor.

7. FORWARD PLAN

7.1 This decision is a key Executive decision that was first notified to the public in the Forward Plan on the *19 July 2024*.

8. BACKGROUND/ RELEVANT CONSIDERATIONS

8.1 The waste and street cleansing contract is a joint procurement with East Herts Council. The procurement included competitive dialogue, and as part of that it was determined that there may be an opportunity for a cost saving to the Councils from funding the vehicles that would be required for the contract. The alternative option was for the contractor to fund the vehicles.

- 8.2 The final tender documents asked bidders to price both options for vehicle purchasing, and both were evaluated equally. The option where the Councils funded the vehicles required the bidders to provide the following information:
- An annual reduction in the contract cost, compared with pricing for the provider funding the vehicles, and
 - The number of vehicles required and the capital cost of each vehicle.
- 8.3 The evaluation of that element of the bids compared the expected revenue costs of capital of buying the vehicles (i.e. Minimum Revenue Provision and interest) with the reductions in the contract cost.
- 8.4 Tender submissions were at January 2024 prices. The contract allowed the successful bidder to update their vehicle costs in advance of the Councils making a decision on whether they would fund the vehicles (or require the successful bidder to fund them). There was a requirement to explain any significant cost increases. The Councils would also have an opportunity to review interest rates as that would affect the revenue cost of capital.
- 8.5 The Councils have received the list of vehicles with costs from Veolia, and that shows a small reduction in the total capital cost compared to their bid price. The initial evaluation was based on the relevant Public Works Loan Board (PWLB) interest rate as at January 2024. The revised evaluation is based on the current PWLB rate, which is higher than it was in January. The overall evaluation (even with the higher interest rates) shows a net gain to the Councils over the 8 year contract period of £1.99 million.
- 8.6 The information provided by Veolia in their bid to split the vehicles between the two Councils. This is based on where the vehicles will mostly be used. The allocation to East Herts is greater as they have more households. North Herts will fund £5.285 million, which is 35 out of 75 vehicle and around 46% of the total capital cost. The financial benefit to each Council is split based on the respective capital investments.
- 8.7 The total benefit to North Herts (based on current interest rates) is estimated at £925k, an average of £115k per year. The vehicles will not need to be paid for until around May 2025 and interest rates may have moved in that time. We will also not need to externally borrow initially, with the interest rate impact being the loss of interest that we would have received from investing the money. We currently receive around 5% from our investments, which is about 0.25% less than the PWLB cost of borrowing. It is expected that interest rates will drop by May 2025, and then continue to drop thereafter (although at a slower rate). Our treasury advisers predict that the Bank of England base rate will be around 4% by May 2025 (currently 4.75%) and around 3% a year later. At a 4% cost of borrowing (or lost income from investments foregone) the benefit of funding the vehicles increases to £1.22 million (an average of £142k per year). At 3% it would be a benefit of £1.45 million (an average of £181k per year).

9. LEGAL IMPLICATIONS

- 9.1. At their meeting on the 9th July 2024, Cabinet agreed “to the delegation of powers to the Director of Resources and the Director of Place in consultation with the Executive Members for Finance and IT and Recycling and Waste Management to determine whether the Council Capital funds vehicles”.
- 9.2. The forecast capital costs of the waste vehicles were included in the 2024/25 budget. The Cabinet report of the 9th July 2024 advised (at 10.1), that during the current contract we have set aside some funding each year towards the purchase of the vehicles for the new contract. Additionally, the report confirmed (at 10.6) that there are already allocations in the capital budget for vehicle purchases.

- 9.3. Given that this is a key Executive decision as defined in the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) (Regulations) 2012, it cannot be implemented until 5 clear working days have elapsed after the decision has been taken to allow for scrutiny call-in.

10. FINANCIAL IMPLICATIONS

- 10.1. It is expected that this decision will make a revenue saving as the contract savings will be greater than the revenue costs of capital. The amount of the saving depends on interest rates, as detailed in paragraph 8.6.
- 10.2. This decision will involve capital spend of £5.285 million. That is well within the capital budget allocated by Council on the 29th February 2024 of £8.5 million detailed within the Council report at 5.2.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. There is a risk that interest rates could increase. However current expectations are that interest rates will decrease. If there are indications that interest rates will increase then we will consider our borrowing strategy, and consider locking in to fixed rate borrowing to ensure that we do not make a loss out of this arrangement.

12. EQUALITIES IMPLICATIONS

- 12.1 There are no equalities implications that apply to this decision.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 *The Social Value Act and “go local” policy do not apply to this decision.*

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this decision. The decision of who provides the funding does not affect the vehicles that will be used to deliver the contract. The use of electric vehicles (up to 7.5 tonnes) will contribute to reducing the Council’s carbon reduction targets. It is anticipated that this reduction will be captured to demonstrate change.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The waste and street cleansing contract ensures that Veolia will be fully responsible for managing the vehicles.

16. BACKGROUND PAPERS

- 16.1 *Cabinet report July 2024* <https://democracy.north-herts.gov.uk/documents/s25610/Waste%20Recycling%20and%20Street%20Cleansing%20Contract%20Award%2009072024%20Cabinet.pdf>

17. APPENDICES

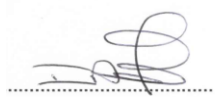
- 17.1 *None*

NOTIFICATION DATE 15 November 2024

Date sent to all Members, put on website and appears in MIS – 15 November 2024

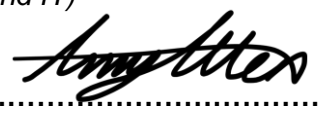
Signature of Executive Member Consulted ...

Cllr Ian Albert (Executive Member for Finance and IT)



Signature of Executive Member Consulted

Cllr Amy Allen (Executive Member for Recycling and Waste Management)



Date 14 November 2024.....

Signature of Decision Taker



Please Note: that *unless urgency provisions apply* EXECUTIVE decisions cannot be implemented until 5 clear working days have elapsed after the decision has been taken to allow for scrutiny call-in.

Call-in does not apply to NON-EXECUTIVE DECISIONS