CAPITAL INVESTMENT BUSINESS CASE

Fleet Decarbonisation programme CEIF

EXECUTIVE SUMMARY

Continuing with the Fleet replacement programme this project will see the replacement of a further [25] Electric vehicles which were not included in scope of the current fleet replacement plan.
The vehicles in the business case have been identified as being suitable for replacement to an EV as they are all under 3.5t weight and vehicles are now becoming available to the market.

Replacing these vehicles will reduce our Carbon emissions by over 300tonnes over the 8 year asset life. This is key to delivering within our fleet decarbonisation programme to be net zero by 2030

These vehicles will be purchased outright with Corporate funding from the Climate Emergency Investment Fund, the total cost being £892,680 Approval is being sought to provide the Corporate funding with the vehicles asset life being around 8 years.

The vehicle requirements within this business case have been assessed at a point in time and an ongoing assessment of need throughout the procurement process and regular ongoing reviews.

Whilst upgrading the existing fleet to EV's will require the installation of suitable charging infrastructure, the costs of this are not included within this business case.
Reducing our Carbon emissions by over 300tonnes over the 8 year asset life. This is key to delivering within our fleet decarbonisation programme to be net zero by 2030

key risks
Fluctuation costs in the market impacting on vehicle cost's and delivery lead times, this is a worldwide issue.
Need for EV charging infrastructure to be delivered in areas that require it before vehicle delivery, split into two phases to reduce risk

SECTION 1: PROJECT DETAIL

Project Value (indicate capital or revenue)	£891,000 Capital £1,680 Revenue	**Contingency (show as £ and % of project value)**	5% £44,634
Programme	Climate Emergency Investment Fund	**Directorate**	Place - SS
Portfolio Holder	Bill Wakeham	**Service Director**	Philip Robinson
Senior Responsible Officer (client)	Philip Robinson, Service Director, Street Services	**Project Manager**	Martin Hoar
Address and Post Code	N/A	**Ward**	Citywide

Current Situation: *(Provide a brief, concise paragraph outlining the current situation and explain the current business need, problem, opportunity or change of circumstances that needs to be resolved)*

Consideration has been given to operating a fleet that supports the Council's commitment to be Carbon Neutral by 2030. The options considered are detailed in the following section along with a recommendation to introduce additional EVs as part of the ongoing fleet replacement, and to develop a further business case with the specific aim of increasing both the infrastructure and fleet to support a greener city for the long term.

Emissions from transport account for nearly half of all GHG emissions and as such it is crucial that these are tackled to achieve the previously stated 2030 carbon neutral target for Plymouth. Alongside GHG emissions traditional vehicles provide a significant threat to air quality in the city which can be linked to a number of respiratory illnesses. Taking into account the average annual mileage of a PCC fleet vehicle (those proposed in this business case) and assuming they are well maintained and running to their original specification, each vehicle emits 2.1 tonnes of carbon annually. Or the equivalent to planting over 210 trees every year. An EV runs on 100% renewable energy which would not emit any carbon and those charged using grid electricity would emit 0.43 tonnes annually. All electric vehicles have zero tailpipe emissions. The introduction of the EVs in this document will save in excess of 157 tonnes of carbon emissions annually and around 420 tonnes over the 8 year asset life.

Accounting for the above it is vital that the PCC fleet has a vision of being carbon neutral by 2030 and starts to implement low carbon (electric in this case) vehicles from the present day.

The first phase of EVs set the foundation for a carbon neutral fleet. In addition to this first implementation of EVs it is proposed that a plan be put in place to allow for the whole fleet to be carbon neutral by 2030 with low carbon replacements considered for future replacements if feasible. In the current market EVs are an excellent option for inner City driving and vehicles under 3.5 tonnes.

The Technology for Electric HGV's is now available to the market given cleaner options for the future of the fleet, although would bring a large financial pressure if not funded.

Current Diesel RCV's can be purchased for £170k as an Electric option can be priced at £420k with an 8 year asset life on the batteries.

Proposal: *(Provide a brief, concise paragraph outlining your scheme and explain how the business proposal will address the current situation above or take advantage of the business opportunity)* **and** (*What would happen if we didn't proceed with this scheme?)*

Many of the smaller vehicles within the fleet are suited to replacement with electric vehicles (generally those under 3.5 tonnes are suitable for EV replacement). A full review has been conducted as to their suitability to deliver the services required, range and warranties. An additional [25] vehicles have been identified that can be replaced for new Electric vehicles as more options have become available to the market. These vehicles were not initially included within the Phase 1 of the fleet replacement programmed due to availability and financial resource.

An 8 year asset life has been proposed as the Nissan EVs (which make up a significant proportion of the proposed vehicles) come with an 8 year battery warranty or 100,000 miles. While batteries do degrade over time performance/efficiency drops at a very similar rate to diesel and petrol. It should also be considered that from 2040 diesel vehicles will no longer be sold as per government policy.

Infrastructure

The addition of EVs across the Council estate necessitates the need for new EV charging infrastructure, the costs of which are not covered in this business case as it relates to futureproofing infrastructure rather than vehicles.

The Council have installed 19 vehicle to grid chargers through an Innovate UK grant (100% funding) if installed in 2021. These chargers utilise the EV battery by selling excess energy to the grid when the vehicle is plugged in (this is managed so there is no risk of having zero charge when the car is required). This is could have a financial benefit of up to £200 per charger per year which can be used to subsidise fuels and maintenance costs. In addition to vehicle to grid chargers there have been a further 20 charging points installed at Prince Rock/Ballard/Windsor House.

For the business case we have estimated that the electricity use of the average EV will be £350 a year although this could vary dependant on mileage.

Additional charging points are required before delivery of some of the vehicles such as Library's, Chelson Meadow, Cemeteries, schools, additional points within Council owned car parks have been utilised to support the PCC Fleet.

Maintenance

It has been proven within the current fleet a large reduction on maintenance costs of EV compared to Diesel vehicles, very little moving parts and removal of oil dramatically reduces the service costs over the asset life, labour times are also reduced removing additional pressure to the workshop. Current costs for a service are £140 per annum. Improving air quality and a cleaner working environment, with less materials having to be disposed or recycled.

Delivery

Lead in times for EV's have increased dramatically within the last 2 years, some vehicles can take up to 12 months from point of order, due to manufacturers improving technology and changing models. New models and alternatives are coming to the market which is helping this pressure although delivery times for new vehicles are still increased, this should allow time for the required infrastructure to be put in place.

Proposed Vehicles by service area

Asset Life	Vehicle Type	Department	Est cost EV	Order date of Vehicle	Replacement expected
8	VAN	HIGHWAYS CCTV	£40,000.00	Apr-23	Dec-23
8	VAN	STREET SWEEPING	£40,000.00	Apr-23	Dec-23
8	VAN	STREET SWEEPING	£40,000.00	Apr-23	Dec-23
8	VAN	PLAYGROUNDS	£40,000.00	Apr-23	Dec-23
8	CAR	PARKING	£30,000.00	Apr-23	Dec-23
8	VAN	PARKING	£40,000.00	Apr-23	Dec-23
8	VAN	GARAGE VEH MAINT	£40,000.00	Apr-23	Dec-23
8	VAN	STREET SWEEPING	£40,000.00	Apr-23	Dec-23
8	VAN	LIBRARY	£60,000.00	Apr-23	Dec-23
8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23

8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23
8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23
8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23
8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23
8	CAR	FLEET HIRE	£23,000.00	Apr-23	Dec-23
8	VAN	STREET SWEEPING	£60,000.00	Apr-23	Dec-23
2022/2023			£568,000.00		
8	**4X4**	CHELSON	£40,000.00	Dec-23	Dec-24
8	VAN	GRASS CUTTING	£40,000.00	Dec-23	Dec-24
8	CAR	MOUNT TAMAR SCHOOL	£40,000.00	Dec-23	Dec-24
8	CAR	MOUNT TAMAR SCHOOL	£40,000.00	Dec-23	Dec-24
8	CAR	MOUNT TAMAR SCHOOL	£40,000.00	Dec-23	Dec-24
8	CAR	MOUNT TAMAR SCHOOL	£40,000.00	Dec-23	Dec-24
8	VAN	LIBRARY LUTON	£60,000.00	Dec-23	Dec-24
8	CAR	OUT OF HOURS	£23,000.00	Dec-23	Dec-24
2023/20 24			£323,000.00		
Vehicles	25	Total Cost	£891,000.00		

Milestones and Date:		
Contract Award Date	Start On Site Date	Completion Date
April 2023	N/A	Dec 2024

SECTION 2: PROJECT RISK, OUTCOMES AND BENEFITS

Risk Register: *The Risk Register/Risk Log is a master document created during the early stages of a project. It includes information about each identified risk, level of risk, who owns it and what measures are in place to mitigate the risks (cut and paste more boxes if required).*

Potential Risks Identified		***Likelihood***	***Impact***	***Overall Rating***
Risk	Lead time of vehicles for delivery	Low	Low	Low
Mitigation	Project split of phases to allow procurement	Low	Low	Low
Risk	Charging Infrastructure required for additional vehicles	High	High	High
Mitigation	Current charging infrastructure at Prince Rock and Ballard can be used short term	Med	Med	Med
Calculated risk value in £ (Extent of financial risk)	£0			

Outcomes and Benefits

List the outcomes and benefits expected from this project.

*(An **outcome** is the result of the change derived from using the project's deliverables. This section should describe the anticipated outcome)*

*(A **benefit** is the measurable improvement resulting from an outcome that is perceived as an advantage. Benefits are the expected value to be delivered by the project, measurable whenever possible)*	
Financial outcomes and benefits:	**Non-financial outcomes and benefits:**
Reduction of revenue pressures to the service as these vehicle are funded through the CEIF Reduction of schedules and unscheduled maintenance as EV's are considerably cheaper to service when new.	Reduction of Carbon emissions 2.1tonnes per vehicle per annum, reduction of 420tonnes over the 8 year asset life.

Low Carbon		
What is the anticipated impact of the proposal on carbon emissions	Removing an additional 25 Diesel vehicles from the Core Fleet and replacing with EV's will reduce the carbon emissions by an additional 420 tonnes over the next 8 years	
How does it contribute to the Council becoming Carbon neutral by 2030	The business case directly reduces Carbon emissions by removing current Diesel vehicles and replacing with Zero emission alternatives	
Have you engaged with Procurement Service?		Yes
Procurement route options considered for goods, services or works	**<u>Procurement Options</u>** In line with the Council's Contract Standing Orders, this requirement is classed as a High Value / High Risk Procurement, and as such, the estimated value exceeds the relevant Public Contract Regulations threshold and is subject to the full public procurement regime as set out in the Public Contract Regulations 2015 (PCR 2015) and Public Procurement (Amendment etc.) (EU Exit) Regulations 2020. Of the six EU procurement procedures available, two procurement procedures are appropriate and have been considered for this particular requirement as follows: **<u>Open Procedure</u>** With the Open Procedure, any interested bidder may submit a bid. The Council is free to use this procedure, which can be applied to both contracts and framework agreements. However in some cases it can be beneficial to choose a procedure (such as the Restricted procedure) where the number of bidders can be reduced at the selection stage based on their capability and capacity, especially if the Council does not have enough resources (such as time) to conduct a full Open Procedure. The Open Procedure is best used where the requirements are typically straight forward, with a relatively simple selection and award process, or it is anticipated that only a small number of suppliers will respond to the advertised Contract Notice. The practicality of the Open Procedure will depend upon the potential number of bids received and the nature of the evaluation criteria. If the Council receives a large number of bids, the evaluation of all compliant bids is likely to be time consuming.	

Restricted Procedure

This is a two-stage procedure. Stage 1 is a pre-selection stage (SQ) and its purpose is to select a shortlist of five (or more) suppliers which are likely to meet the tender requirements. Stage 2 is the tender stage where shortlisted suppliers which meet the SQ stage are then invited to tender, and is used to determine a successful supplier to whom a contract will be awarded. A minimum of five suppliers must be invited to tender (Stage 2) and in any event the number of suppliers invited shall be sufficient to ensure genuine competition. The Restricted Procedure should be used for procurements where market analysis has indicated a large number of bidders are likely to be interested in participating. In this case it is beneficial to use this procedure where the number of bidders can be reduced at the selection stage based on their capacity, capability and experience to perform the contract. Like the Open Procedure the Council are free to use this procedure, in any circumstances and for any type of contract. The contract will be awarded to the most economically advantageous tender (MEAT).

Timescales to Consider

Time limits for the receipt of tenders must take account of the complexity of the contract requirement and the time required for the market place to compile and submit tenders.

For the Open Procedure, the minimum time limit for the receipt of tenders is 35 days from the date on which the contract notice is sent for publication within the Find a Tender Service (FTS).

Time limits for receipt of tenders may be reduced by five days where submission by electronic means is allowed.

If requirements are urgent, and a longer time limit is impractical as a result then the tender period may be reduced to 15 days.

For the Restricted Procedure, the minimum time limit for Stage 1 – receipt of SQ is 30 days from the date on which the contract notice is sent for publication within the Find a Tender Service (FTS).

If requirements are urgent, and a longer time limit is impractical as a result then the tender period may be reduced to 15 days.

For Stage 2 – Tender Stage, the minimum time limit from Invitation to Tender to receipt of Tenders is 30 days.

Time limits for receipt of tenders may be reduced by five days where submission by electronic means is allowed.

If requirements are urgent, and a longer time limit is impractical as a result then the tender period may be reduced to 10 days.

Other Options

In line with the Regulation 33 of the Public Procurement Regulations, and the Council's Contract Standing Orders section 30 there is also the option to use Predetermined EU & UK compliant Framework Agreements.

	Pre-existing Framework Agreements tend to be a favourable means of acquiring goods and services, as they lend themselves to collaborative procurement and enable the requirements of many organisations to be aggregated, thereby securing economies of scale, whilst at the same time eliminating the need for the Council to run separate competitive tendering exercises for each requirement, reducing the amount of time and effort required to procure the requirement. The following framework has been considered: **Crown Commercial Services Framework RM6060 – Vehicle Purchase** This framework is a nationally procured framework, which allows access to a full range of new motor vehicles including vehicles that are both currently available and those that will be developed and brought to market during the term of the framework. These include cars, light commercial vehicles, motorbikes, heavy goods vehicles (HGVs), buses and coaches. Customers can also obtain bespoke conversions which manufacturers are able to provide as part of a turnkey solution. Utilising this framework, will provide the Council with the ability to direct award (if appropriate to do so, and justifying best value), or undertake a further competition. Some of the benefits from using this option are: • Access to a wealth of technical and pricing information via the CCS Fleet Portal to support decisions for direct award / further competition. • Ability to access turnkey solutions from suppliers for both standard build and converted vehicles • Supportive of the Clean and Energy Efficient Vehicles Directive 2009-33-EC and flexibility for sustainable vehicle procurement measures • Discounts on base vehicles are also available via the CCS vehicle lease and vehicle conversion arrangements if the vehicles are being sourced by or on behalf of an eligible customer • Option to use local dealerships for delivery and after-sales service Any resulting contract through either of the above options will be awarded to the most economically advantageous tender (MEAT). **Recommendation** The recommended procurement route for this requirement is Crown Commercial Service Framework RM6060 – Vehicle Purchase. Running a procurement under this framework provides the Council with access to a list of market leading suppliers who have been pre-approved in terms of their economic & financial standing, technical ability, including environmental and social standing. By utilising this framework the Council can also benefit from lower pricing due to the considerable economies of scale used to set up the framework. These economies would not be available if the Council ran its own UK compliant procurement process.

	If there is, a change in circumstances and the recommended procurement route cannot be undertake or no longer represents best value for the Council any subsequent procurement route undertaken will be in accordance with the Council's Contract Standing Orders and Procurement Law.
Procurements Recommended route.	Pre-existing Frameworks
Who is your Procurement Lead?	Paul Williams
Is this business case a purchase of a commercial property	No
If yes then provide evidence to show that it is not 'primarily for yield'	
Which Members have you engaged with and how have they been consulted *(including the Leader, Portfolio Holders and Ward Members)*	**Councillor Bill Wakeham Portfolio Holder**

SECTION 4: FINANCIAL ASSESSMENT

FINANCIAL ASSESSMENT: *In this section the robustness of the proposals should be set out in financial terms. The Project Manager will need to work closely with the capital and revenue finance teams to ensure that these sections demonstrate the affordability of the proposals to the Council as a whole. Exact amounts only throughout the paper - not to be rounded.*

CAPITAL COSTS AND FINANCING

Breakdown of project costs including fees surveys and contingency	**Prev. Yr.** **£**	**22/23** **£**	**23/24** **£**	**24/25** **£**	**25/26** **£**	**26/27** **£**	**Future Yrs.** **£**	**Total** **£**
Purchase of 24 Vehicles			568,000	323,000				891,000
Total capital spend			**568,000**	**323,000**				**891,000**

Provide details of proposed funding: *Funding to match with Project Value*								
Breakdown of proposed funding	**Prev. Yr.** **£**	**22/23** **£**	**23/24** **£**	**24/25** **£**	**25/26** **£**	**26/27** **£**	**Future Yrs.** **£**	**Total** **£**
Corporate Borrowing (Climate Emergency Investment Fund)			568,000	323,000				891,000
Total funding			**568,000**	**323,000**				**891,000**

Which external funding sources been explored	External funding sources are currently not available for this project future funding will be looked at by SP&I
Are there any bidding constraints and/or any restrictions	No

or conditions attached to your funding	
Tax and VAT implications	The vehicles will be used by the Council mostly in connection with the provision of taxable business, or statutory non-business services. The input tax incurred on the purchase of the vehicles will be fully recoverable therefore and there will be no adverse impact on the Council's partial exemption position.
Tax and VAT reviewed by	Sarah Scott

REVENUE COSTS AND IMPLICATIONS	
Cost of Developing the Capital Project *(To be incurred at risk to Service area)*	
Total Cost of developing the project	N/A
Revenue cost code for the development costs	
Revenue costs incurred for developing the project are to be included in the capital total, some of the expenditure could be capitalised if it meets the criteria	N
Budget Managers Name	Philip Robinson

Ongoing Revenue Implications for Service Area	**Prev. Yr. £**	**22/23 £**	**23/24 £**	**24/25 £**	**25/26 £**	**26/27 £**	**Future Yrs. £**
Service area revenue cost							
Other *(eg: maintenance, utilities, etc)*			£8,480	£12,720	£12,720	£12,720	£12,720
Loan repayment *(terms agreed with Treasury Management)*	0	0	0	0	0	0	0
Total Revenue Cost (A)	**0**	**0**	**£8,480**	**£12,720**	**£12,720**	**£12,720**	**£12,720**
Service area revenue benefits/savings							
Annual revenue income *(eg: rents, etc)*							
Total Revenue Income (B)							
Service area net (benefit) cost (B-A)							
Has the revenue cost been budgeted for or would this make a revenue pressure							

Which cost centre would the revenue pressure be shown				**Has this been reviewed by the budget manager**		Y/N	
Name of budget manager	Jonathan Bell						
Loan value	£891,000	**Interest Rate**	5.00%	**Term Years**	8	**Annual Repayment**	£137,857

Revenue code for annual repayments	
Service area or corporate borrowing	Corporate Borrowing (Climate Emergency Investment Fund)
Revenue implications reviewed by	

Version Control: *(The version control table must be updated and signed off each time a change is made to the document to provide an audit trail for the revision and update of draft and final versions)*				
Author of Business Case	**Date**	**Document Version**	**Reviewed By**	**Date**
Martin Hoar	14/10/2022	v 1.0	Ruth Didymus	25/10/2022
Martin Hoar	14/11/2022	v 1.1	Ruth Didymus	15/11/2022

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approves the Business Case
- Allocates £891,000 for the project into the Capital Programme funded by Corporate Borrowing (Climate Emergency Investment Fund)
- Authorises the procurement process
- Delegates the award of the contract to Service Director for Street Services

Councillor Mark Shayer		***Strategic Director – Anthony Payne***	
Either email dated:	*Date 30/11/2022*	**Either email dated:**	*Date 18/11/2022*
Or signed:		**Signed:**	
Date:		**Date:**	
		Service Director	
		[Name, department]	
		Either email dated:	*date*
		Signed:	
		Date:	