

FLEET REPLACEMENT PROGRAMME

PHASE 2 & 3

Briefing Paper



INTRODUCTION

The Fleet Replacement Programme is a rolling programme currently (2020 – 2026) which includes the replacement of 177 vehicles out of the current 210 vehicles with an estimated replacement cost of **£10.879m**. The programme has a phased and blended approach aimed to stagger the replacement of vehicles so to further challenge business need and to spread the impact on service budgets. A Further business case will be submitted in the future with an aim to reduce the carbon emissions in line with the Council's commitment to be net zero by 2030

Phase 1 of the programme created a firm baseline for the fleet and support the development of a forward plan to allow accurate budget planning for future fleet replacement, there is a gap in finance to complete the purchase of remaining vehicles of **£780,728** this is due to the market pressures caused by a number of factors such as COVID, war in Ukraine, which has caused significant supply and demand issues, which has seen prices increase up to 20%.

Funding is now required to be allocated to Phase 2 & 3 of the rolling programme into the capital programme. Original estimate of **£5.370m**, this has now been reviewed and adjusted in line with fleet requirements and additional **£1,183,410** is required for phase 2 and **£827,000** required for Phase 3, updated with additional increases and vehicle requirements an additional **£2.791m** is needed to deliver the 3 phases in full.

Total funding required to be **£8,650,806** which includes a 6% contingency.

BACKGROUND

Why we need further investment

- Maintenance costs are high for aged vehicles - 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. This results in vehicle downtime increasing unscheduled maintenance can impact on service delivery efficiency by increasing staff costs and adding further additional cost if expensive short-time hire is required, in addition.
- Build a more sustainable fleet – Optimisation of vehicle renewal is an accepted part of effective fleet management enabling costs to be minimised and service delivery to be enhanced. The programme provides an opportunity to incorporate further improvements to the fleet, including:
 - Optimisation of operations to reduce the number of vehicles and therefore cut cost.
 - 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.
- Many of the vehicles proposed for replacement support statutory service – domestic waste collections are provided to every resident; street cleaning and green space maintenance services are highly visible within the city. These services can be severely affected by vehicle downtime.
- Reduce our carbon footprint by embracing new technologies that reduce emissions and improve air quality.

A phased Programme

The programme manages the replacement of vehicles using business intelligence to inform which vehicles are included in each phase. An assessment has been completed on each replacement, considering service need, lifespan for vehicle type based on usage and utilisation throughout lifecycle, maximises any residual (re-sale) value and the escalation of maintenance costs as the vehicle ages.

Phase 2 & 3 of the programme (2022/26) proposes the replacement of [69] vehicles with a purchase cost of **£7.381m**. This proposal is documented in the business case which includes replacement of additional [5] vehicles within SSW, Garage, Trade, Cemeteries.

The vehicles identified for replacement in Phase 3 will not all be purchased immediately but further challenge on vehicle utilisation, ongoing need and specification to reflect changes to future service provision will be conducted prior to the procurement of vehicles, as with all vehicle purchase they will be challenged to ensure required.

Phase	Business Case Title	Vehicle Count	Value	Date
1	Shortfall from Phase 1 Business cases 1,2,3	N/A	£780,728	2022/23
2	Part 2 of the rolling programme	44	£5,233,410	2022/24
3	Part 3 of the rolling programme	25	£2,147,000	2024/26
4	Contingency 6%	N/A	£489,668	2023/26
Fleet Replacement Programme Total		182	£8,650,806	

Procurement

Vehicles are to be purchased through frameworks where available and the 'Invite to Tender' process will be used for specialist vehicles.

There is a lengthy procurement (build = 6 -12 months) lead time for many of the vehicles therefore delivery in the later part of following year.

Finance

The [3] phases recommend the allocation of funding into the capital programme funded from service borrowing and repaid by the businesses over the life of the asset (5-8 years).

Phase 1 – Shortfall for Replacement of hire vehicles, Street Scene & Waste Vehicles, Electric Vehicles recommends to allocate funding of **£780,728** into the capital programme.

Phase 2 – Street Scene & Waste Services, Parks & School Transport vehicles recommends to allocate **£5,233,410** to the capital programme.

Phase 3 – Street Scene & Waste vehicles, Crematorium vehicles recommends to allocate **£2,147,000** for the project within the capital programme.

The above figures do not include the 6% contingency for future market fluctuations, **£489,688**

Risks

- Health & safety risk to operatives from age and condition of some vehicles if not replaced at end of life, is mitigated by replacement of vehicles at high risk.
- DEFRA Waste and Resource Strategy (in consultation) proposes change to waste collection service delivery which may affect vehicle requirements, is mitigated by a staggered approach to

procurement of refuse collection vehicles.

- Purchase costs increased due to Brexit, COVID, War in Ukraine, mitigated with 6% value contingency factored in as above.
- EV charging structure is not delivered ahead of electric vehicles, mitigated by early decision on electric vehicle replacement to allow for delivery of existing grants.

CONCLUSION

It is recommended that the leader of the Council approves the Business case for Phase 2 & 3 (2022/26) for replacement of 69 vehicles at an estimated purchase cost **£8.651m** over vehicle asset life (5-8 years) and additional shortfall from Phase 1.

To be funded through revenue budgets as approved by respective Service Directors.

There are significant financial benefits in the cessation of costly hire costs and reduction in high maintenance costs for aged vehicles. The non-tangible benefits include improvement in efficiency and quality of service delivery, reduction in carbon footprint and a statement of intent and innovation to improve air quality in the city. Procurement to be a priority, vehicle purchases to commence in April 2023 to reduce the risk of further price increases.