

Finance and Resources Committee

10.00am, Thursday, 21 November 2023

Fleet Asset Management Plan 2023-2029

Executive/routine
Wards

Executive
All

1. Recommendations

1.1 It is recommended Finance and Resources Committee:

- 1.1.1 Approves the approach to ensuring the Council's fleet is modern, efficient, fit for purpose, compliant with the upcoming Low Emission Zone (LEZ) and contributes towards the aims of the Council's Emissions Reduction Plan (CERP),
- 1.1.2 Approves the outlined financial model for the fleet asset management plan and agrees to refer this report to Full Council for the approval of £51.6m of prudential borrowing,
- 1.1.3 Notes that this investment will increase the Council's owned fleet assets and deliver additional in-house employment opportunities in the Council's Fleet Maintenance team; and,
- 1.1.4 Subject to approval of prudential borrowing at Full Council, agrees for delegated authority to be granted to the Executive Director of Place and the Service Director of Finance and Procurement to award contracts in line with the approved Fleet Asset Management Plan to ensure that vehicles can be procured in a timeous manner.

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Executive Director of Place

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Fleet Asset Management Plan 2023-2029

2. Executive Summary

- 2.1 This report details the Council's on-going fleet requirements to deliver Council business and outlines the approach to ensuring its fleet is modern, efficient, fit for purpose and compliant with the upcoming Low Emission Zone (LEZ) and the Council's approved Emissions Reductions Plan (CERP) as far as is financially practicable.
- 2.2 The report outlines the financial plan detailing how replacement vehicles will be funded and maintained up until 2029 and proposes £56.8m of capital investment to deliver the programme.
- 2.3 The report details how, by increasing the number of Council owned fleet assets, there will be a reduction in the Council's reliance on vehicles provided by third parties and the associated reduction in hire/leasing terms will release additional funding to purchase vehicles outright and increase the number of in-house Vehicle Maintenance Technician roles to maintain these vehicles.
- 2.4 To ensure delivery of the programme effective and timely procurement of new assets will be required. This report seeks approval to give the Executive Director of Place and Service Director of Finance and Procurement delegated authority to award contracts in line with the Fleet Asset Management Plan, to ensure that there is service continuity throughout the replacement programme.

3. Background

- 3.1 Currently, there are a total of 1,348 assets maintained by the Council's Fleet and Workshops Service defined as vehicles or items of plant machinery. This comprises of 801 vehicles owned by the Council and 547 either hired or leased from a third party.
- 3.2 On 5 March 2020 Finance and Resource Committee approved a report agreeing to £12.563m in capital funds for the replacement of 256 vehicles covering cars, refuse vehicles, compact sweepers and roads trucks and other items of plant such as tractors, trailers and demountable bodies.
- 3.3 A number of the vehicles have been purchased and are now operating in service. However, due to the impacts brought about by COVID-19, there are a number of

vehicles that are either still awaiting delivery or have not been progressed due to potential change in service operation requirements. Of the 256 vehicles approved for purchase 175 have either been delivered or are on order. Of the £12,563,966 approved funding, in excess of £10m has already been spent or committed to.

- 3.4 Since approval in 2020, vehicle prices have increased considerably as a result of inflation and the increase in cost of raw materials. The current age profile of the fleet is increasing, the result of which is vehicles are becoming increasingly expensive and unpredictable to maintain and need to be replaced. In addition, service operations have altered following the impact of COVID therefore the requirements of 2020 are not consistent with the way in which the Council needs to deliver its services going forward.
- 3.5 Officers have taken time to review the current fleet establishment to ensure that the Council's fleet is fit for purpose, is aligned to the Council's obligations to meet the introduction of the Low Emission Zone in June 2024 and become a net zero carbon city by 2030 and a financial plan is in place to ensure successful delivery of the programme.

4. Main report

- 4.1 The Fleet and Workshop Service has worked closely with Council departments to understand future fleet requirements and seek to align this to the Council's sustainability targets to develop a fleet asset management plan up until 2029. Appendix 1 illustrates the required vehicles and identifies which vehicles require to be replaced to either meet Service needs and/or to meet the sustainability targets.
- 4.2 The vehicles listed for replacement will support key frontline services across the Council and are currently affordable based on the financial model detailed in Section 6. If approved 27% of the Council's fleet will have been electrified. This percentage compares favourably with other Scottish and UK Councils. It should be noted that, if the cost of some of the replacement fleet is lower than modelled, officers will consider further increasing the number of electric vehicles, and the associated percentage of the fleet that is electric, however it is not prudent to assume this at this moment in time. Any such review will also consider wider budget pressures / Council priorities together with development of an earmarked reserve for future replacement of vehicles.
- 4.3 There are currently 282 vehicles in operational service that do not comply with LEZ that will be prioritised for replacement ahead of June 2024.
- 4.4 It should also be noted that due to the large cost disparity between Internal Combustion Engine (ICE) powered and electric/hydrogen alternatives for the larger heavy goods vehicles (HGV) and specialist vehicles, it is not viable from a financial and general risk perspective to purchase these as electric/hydrogen until the market has matured, greater reliability can be ensured, and economies of scale have led to a reduction in prices (link to Appendix 2 which gives illustrative figures for the cost comparison). As an interim, HGVs and specialist vehicles will be renewed with Euro

6 diesel alternatives that are LEZ compliant. It is anticipated that a further report will be brought to Committee in 2028/29 outlining the resources required to procure sustainable alternatives to the diesel HGVs and specialist vehicles ahead of the 2030 CERP target.

- 4.5 Section 6 details the financial plan for which approval is being sought to deliver the Fleet Asset Management Plan. As there will be an increase in Council owned vehicles, there will need to be an investment in the Council's workshop facilities and increase in staffing to ensure the maintenance of the additional fleet assets. Improvements to the workshop facilities will be contained within the existing Depot Programme and budget released from the reduction of hire vehicles will be allocated to staff resources, as well as the new prudential borrowing repayments.
- 4.6 Resources may also be required for the electric charging infrastructure. If required this is expected to be financed through external funding (as the Council has done largely to date) and through some borrowing against a modelled reduction in current fuel spend that will be achieved through the increase in electric vehicles. This will be the subject of a separate report if required.
- 4.7 The Fleet and Workshop Service will continue to work closely with departments to scrutinise requirements, assess how service delivery evolves and review when new methods of transportation become available. For example, as a result of a successful external funding bid, five electric refuse collection vehicles are due to commence service in the Waste Collection service and cargo bikes are being trialled by some staff in Parks and Greenspaces which have the potential to significantly reduce the environmental impact of some of the Council's essential services. It should therefore be noted that the list of requirements in this report could be subject to alteration should an alternative solution become available. However, the overall approved budget would not be expected to be exceeded. If increased budget were required, then officers would clearly bring this matter back to committee for scrutiny and, if agreed, approval.

5. Next Steps

- 5.1 Once approved, the next steps will be to procure the vehicles outlined in this document taking into account the considerations listed in Appendix 3. A detailed procurement plan is being prepared with clear timescales for delivery, prioritising vehicles which are currently not LEZ compliant.
- 5.2 To ensure the plan is moved forward timeously it is requested that delegated authority is given to the Executive Director of Place and the Service Director of Finance and Procurement to award contracts in line with the programme provisions. This will minimise any potential for adverse service impacts when fleet units reach the end of their useful life and will also allow more dynamic procurement solutions which may achieve improved value for money via some frameworks.

6. Financial impact

General Fund

- 6.1 The investment required to replace the fleet highlighted in Appendix 1 is estimated to be £56.8m. This cost will be partially offset by capital receipts from the disposal of existing vehicles of £2m and a contribution from an earmarked reserve of £3.2m, resulting in a total loans fund advances of £51.6m.
- 6.2 £5.3m of these advances assumed to be taken out on an interest-only basis, based on a prudent assumption of the likely residual value of the new vehicles. If, going forward, capital receipts are used to fund more vehicles, financing will need to be based on borrowing the full capital value, not the net value assuming future disposal. The remaining £46.3m of the advances will be taken out on an annuity basis.
- 6.3 The loans charges associated with this over a 7-year period would be a principal repayment of £46.3m and interest of £13.5m, resulting in a total cost of £59.8m based on an assumed loans fund interest rate of 5.25%. This represents an annual cost of £8.5m to be met from the following revenue budgets, which are set out below and detailed in Appendix 4.
 - 6.3.1 Over the previous three financial years when borrowing on current fleet assets has been repaid the budget has been held corporately and ring-fenced for future purchases.
 - 6.3.2 Over the next two years borrowing will be repaid on further fleet assets, freeing up additional budget which will also be ring-fenced and contribute to future purchases.
 - 6.3.3 The Council currently leases a large number of vehicles from third parties. These leasing costs are higher than prudential borrowing costs and therefore capital will be generated from purchasing new fleet to replace hires.
 - 6.3.4 Additional cleansing budget allocated to vehicles and equipment for was approved at the Council Budget in February 2023. The allocated revenue amount for new equipment/ vehicles within the budget approved was £216,686.
 - 6.3.5 With the purchase of new vehicles, there will be a reduction in the current spend on replacement parts, although this will be balanced with the increase in spend associated with having more council owned fleet and labour costs from having more maintenance technicians.
 - 6.3.6 The Housing Revenue Account (HRA) will make a contribution of £0.522m p.a. towards the investment costs. This additional revenue budget contribution reflects inflationary pressures and electrification of the HRA fleet and this will be considered through the HRA business plan.

Future Opportunities

- 6.4 Research suggests that electric vehicles will bring material fuel savings. However, these savings are not being considered in the financial model of this plan for prudence. Any fuel savings will provide additional benefit to the overall budget position.
- 6.5 As noted in paragraph 4.2, should any additional available funding become available, where procured vehicles are cheaper than predicted, consideration will be given to increasing the number of electric vehicles in the fleet.
- 6.6 There are potential external funding opportunities that the Council will continue to explore. More recently, these funding opportunities have been aimed at increasing electric vehicle charging infrastructure, however there are still some pots available for vehicle replacement and upgrades which officers are applying for. If any such funding bids are successful, this will reduce the amount of capital funding that is required from the Council.

7. Equality and Poverty Impact

- 7.1 No impacts arising for people with protected characteristics.
- 7.2 The investment in this asset management plan will facilitate an increase in employment opportunities within the Council.

8. Climate and Nature Emergency Implications

- 8.1 An Integrated Impact Assessment has been completed.
- 8.2 As described previously the investment to upgrade the fleet is required to ensure the Council meets its own and national targets relating to Climate Change (Scotland) Act 2009, as outlined in the Council's Carbon Emission Reduction Plan (CERP).
- 8.3 The procurement of this fleet replacement programme will have a positive effect on the level of carbon which is emitted by our fleet operations, and will also result in a net reduction in the level of other harmful emissions which contribute to poor air quality.

9. Risk, policy, compliance, governance and community impact

- 9.1 The Council needs to ensure its vehicles are compliant with the introduction of the Council's LEZ in June 2024. If the fleet asset management plan is not approved there is significant risk of non-compliance leading to potential reputational damage for the Council.
- 9.2 The current fleet vehicles are aging and becoming more costly and unpredictable when it comes to general maintenance and repair. This can have a critical impact

on service delivery if vehicles remain out of service for longer than Departments plan.

- 9.3 If this level investment in new fleet is approved, it would be unlikely for any future savings in transport to be achieved.
- 9.4 With general rising costs in raw materials and inflation, along with increased demand for new vehicles, the costs of replacement fleet are increasing and showing no signs of slowing. The increased cost-plus demand means that should the Council decide not to act on renewing fleet vehicles, this will only lead to increased down time, cost and adverse service impacts.
- 9.5 There are some risks associated with seeking a high percentage of electric vehicles as it is still developing technology however, the Council has taken a strategic approach to determine it seeks electric options where there is a clear and established market, for example in cars and commercial vans. In addition, the Council is seeking to develop internal staff to be fully trained to maintain these alternative fuelled vehicles from purpose-built premises. This will mean that there is sufficient resilience within our operations to adapt to new technology and reduced need to rely on third parties for support.
- 9.6 The Council will continue to trial new alternative technology to ensure knowledge and facilities are developed appropriately. For example, whilst this report highlights the Council will not be switching from diesel for its entire refuse collection fleet at this time. It has purchased five electric refuse collection vehicles, using funding from Zero Waste Scotland, to assess use and reliability. This will shape the fleet replacement approach that will be employed from 2028/29 onwards.
- 9.7 The Fleet Replacement Strategy will form part of the Council's Major Projects portfolio and as such the business case will be subject to the appropriate governance principles.

10. Background reading/external references

- 10.1 None.

11. Appendices

- 11.1 Appendix 1 – Fleet Asset Management Plan.
- 11.2 Appendix 2 - Cost comparisons for vehicles.
- 11.3 Appendix 3 – Procurement considerations.
- 11.4 Appendix 4 – Financing Strategy.

Appendix 1 Fleet Asset Management Plan

<u>Vehicle Description</u>	<u>Vehicle/ Plant</u>	<u>LEZ Non Compliant</u>	<u>Owned</u>	<u>Hired</u>	<u>Current Total</u>	<u>Future Vehicle Establishment</u>	<u>Funded beyond 2025/26</u>	<u>Proposed number of vehicles to replace</u>
Refuse Collection Vehicle Food 12T	Vehicle	0	8	5	13	12	0	12
Refuse Collection Vehicle 15T	Vehicle	0	0	1	1	0	0	0
Refuse Collection Vehicle 16T	Vehicle	0	0	2	2	0	0	0
Refuse Collection Vehicle 18T	Vehicle	0	8	6	14	15	0	15
Refuse Collection Vehicle 26T	Vehicle	0	31	31	62	59	5	54
Side Loading Refuse Collection Vehicle 26T	Vehicle	0	4	0	4	0	0	0
Crane Dropside 18T Street Lighting	Vehicle	2	2	0	2	2	0	2
Hooklift Vehicle 26T	Vehicle	0	4	0	4	0	0	0
Hooklift Vehicle 32T with Crane	Vehicle	0	0	0	0	5	0	5
3.5T Dropside	Vehicle	14	14	8	22	9	0	9
3.5T Low Floor Beavertail	Vehicle	0	0	0	0	19	0	19
3.5T Beavertail Standard Floor	Vehicle	1	1	0	1	1	0	1

3.5T Tipper Vehicle Daycab	Vehicle	0	0	50	50	11	0	11
3.5T Tipper Vehicle Crewcab	Vehicle	0	0	29	29	5	0	5
3.5T Cage Tipper Vehicle Crewcab	Vehicle	0	0	22	22	25	0	25
Hooklift Vehicle 32T	Vehicle	0	0	1	1	0	0	0
4x4 Crewcab with Chapter 8	Vehicle	2	2	14	16	8	0	8
4X4 Forestry Tower	Vehicle	0	0	1	1	0	0	0
5.2T Demountable	Vehicle	5	5	0	5	4	0	4
7.5T Box Truck	Vehicle	4	4	5	9	7	0	7
7.5T Cage Truck with Tailift	Vehicle	0	0	2	2	5	0	5
7.5T Demount	Vehicle	6	6	0	6	2	0	2
7.5T Dropside (Lighting)	Vehicle	0	2	0	2	2	0	2
7.5T Dropside Tailift (8210) Bin repair	Vehicle	0	0	1	1	1	0	1
7.5T Tipper	Vehicle	2	2	7	9	2	0	2
Accessible Bus	Vehicle	21	47	0	47	39	12	27
Car	Vehicle	0	111	15	126	111	33	78
Civic Car	Vehicle	0	2	0	2	2	0	2
Walk Behind Sweeper	Plant	0	0	2	2	4	0	4
Compact Sweeper Medium	Vehicle	0	13	2	15	16	12	4

Compact Sweeper Mini	Vehicle	0	3	0	3	6	3	3
Dropside 4.5T	Vehicle	9	9	0	9	2	0	2
Electric Utility Vehicle Waste Disposal	Vehicle	0	0	1	1	1	0	1
Graffiti Hotwash	Vehicle	1	1	0	1	0	0	0
Graffiti Van	Vehicle	0	2	1	3	4	2	2
Gully Vehicle	Vehicle	0	3	1	4	4	3	1
Plant Tractor Large	Vehicle	0	8	1	9	8	6	2
Plant Forestry Tractor 4wd Large with Crane	Vehicle	0	1	0	1	2	1	1
Plant Tractor Medium	Vehicle	0	2	0	2	2	0	2
Plant Tractor Winter Emergency	Vehicle	0	16	0	16	16	0	16
Plant Tractor Small	Vehicle	0	10	0	10	7	5	2
Large Van	Vehicle	15	31	7	38	67	0	67
Large Van 5.2T Stanby Cover	Vehicle	0	0	0	0	1	0	1
Library Vehicle	Vehicle	2	2	0	2	2	0	2
Truck Mounted Tower 14T Zipper Tower	Vehicle	1	1	0	1	1	0	1
Truck Mounted Tower 12T	Vehicle	1	1	0	1	1	0	1

Lighting Tower 3.5T	Vehicle	0	0	4	4	4	0	4
Lighting Tower 5.2T	Vehicle	0	0	1	1	1	0	1
Litter Press Refuse Vehicle	Vehicle	0	0	9	9	7	0	7
Luton Van	Vehicle	4	4	32	36	30	0	30
Low Floor Box Van with Ramp	Vehicle	0	0	0	0	6	0	6
Medium Van	Vehicle	118	118	128	246	140	0	140
Medium Van 6 Seat Conversion	Vehicle	0	0	0	0	17	0	17
Mini Bus	Vehicle	15	15	34	49	10	0	10
Minibus with Tailift	Vehicle	0	0	5	5	0	0	0
People Carrier	Vehicle	4	4	16	20	13	0	13
People Carrier with Tailift	Vehicle	0	0	13	13	0	0	0
Plant - Pothole Pro	Vehicle	0	0	1	1	2	0	2
Plant Beach Cleaner	Plant	0	2	0	2	2	0	2
Plant Hired Forklift	Vehicle	0	0	1	1	1	0	1
Plant Fuel Bowser	Plant	0	0	1	1	1	0	1
Plant Grounds Maintenance	Plant	0	66	0	66	66	0	66
Plant JCB Waste/Roads	Vehicle	0	1	5	6	5	0	5
Plant JCB Burials	Vehicle	0	1	0	1	1	0	1

Plant Digger Specialist Burials	Vehicle	0	1	0	1	1	0	1
Plant Waste Material Handler	Vehicle	0	0	2	2	2	0	2
Plant Waste Loading Shovel	Vehicle	0	0	2	2	2	0	2
Plant Quad Bike	Vehicle	0	6	0	6	6	6	0
Plant Ride on Mower	Vehicle	0	19	0	19	19	9	10
Plant Tracked Boom	Plant	0	0	1	1	1	0	1
Parks Trailers	Plant	0	8	0	8	3	0	3
Plant Trailer	Plant	0	11	1	12	0	0	0
Plant Trailer Burials	Plant	0	2	1	3	2	0	2
Plant Utility Vehicle	Vehicle	0	2	0	2	2	0	2
Plant Telehandler	Vehicle	0	1	0	1	1	0	1
Plant Water Pump	Plant	0	3	0	3	3	0	3
Plant Woodchipper	Plant	0	4	0	4	4	0	4
Road Marking Vehicle	Vehicle	0	2	0	2	2	2	0
Roads Gritter Fixed Body	Vehicle	0	0	10	10	0	0	0
Roads Tipper 18T	Vehicle	0	8	0	8	8	0	8
Roads Tipper 26T	Vehicle	0	1	0	1	1	0	1
Roads Tipper 32T	Vehicle	0	0	1	1	1	0	1

Roads Tipper 7.5T	Vehicle	0	13	3	16	13	0	13
Roads 7.5T Dropside	Vehicle	0	3	0	3	2	0	2
Small Van	Vehicle	54	108	54	162	247	20	227
Travelling Gallery Specialist	Vehicle	1	1	0	1	1	0	1
Truck Mounted Sweeper	Vehicle	0	1	5	6	4	1	3
Truck Mounted Tower 7.5T	Vehicle	0	0	1	1	0	0	0
Plant Paver Machine	Vehicle	0	0	1	1	1	0	1
Forestry Arbor Spec Truck Mount	Vehicle	0	0	0	0	3	0	3
Forestry Arbor Spec 4x4 vehicle	Vehicle	0	0	0	0	4	0	4
Timber trailer Forestry	Plant	0	0	0	0	1	0	1
Forestry Stump Grinder	Plant	0	0	0	0	1	0	1
Pedestrian Mowers	Plant	0	40	0	40	40	40	0
Total		282	801	547	1,348	1,171	160	1,011

Appendix 2: Cost comparisons for vehicles

Vehicle Type	Estimated Purchase cost ICE	Estimated Purchase cost Electric	Cost Difference per vehicle
26t Refuse Collection Vehicle	£215,000	£435,000	£220,000
18t Gritting Vehicle	£145,000	£336,000	£191,000
Electric Truck Mounted Sweeper	£195,000	£385,000	£190,000

* Prices are estimates only as of October 2023.

Appendix 3: Procurement considerations

Risk	Mitigating Action
Vehicle Performance	High performance thresholds have been set out in the specifications, which will ensure all potential suppliers are aware of Council expectations. The preferred bidders will be asked to confirm their ability to meet strict performance criteria.
Quality of Vehicles	Wherever possible suppliers will be asked to provide a five-year warranty in the submission.
Diagnostics equipment	Successful tenderers will be required to supply dealer level diagnostic equipment to allow the vehicles to be maintained fully in house.
Contingencies for Vehicle Break Downs	Free of charge replacements will be asked to be made available to cover periods when vehicles are off the road for longer than 48 hours during the warranty period provided that parts or labour are not available, and it is not a Council induced fault.

Appendix 4: Financing Strategy

Funding	Revenue Amount £m
Repaid Prudential Borrowing Budgets	
Fully Repaid to 2023/24	£1.750
Borrowing Period Return 24/25	£0.143
Borrowing Period Return 25/26	£0.275
Savings in Fleet Budgets	
Reduction in spot hire costs including indexation	£6.700
Additional Cleansing monies for vehicles	£0.217
Less: increase in parts spend and labour	(£0.798)
Less: Annual contribution to fund replacement of grant funded vehicles / provide general contingency	(0.300)
HRA annual contribution	0.522
Total	8.509