

CAPITAL INVESTMENT BUSINESS CASE

FLEET REPLACEMENT PROGRAMME PHASE 2 & 3



EXECUTIVE SUMMARY

In November 2019, a fleet replacement programme was approved into the Capital Programme, Phase 1 was split into 3 Business cases (total £5,508,761 of service borrowing).

Consisting of replacement of Hires, Street Scene and Waste Vehicles, and Electric Vehicles

These business cases are part of the proposed 6 year (2020 -2026) fleet replacement programme, over 3 phases. The programme manages replacement using business intelligence to inform which vehicles are to be included in each phase. The rolling programme included replacement of 177 vehicles of 210 with an overall cost of **£10,878,761** which was approved by the Leader in 2019.

This business cases is seeking the funding to be allocated into the Capital programme for Parts 2 and 3 of the original business cases that were approved, with additional funding to support the shortfall over the 3 phases.

Approval is sought for the capital allocation of £5,370,000 to start Part 2 & 3 of the replacement programme as detailed in the business case.

Part 2 of the rolling programme 43 vehicles £4,050,000

Part 3 of the rolling programme 21 vehicles £1,320,000

As with any ongoing fleet replacement programme, the ongoing requirements have been assessed which are service lead and amends are required to remove and add additional vehicles and equipment into the current replacement plan to ensure service requirements are delivered, with tracker and utilisation intelligence.

Due to the worldwide issues over the past 2 years, BREXIT, COVID, the war in Ukraine and manufacturing issues with microchips and steel production the replacement programme has been affected with a number of increased costs over and above the 5% contingency originally planned. With unprecedented delays in manufacturer from ordering vehicles to delivery.

There has been a need to review the current replacement plan and request additional funding to complete Phase 1, and continue with Part 2 & 3 to ensure vehicles can be ordered for delivery, which could take from 6 to 18 months from placing orders.

Approval is also sought for the capital allocation of an additional £2,791,138 to replace the shortfall from Phase 1 parts 1, 2 & 3 as detailed in the business case and proposed increased costs for both Phase 2 & 3.

Total capital allocation of £8,650,806 to include a 6% contingency for any future market influences.

Future funding will be required as we start to plan a decarbonisation programme of the fleet to meet the target of carbon neutral by 2030, with vehicles life being between 5 – 7 years. A future business case will be submitted with the plan required to achieve this.

key risks

Fluctuation costs in the market impacting on vehicle cost's and delivery lead times, this is a worldwide issue.

Need for Electric Vehicle or alternative fuelling/charging infrastructure to be delivered in areas that require it before vehicle delivery, dependant on available finances and future developments.

Not renewing the fleet with a staggered approach, reviewing constantly to ensure the fleet matches the service requirements.

Not renewing the fleet with a planned replacement programme to be carbon neutral by 2030.

SECTION I: PROJECT DETAIL

Project Value (indicate capital or revenue)	£8,650,806 Capital	Contingency (show as £ and % of project value)	£489,668 – 6%
Programme	Fleet Replacement Phase 2 & 3	Directorate	Place - SS
Portfolio Holder	Councillor Bill Wakeham	Service Director	Philip Robinson
Senior Responsible Officer (client)	Anthony Payne Strategic Director for Place	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)*

Fleet Replacement Programme**Background**

Phase	Business Case Title	Vehicle	Value	Date
1	Business Case [1] Replacement of Hire Vehicles	35	£1,801,000	2020/21
	Business Case [2] Street Scene & Waste	24	£2,562,000	2020/21
	Business Case [3] Electric Vehicles	54	£1,145,761	2020/21
2	Part 2 of the rolling programme	43	£4,050,000	2022/23
3	Part 3 of the rolling programme	21	£1,320,000	2024/25
Fleet Replacement Programme Total		177	£10,878,761	

In November 2019, a fleet replacement programme was approved into the Capital Programme Phase 1 was split into 3 Business cases (total £5,508,761 of service borrowing).

These business cases are part of the original proposed 6 year (2020 -2026) fleet replacement programme, over 3 phases. The majority of the PCC operational vehicles have an effective life of 5 - 8 years, beyond which they suffer from breakdowns and require increased reactive maintenance, which can impact on service delivery. Whilst out of service they typically need to be replaced by expensive short-time hires. The programme will manage replacement using business intelligence to inform which vehicles are to be included in each phase. The rolling programme includes replacement of [177] vehicles with an overall cost of £10,878,761.

Optimising vehicle renewal is an accepted part of effective fleet management, enabling costs to be minimised and service delivery to be enhanced.

For vehicles in excess of 3.5 tonnes it is recommended that PCC monitors the development of battery technologies and applies for suitable grants to investigate the use of Electric and or hydrogen fuel cell vehicles and the associated refuelling infrastructure. Over time, a combination of EV and hydrogen vehicles will help reduce running costs and achieve the carbon neutral target of 2030. The programme also provides an opportunity to incorporate further improvements to the fleet, including:

- Optimisation of operations to reduce the number of vehicles and therefore cut cost.
- Further embracing new technologies that reduce emissions and improved air quality
- Consistency and quality of service delivery which will improve customer satisfaction and lead to a reduction in both complaints and enquiries.
- Improvements in Health & Safety through the deployment of vehicles that support a safety first culture.

Current phased Programme update

The first phase (2020/21) of this programme provided a response for the replacement of hired vehicles and will remedy issues relating to the age profile of the current fleet. The renewal plan was based on a full assessment of each replacement, considering service need, lifespan for vehicle type based on usage and utilisation throughout lifecycle.

Phase 1 consists of 3 separate business cases. The values are exclusive of finance.

The vehicle requirement has been assessed at a point in time and confirmed with each service lead, though an ongoing assessment of need will continue throughout the procurement process.

REPLACEMENT OF HIRE VEHICLES (Business case 1)

There is a total of 35 vehicles proposed for purchase on Phase 1. They were scheduled for purchase in financial year 2019/20. The approved funding of £1,801,000 was allocated to this phase. The Hire phase has been most effected by the world crisis but is now back on track to be delivered in 2023 financial year.

[3] Vehicles have been delivered and are in service, an additional [28] are currently out for tender awaiting responses, [3] vehicles have been amended and [1] vehicle due to go to tender early 2023.

An additional ask of £606,217 is required to deliver this phase in full due to price increases.

Budget	Area	Vehicle Type	No	Previous Cost 2019	Estimated cost 2023	Expected delivery
SSWS	Chelson	Hook Loader	1	n/a	£180,000	2024
SSWS		Increased Costs	n/a	1,801,000	£2,227,217	2024
					£606,217	

Street Scene & Waste Vehicles (Business case 2)

Capital funding of £2,562,000 was approved to enable the purchase of [24] vehicles.

[24] Vehicles were due to be replaced on this phase, [20] are now in service with [4] vehicle currently out to tender.

Replacement RCVs were put into service in 2021/22 the vehicles were [6] x 12 Tonne RCV's and [9] x 26 Tonne RCVs, and to be replaced on a 'like for like' basis. An additional [15] x RCVs are due for replacement in later phases. An additional [5] RCV's were replaced for the Garden waste service as part of business case for Garden waste bin delivery.

Refuse collection is a statutory function, provided by the Street Scene and Waste service. It operates a household collection of brown and green waste as well as a non-statutory seasonal garden waste collection service.

This is a highly visible service that touches the life of every Plymouth resident where disruptions to collections can cause considerable customer dissatisfaction and impact on the cleanliness of Plymouth. The replacement vehicles are required to fulfil our statutory waste collection obligations and ensure that customer expectations are met.

Future Proofing - There are proposed changes to legislation from DEFRA's Resource & Waste Strategy (in consultation) and the current Environmental Bill that may affect how we deliver the waste collection services. As only a selection of refuse collection vehicles have been proposed for replacement during phase 1 of the program this will provide a natural protection. Early feedback on the consultation suggests that our current "TEEP" arrangements, that allows the co-mingled collection of waste materials, may be continued in some format post legislative change.

An additional ask of £148,645 is required to deliver this phase in full due to price increases.

Budget	Area	Vehicle Type	No	Previous Cost 2019	Estimated cost 2023	Expected delivery
SSWS		Various		2,562,000	2,710,645	2023
					£148,645	

Electric Vehicles (Business case 3)

Capital funding of £1,145,761 was approved to enable the purchase of [54] electric vehicles.

Total of [43] electric vehicles are now in service across the fleet with an additional [7] on order taking the total to [50].

[4] Additional vehicles will be purchased in 2023 to complete this phase of the initial replacement programme once suitable alternative are available, a number of manufacturers have stopped taking orders for certain vehicles and reduce the availability.

An additional ask of £25,866 is required to deliver this phase in full due to price increases.

Budget	Area	Vehicle Type	No	Previous Cost 2019	Estimated cost 2023	Expected delivery
SSWS	Fleet	Electric Car	n/a	£1,145,761	£1,171,627	2023
					£25,866	

Phase 2 of the rolling programme

Capital funding of £4,050,000 was originally proposed for the replacement of [43] vehicles, since 2019 the cost of vehicles have increased considerably, Phase 2 has been reviewed which has identified amendments that are required, [1] additional vehicle has been added.

Tranche	Budget	Area	Vehicle Type	No	Previous Cost 2019	Estimated cost 2023	Expected delivery
Phase 2	Other	Schools	Mini Bus 17 seats	10	£480,000	£890,000	2024
Phase 2	SSWS	Parks	Tractors	2	£112,000	£164,000	2024
Phase 2	SSWS	Garage	Telehandler	1	n/a	£50,000	2023
Phase 2	SSWS	Streets	3.5T Tipper	2	£58,000	£76,000	2023
Phase 2	SSWS	Streets	Large Broom	2	£250,000	£300,000	2023
Phase 2	SSWS	Streets	Small Sweeper	11	£770,000	£935,000	2023
Phase 2	SSWS	Streets	Tree Gang	2	£70,000	£140,000	2023
Phase 2	SSWS	Waste	26T Refuse Vehicle	14	£2,310,000	£2,678,410	2023
Total 43				44	£4,050,000	£5,233,410	£1,183,410

Phase 3 of the rolling programme

Capital funding of £1,320,000 was originally proposed for the replacement of [21] vehicles, since 2019 the cost of vehicles have increased considerably, Phase 3 has been reviewed which has identified amendments that are required, [4] additional vehicles are required.

Tranche	Budget	Area	Vehicle Type	No	Previous Cost 2019	Estimated cost 2023	Expected delivery
Phase 3	SSWS	Parks	Tractors	2	112,000	£170,000.00	2024/25
Phase 3	SSWS	Streets	Beavertail + Trailer	6	204,000	£390,000.00	2024/25
Phase 3	SSWS	Waste	12T Refuse Vehicle	1	120,000	£150,000.00	2024/25
Phase 3	SSWS	Waste	26T Refuse Vehicle	4	660,000	£780,000.00	2024/25
Phase 3	SSWS	Parks	Ride on mower	8	224,000	£272,000.00	2024/25
Phase 3	SSWS	Trade	Food Waste Vehicle	1	n/a	£150,000.00	2024/25
Phase 3	SSWS	Streets	7.5T Refuse Vehicle	1	n/a	£125,000.00	2024/25
Phase 3	Other	Crems	Digger	2	n/a	£110,000.00	2024/25
Total				25	1,320,000	2,147,000	£827,000

CEIF

£891,000 of Corporate funding from the Climate Emergency Investment Fund has been allocated to replace a further [24] small Diesel cars and vans for electric alternatives as part of the Councils commitment to be carbon neutral by 2030, these vehicles are not currently part of the fleet replacement programme but were identified as being suitable for replacement to EV.

Milestones and Date:

Contract Award Date	Start On Site Date	Completion Date
April 2023	N/A	March 2027

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	Fluctuation in interest rates and production costs	High	Medium	Medium
Mitigation	Follow market trends and try to secure vehicles at most beneficial times/dealer guarantees on prices.	High	Medium	Medium
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:

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Low Carbon

What is the anticipated impact of the proposal on carbon emissions

Replacing aged Diesel vehicles with newer Euro6 engines will reduce the carbon emissions from the fleet saving fuel and reducing the tailpipe emissions

How does it contribute to the Council becoming Carbon neutral by 2030

The fleet replacement plan takes into consideration that vehicle life and lead times, a plan is being produced to reduce the future vehicles to ensure we meet the carbon neutral plan.

Have you engaged with Procurement Service?

Yes

Procurement route options considered for goods, services or works

Procurement Options

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:

Open Procedure

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.

	<p>Depending on the requirement of each Vehicle Type following frameworks will be considered:</p> <p>Crown Commercial Services Framework RM6244 – Purchase of Standard & Specialist Vehicles (Note this is a collaborative Framework with Eastern Shires Purchasing Organisation)</p> <p>Crown Commercial Services RM3814 – Vehicle Conversions Dynamic Purchasing System</p> <p>Eastern Shires Purchasing Organisation Framework 215_20 – Specialist Vehicles</p> <p>Halton Housing Fleet Procurement</p> <p>Any resulting contract through either of the above options will be awarded to the most economically advantageous tender (MEAT).</p> <p><u>Recommendation</u></p> <p>The recommended procurement route for the requirements within the Business Case is through National Frameworks.</p> <p>Running a procurement under national frameworks 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 these frameworks the Council can also benefit from lower pricing due to the considerable economies of scale used to set up the frameworks. These economies would generally not be available if the Council ran its own UK compliant procurement process.</p> <p>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.</p>
Procurements Recommended route.	Pre-existing National Frameworks
Who is your Procurement Lead?	Paul Williams – Category Lead (Transport, Waste & Environment)
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 (<i>including the Leader, Portfolio Holders and Ward Members</i>)	Councillor Bill Wakeham Cabinet Member for Environment & Street Scene

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
	£	£	£	£	£	£	£	£
Phase 1 (BC 1) Hire Vehicles - Shortfall			606,217					606,217
Phase 1 (BC 2) Street Scene & Waste Vehicles - Shortfall		148,645						148,645
Phase 1 (BC 3) Electric Vehicles - Shortfall		25,866						25,866
Phase 2 Rolling Programme		1,522,480	3,710,930					5,233,410
Phase 3 Rolling Programme				2,147,000				2,147,000
Contingency 6%		101,820	259,028	128,820				489,668
Total capital spend		1,798,811	4,576,175	2,275,820				8,650,806

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
	£	£	£	£	£	£	£	£
Service Borrowing		1,798,811	4,576,175	2,275,820				8,650,806
Total funding		1,798,811	4,576,175	2,275,820				8,650,806

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 or conditions attached to your funding	No
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	n/a

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	Y
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)							
Loan repayment (terms agreed with Treasury Management)							
• Phase 1 (BC 1) Hire Vehicles - Shortfall				119,055	119,055	119,055	446,413
• Phase 1 (BC 2) Street Scene & Waste Vehicles - Shortfall			27,324	27,324	27,324	27,324	89,991
• Phase 1 (BC 3) Electric Vehicles - Shortfall			4,415	4,415	4,415	4,415	17,661
• Phase 2 Rolling Programme			289,093	985,875	985,785	985,785	3,772,871
• Phase 3 Rolling Programme					411,623	411,623	2,035,591
Annual cost of maintenance			2,755	8,102	8,264	8,429	43,745
Total Revenue Cost (A)			323,587	1,144,771	1,556,556	1,556,721	6,406,272
Service area revenue benefits/savings							
Annual revenue income (eg: rents, etc)							
Total Revenue Income (B)							
Service area net (benefit) cost (B-A)			232,587	1,144,771	1,556,556	1,556,721	6,406,272
Has the revenue cost been budgeted for or would this make a revenue pressure	The Revenue budget cost will be budgeted into future years						
Which cost centre would the revenue pressure be shown	Various		Has this been reviewed by the budget manager			Y	
Name of budget manager	Philip Robinson						
Loan value	£8,650,806 total	Interest Rate	6%	Term Years	Various 5 – 10 years	Annual Repayment	See - Revenue Implications above
Revenue code for annual repayments	Various						
Service area or corporate borrowing	Service Borrowing						
Revenue implications reviewed by	Charlie Green						

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)


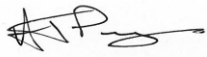
Author of Business Case	Date	Document Version	Reviewed By	Date
Martin Hoar	14/12/2022	v 1.0	Ruth Didymus	13/01/2023
Martin Hoar	16/01/2023	v 1.2	Martin Hoar	16/01/2023
Martin Hoar	23/02/23	v 1.3	Charlie Green	23/02/2023
Martin Hoar	24/02/23	v 1.4	Martin Hoar Ruth Didymus	24/02/2023 23/03/2023

SECTION 6: RECOMMENDATION AND ENDORSEMENT

Recommended Decision

It is recommended that the Leader of the Council:

- Approves the Business Case
- Allocates £8,650,806 for the project into the Capital Programme funded by Service Borrowing
- Authorises the procurement process
- Delegates the award of the contract to Service Director for Street Services

[Name, Portfolio]		Service Director – Anthony Payne	
Either email dated:	<i>Date</i>	Either email dated:	<i>date</i>
Or signed: 			
Date: 24/03/2023		Signed:	
		Date: 23.3.23	
		Service Director	
		<i>[Name, department]</i>	
		Either email dated:	<i>date</i>
		Signed:	
		Date:	