

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Bram Kainth, Executive Director for Place in consultation with Councillor Chevoppe-Verdier, Cabinet Member for Public Realm

Date: 21/07/2025

Subject: Purchase of Vehicles for Waste, Recycling, and Street Cleansing Contract

Report author: Pat Cosgrave, Service Lead Street Environmental Services

Responsible Director: Mark Raisbeck, Director of Public Realm

SUMMARY

The report recommends that London Borough of Hammersmith and Fulham Council (the “Council”) authorise the waste contractor to purchase five nearly new second-hand diesel Refuse Collection Vehicles (RCVs) on its behalf. This is an interim measure to reduce current, short- and medium-term vehicle hire costs without impeding the current work to introduce electric RCVs as quickly as possible. In parallel, officers will continue to develop plans to assess the financial and technical (considering the limited space available at Bagley’s Lane and the impact this could have on other services like school buses which would need to be relocated) feasibility of electrifying the whole fleet of RCVs, as well as introducing electric charging points at Bagley’s Lane. Officers’ key focus will be to identify decarbonisation measures where a capital or revenue investment generates the highest benefits to residents per pound invested, such as a decrease in energy consumption, carbon emissions, noise pollution, and more.

- The recommended vehicles are a like for like replacement but newer models of the vehicles currently being hired, so will not result in a net increase in emissions.
- Purchasing already built vehicles as opposed to ordering entirely new production avoids the climate impacts associated with producing entirely new vehicles.
- When the Council installs further charging infrastructure to transition towards an electric waste fleet these vehicles can be sold on to release the residual value from these assets which would not arise from continued vehicle hire.
- The proposed vehicles can be fuelled by Biodiesel (HVO) and officers will conduct a feasibility study to procure and use this alternative fuel for diesel-fuelled vehicles by 1st April 2026. HVO fuel is derived from 100% renewable resources and provides a 90% reduction in greenhouse gas emissions. Use of HVO also reduces notifiable particulate matter (PM) and nitrogen oxide (NOx) emissions in exhaust systems which has a benefit to air quality.

As part of the Waste, Recycling, and Street Cleansing Contract (the “Contract”) which commenced in January 2023, the Council is required to provide funding for the necessary vehicles to deliver these services (Authority Financed Assets). As agreed in the Contract, the vehicles will be procured by the contractor on behalf of the Council and so will be owned by the Council. The Contract has an aspiration to have

an emission-free fleet. However, whilst fully electric RCVs are available on the market, the Council does not currently have the required electric charging infrastructure in place to support the purchase of these vehicles nor sufficient depot space. Work is underway to fully assess and cost the impact of introducing electric charging infrastructure at Bagley's Lane, such as its impact on other services which currently use the site and would need to be relocated. Replacement of leased diesel vehicles with purchased second-hand diesel vehicles is therefore an unavoidable step at this time to reduce unbudgeted revenue costs.

This report sets out the capital investment requirement for the purchase of five RCVs, at a total one-off capital cost of £1,346,500, to be funded from existing capital budget already approved for the purchase of waste vehicles.

RECOMMENDATIONS

1. To instruct the waste, recycling and street cleansing contractor to purchase five diesel refuse collection vehicles on behalf of the Council, at a total one-off capital cost of £1,346,500.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Corporate Plan and the H&F Values
Building shared prosperity	The value has been considered but the purchase of the vehicles does not impact on local shared prosperity as there are no providers of the vehicles on borough to purchase from.
Creating a compassionate and inclusive council	The value has been considered but the purchase of vehicles does not impact positively or negatively on inclusivity
Doing things with local residents, not to them	The value has been considered but the purchase of vehicles does not involve consultation with local residents.
Being ruthlessly financially efficient	The proposals will realise an improved financial outcome for the council by purchasing assets that will have residual value and mitigating ongoing vehicle hire costs.
Taking pride in H&F	The vehicles contribute to services that help keep the borough clean and improves the public amenity
Rising to the challenge of the climate and ecological emergency	By purchasing already built new diesel vehicles the council is not contributing to the emissions that would be generated by the production of new vehicles

Financial Impact

The waste and street cleansing contract award report from January 2023 set out the expectation that additional investment in the Council's waste vehicle fleet would be required over the life of the contract. Subsequent to that, the decision taken in July 2023 to enact the provisional waste collection services (wheeled bins and garden waste) approved a capital budget for the purchase of waste vehicles. This budget is in the existing Place capital programme (current balance of £2.7m) and is available to fund the purchase of the 5 vehicles proposed in this report (at a total one-off cost of £1.347m).

The existing waste fleet includes 36 RCVs of which 18 are currently hired at an annual hire cost of approximately £0.9m (£50,000 per vehicle per year). The purchase of 5 vehicles at a total cost of £1.347m will reduce annual hire costs by £0.25m, meaning a payback period of 5.3 years. Given the newness of these vehicles, they are expected to retain significant residual value beyond the payback period, should the Council wish to dispose of them. The purchase of the vehicles will also help to mitigate the risk of hire charges increasing over time.

Separately, the service is continuing to progress the purchase of additional vehicles with the aim of further reducing annual vehicle hire costs, which are funded from the waste mobilisation revenue reserve (which is almost fully depleted). A subsequent report is being progressed to secure additional capital funding to minimise ongoing revenue costs.

Kellie Gooch, Head of Finance (Place), 30 June 2025

Verified by James Newman, AD Finance (Deputy S.151 Officer), 30 June 2025

Legal Implications

These vehicles are required to enable the Council to undertake its duties in respect of street cleansing and refuse collection under the Environmental Protection Act 1990. The purchase of these vehicles is being undertaken in accordance with the terms of the Council's Contract and will be procured by the contractor and owned by the Council.

There is consequently no requirement for there to be a procurement exercise in relation to purchase of these vehicles.

John Sharland, Special Projects Lawyer, 5th March 2025

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The Council has conducted a feasibility study of the electrical draw down capacity that could be achieved at the Bagley's Lane depot. The feasibility phase has included working with power suppliers to obtain grid connection quotes, providing a concept design for potential charging solutions, assisting in developing a business case (including project costs and risks and carbon savings) and conducting initial engagement with contractors and suppliers. The feasibility study has identified a significant need to upgrade the power infrastructure before any more electric charging capacity can be added and to find more depot space that will be needed for full electrification as there is currently insufficient space to charge electric vehicles and retain the school transport vehicles parking in the depot. These issues mean that an electric fleet is not immediately possible, and other services which currently use the Bagley Lane site would also need to agree to the change, secure alternative venues and incur additional costs.
2. When the electrification feasibility work is completed, officers will identify actions to enable an electric waste fleet as part of a broader corporate fleet action plan. However, to resolve the space and infrastructure issues at the depot is likely to take some time to resolve, even if the capital investment for electrification at Bagley's Lane is considered acceptable.
3. Purchasing diesel/HVO vehicles is an interim measure that will defray vehicle hire costs and will leave the council with an asset of residual value once the depot electrification works are completed and we can begin the transition to electric RCVs. In the interim, until a move to an electric fleet for waste is possible and agreed, a feasibility and costing study on implementing use of HVO fuel for existing fleet will be brought forward to avoid adding to the carbon cycle and produce some reduction in the level of emissions.
4. As part of their final tender for the Waste Contract, the Contractor was required to provide an outline of the vehicles that they would require to deliver their solutions to the requirements of the contract specification. The Contract envisaged the purchase of a number of RCVs throughout the initial years of the contract, which would be purchased in a phased way to ensure a smooth age profile of the fleet and to allow for the purchase of electric vehicles as and when the required charging infrastructure would be in place.
5. As there is not the required infrastructure currently in place to charge electric RCVs, we hire diesel RCVs, and the report recommends purchasing five diesel RCVs as an interim measure to replace five hired RCVs. The advantage of doing this is that it will immediately begin to defray vehicle hire costs, they will be more immediately available, and there are no additional emissions impacts as the vehicles have already been produced.
6. The existing waste fleet includes 36 RCVs and is reliant on a high level of vehicle hire to ensure flexibility over the medium term. However, the purchase of five additional Council asset vehicles presents an opportunity for reducing costs while maintaining a high level of flexibility.
7. Regarding funding the required vehicles to deliver the services, Schedule 14 of the Contract (Authority Financed Assets Protocol) states that "*the Contractor*

shall on the Authority's behalf and with the prior written consent of the Authority procure the Authority Financed Vehicles, such Authority Financed Vehicles being required to carry out the Services. The Authority Financed Vehicles will be owned by the Authority and will remain the property of the Authority”.

8. Section 17 of the contract specification states that the Authority shall fund assets which are required for the direct operational delivery of the services and the Contractor shall be required to maintain all vehicles and equipment.
9. The Authority Financed Assets Protocol requires the Contractor to make a request for new assets in writing to provide evidence of the vehicles required together with alternative options in the current fleet and all fuel options to cover diesel/Hydrotreated Vegetable Oil (HVO) and electric vehicles. This is to assist the Council meet its net zero carbon targets whilst also ensuring that there is the required electric charging infrastructure in place to support electric vehicle options.
10. The costs of the vehicles will be £252,300 each, with an additional £6,000 per vehicle to fit 360-degree cameras and other vehicle enhancements and approximately £11,000 to fit bin weighing equipment, a total of £1,346,500 (£269,300 per vehicle). The proposed vehicles are registered in 2024, so approximately 4 years newer than the vehicles currently being hired (2020 registered).
11. The current hire cost of directly comparable vehicles is £4,182 each per calendar month. Therefore, the cost of purchase will outweigh the costs of vehicle hire for comparable vehicles approximately 64 months after purchase. However, the benefit of the vehicles being Council-owned assets is that they will retain potentially significant residual value when the authority wishes to dispose of the vehicles. It should also be noted that the purchase of the vehicles will help mitigate some of the risk of hire charges increasing over time.
12. Having an increased portion of the fleet as 2024 registered diesel RCVs, that could potentially be replaced in 2030 or later, may also help to reduce the initial capital cost in the year that the majority of the fleet moves to an electric RCV specification as the council may wish to gradually transition to electric vehicles to maintain a smooth age profile of the refuse collection fleet. Alternatively, when the required infrastructure is in place, the council may consider an increased residual value realised from disposing of the recommended vehicles more quickly.

Options Analysis

13. **Option 1: Not to approve the capital requirement for the purchase of the Authority Financed Assets and continue to hire the comparable vehicles.** This is not the recommended option as the required vehicles to deliver the services would have to be hired, with the contractor operating an older overall fleet and unable to obtain any residual value from the vehicles in the future.
14. **Option 2: To approve the capital requirement for five already built diesel RCVs for the reasons set out in paragraphs 8-12 of this report.** This is the recommended option.

15. Officers will continue to look for opportunities to purchase suitable diesel vehicles to replace hired fleet to enable further savings, providing this does not compromise the Council's move to a greener fleet.

Reasons for Decision

16. The decision will allow the Council to save hire costs on vehicles required to deliver the core services of the Contract whilst still allowing a level of flexibility to transition to electric vehicles as the required infrastructure becomes available.

Equality Implications

17. The purchase of refuse collection vehicles to replace currently hired ones is a like-for-like operational change. Officers have considered the recommendation in light of our Public Sector Equality Duty and do not consider that the decision arising from this report will have any foreseeable direct or indirect impact, positive or negative, on individuals or groups with protected characteristics.

Yvonne Okiyo, Strategic Lead Equity, Diversity and Inclusion, 16th June 2025

Risk Management Implications

18. The report sets out a rationale for purchasing vehicles for use in the waste fleet to ensure continuity of service and to enable the transition to a green fleet in the future, once the necessary infrastructure is in place and the model for the fleet has been agreed. This will ultimately support the Council's commitment to respond to the challenge of the climate crisis.
19. There is a significant financial risk that the value of the vehicles will fall significantly faster than identified here due to the continuing drive to e-vehicles. This risk must be accepted albeit with accounting safeguards put in place.
20. There is a reputational risk that the purchase of second-hand diesel vehicles is viewed by residents and local press as an example of the Council's lack of commitment to the environment. To attempt to alleviate this risk it is advised that a suitable communication strategy is developed with corporate communications.

Jules Binney, Risk and Assurance Manager, 4th March 2025

Climate and Ecological Emergency Implications

21. The proposed vehicles are a temporary measure whilst a decision is awaited on the infrastructure required to move towards a carbon neutral fleet.
22. Whilst the vehicles being purchased are diesel powered, the fact that they have already been built provides some minor mitigation of climate impacts as there

will not be the additional climate impacts involved in the production of a newly ordered vehicle. The vehicles are also newer than those being currently hired, so should be better performing with regards carbon or air pollution emissions. The fuel supply at council depots is diesel which has made investigating the potential for using petrol RCVs impractical.

23. The service will seek to engage with the relevant vehicle and waste contractors to investigate any potential retrofitting options to the vehicles which could have a positive impact on environmental performance

Verified by: Adam Webber, Air Quality Strategy and Policy Lead, 3rd March 2025

LIST OF APPENDICES

None