

CABINET

Thursday 15 September 2022

COMMUNITY INVESTMENT PROGRAMME - VEHICLE AND PLANT REPLACEMENT PROGRAMME

Report of the of Executive Head Neighbourhood Services

Recommendation(s)

It is recommended that

- (1) Cabinet approves the Vehicle and Plant Replacement Programme detailed in Appendix 1, totalling £1,321,550, increasing the capital budget by £535,050 for financial year 2022/23 and £786,500 2023/24; and
- (2) the Corporate Director (CFO) and the Executive Head of Neighbourhood Services be given delegated authority to modify the replacement programme and for items to be amended in view of the current market volatility, within the financial approval limits given.

Summary

This report sets out the financial requirements for the ordering of replacement vehicles and plant over the next two years (2022/23 and 2023/24 financial years).

The report shows that modification to the vehicle replacement programme within the agreed budget may be required due to changes in operational requirements.

Statutory Powers

Local Government Act 2003 Section 16

Strategic Implications

1. This report provides the framework for the procurement of all vehicles, plant and mechanical equipment operated and required by the Council to deliver its services for 2022/23 and 2023/24.
2. A revised approach is being adopted to vehicle replacement, incorporating the advice given by the Climate Change Manager. In summary this approach has four key principles:
 - Replace: buy new electric vehicles to replace ICE vehicles where models are available and can deliver service requirements. Electric supply will require ongoing monitoring to ensure there is sufficient supply available.

- Repower: reduce the impact of embodied carbon by repowering existing (ICE) vehicles to electric rather than replacement with a new vehicle.
- Reuse: purchase second-hand Internal Combustion Engine (ICE) vehicles when delivery times of new electric vehicles exceed service requirements or electric options are not available. These vehicles can be refurbished and repowered later;
- Refurbish: extend the life of current vehicles when alternative electric models do not exist, cannot provide payloads required or are cost-prohibitive (three to four times more expensive than the ICE equivalent);

The replacement programme will align with Hampshire County Council's planned recycling infrastructure in 2025 and the Environment Act 2021, which will require use of new or adapted waste vehicles (for example for food collection).

Introduction

3. The current fleet comprises 95 vehicles and more than 70 other pieces of equipment. These assets are vital for delivering high-profile statutory and income-generating services mainly within the Neighbourhood Services Executive Area.
4. The automotive industry is facing considerable challenges due to the backlog caused by Covid shutdowns and a shortage of electrical components required for all new vehicles. Lead times for new vehicles are now commonly 9 to 12 months after an order is placed; for that reason, the proposed programme will cover two financial years. This will also allow for changes that may be required for the Environment Bill and Hampshire County Councils changes to waste disposal infrastructure. In order to meet service demands the replacement programme includes the purchase of second-hand/ex-demonstration vehicles as the delivery time is much shorter (weeks).
5. The proposed replacement programme seeks to replace those vehicles which are needed urgently to deliver Council services over until April 2024. Once the changes to the recycling infrastructure are known in detail, a long-term replacement programme will be developed. This will reflect the changes needed to deliver waste services and the transition to a low-carbon fleet.

Vehicle and Plant Replacement Programme 2022/23 and 2023/24 (Recommendation 1 and 2)

6. Since the last Vehicle Replacement Programme was agreed, the Transport Team has improved access to vehicle data; we utilise the most up to date telematics and safety systems to ensure that the equipment is fit-for-purpose in the mobile working environment. We now want to build on this knowledge, and working closely with the Climate Change Manager, develop a programme

which will support the transition to a fleet fuelled by electricity and hydrotreated vegetable oil (HVO).

7. Appendix 1 sets out the proposed Vehicle and Plant Replacement Programme (VRP) for 2022/23 and 2023/24, which is based on the outcome of the annual vehicle condition assessments required for all vehicles.
8. This programme includes the procurement of one new electric vehicle, five vehicle refurbishments, three agricultural machines/street sweeper replacements, three new refuse collection vehicles with Internal Combustion Engines (ICE) and three second-hand refuse collection vehicles which we aim to repower after five years. Repowering is removing the original vehicle power train and replacing it with an electric power train. As part of this process the vehicle is stripped to the chassis and fully refurbished with the mechanical result being a nearly new vehicle.
9. Currently the estimated cost of repowering a refuse collection vehicle is £300,000 (this is in addition to the original vehicle purchase price) This is lower than the current cost of a new electric refuse collection vehicle (circa £440,000). After repowering, a vehicle is expected to last for another 8 years. Repowering vehicles is a growing market, a condition assessment and whole-life cost benefit analysis will be carried out to ensure that vehicles are suitable to be repowered.
10. Medium-sized vehicles in the programme, such as the transit vans used by Streetscene, are currently hard to replace due to the lack of electric vehicles with a payload that is acceptable for the Council's operations. Our Transit vans are primarily used to carry litter, fly-tipped waste and organic detritus, which is heavy particularly when wet. The current payload is approximately 700kg including the required vehicle adaptations – cages, toolboxes, tail lift etc. By comparison, an EV tipper only offers 550kg, without the required adaptations. Operationally this means more unproductive time in trips to the tip. Therefore, the current fleet of Transit vans will have their life extended through refurbishment and be replaced with electric models after a further five years. It is likely that the payloads offered on electric vehicles will have improved by this time and that the purchase cost will reduce.

Vehicle and Plant Replacement Programme post 2023/24

11. Hampshire County Council's planned recycling infrastructure changes in 2025 and the Environment Act 2021 will affect EBC operations. Council decisions relating to these overarching changes – yet to be taken – will be critical in shaping any future vehicle replacement programme. Subsequent papers will deal with the implications of these changes. Due to the versatility of the vehicles being recommended, none of the proposals in this report will disadvantage future fleet operations.

Financial Implications

12. Alternative procurement options have been explored. Leasing/contract hire options have been discussed with our suppliers, but it is a more expensive option and does not fit with the principles for vehicle replacement as discussed above in paragraph 2. Leasing will not allow the environmentally friendly options of refurbishment and repowering. In addition, mileage limits and wear and tear clauses are applied to lease vehicles that are more expensive than in-house maintenance.
13. The waste service currently has two 26t refuse collection vehicles on hire at a cost of £1970 per week. The approval of the VRP will mean that these vehicles can be off-hired.
14. The Executive Head of Finance and Housing Programme has recommended funding the 2022/23 programme from capital receipts as this will remove the ongoing revenue budget implications of borrowing.
15. Any increase in the cost of parts and external hire of vehicles due to delays in the delivery of new vehicles will be monitored as part of the quarterly Performance and Finance Report.
16. A longer-term plan will be produced covering five years once Cabinet have decided upon alternative collection methods that will increase recycling and reuse rates in line with the requirements on the Environment Act. This will in turn determine the make-up of the Council's waste fleet.
17. Any income from the disposal of vehicles and plant will be used to repay capital receipts used. The capital expenditure on vehicles and plant in the last five years is shown below.
18. An additional £89,000 has been added to Recommendation 1 to cover the difference in cost of the electric refuse collection vehicles between initial quotation and the tender award.

Legal Implications

15. Procurement guidelines and financial limits will be used. We need to ensure sufficient budget is available for maintenance of older vehicles if the VRP is not approved, as the council has given legal undertakings under Operator Licensing laws. Failure to meet these undertakings could result in fines, suspension of the operator's licence or in the worst case the licence could be revoked; this would mean the council could not operate any vehicles over 3.5 tonnes, whether owned, leased, or hired.

Risk Assessment

19. The Council risks not achieving its target of carbon neutrality for its operations by 2025 if it does not address significant areas of carbon emissions such as more sustainable options in procurement of vehicles. The Council has publicly committed, through its Climate Change Strategy, to transition its fleet. However, technology suitable for the Council's operations is still developing. Therefore, purchasing vehicles with internal combustion engines and operating them on HVO, is the most appropriate way of working towards our climate goals currently. The option of repowering is being investigated.
20. It is important to note that the current global financial situation has meant that HVO is considerably more expensive than when the decision to transition the fleet was made.
21. As some existing fleet vehicles require urgent refurbishment or replacement, the Council risks not having a fleet that is suitable to fulfil its statutory obligations. Condition assessments have revealed significant degradation of some refuse collection and grounds maintenance vehicles. These vehicles perform high-profile Council functions such as refuse collection and litter, grounds maintenance and fly tipping removal. There is a reputational risk to not delivering these services to the public.
22. By extending the life of vehicles there is a risk that repair materials budgets will be exceeded; however, in developing the strategy above in conjunction with the Climate Change Manager, this has been deemed an acceptable risk against that of the embodied carbon generated when producing new vehicles.

Equality and Diversity Implications

23. The Equality Act is not relevant to the decision in this report because:

It is a report dealing with universal service requirements.

Therefore, it is considered that for this decision the Equality Duty does not need to be addressed and an Equality Impact Assessment (EqIA) has not been carried out.

24. **Climate Change and Environmental Implications**

The manufacture of any new vehicle will have an environmental impact regardless of fuel type through the mining and processing of natural resources, manufacturing of components, transportation of goods, operation of the vehicle, repair, maintenance, and disposal at the end of life.

These proposals therefore strike a balance between minimising embodied carbon and the annual ongoing carbon impact of ICE vehicles as the sector undergoes a transition to lower-carbon fuel.

Conclusion

25. This report seeks approval for additional £1,321,550 capital expenditure for the Vehicle and Plant Replacement Programme, to be funded by capital receipts.

TONI JOHNSON
TECHNICAL SERVICES MANAGER

Date: 7 August 2022
Contact Officer: Toni Johnson
Tel No: 023 80 688213
e-mail: toni.johnson@eastleigh.gov.uk
Appendices Attached: 1

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

* List Background Papers or state None.