

Finance and Resources Committee

10.00am, Thursday, 5 March 2020

Fleet Renewal Programme

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

- 1.1 Finance and Resources Committee are asked to:
 - 1.1.1 endorse the planned fleet replacement strategy to meet key service requirements, delivering a modern fleet of vehicles which complies with the proposed Low Emission Zone (LEZ) and explores the emerging technology available for alternatively powered vehicles;
 - 1.1.2 note the proposed capital investment in the Council's vehicle fleet of up to £12.563m, as detailed in Appendix 1.
 - 1.1.3 Note that investment will be funded from savings made through a review of the Council's fleet and supplemented by third party grants for electric vehicles and infrastructure; and
 - 1.1.4 approve the programme of contracts within this programme (as set out in Appendix 1) and delegate responsibility to award all of the contracts to the Executive Director of Place.

Paul Lawrence

Executive Director of Place

Contact: Scott Millar, Fleet and Workshops Manager

E-mail: scott.millar@edinburgh.gov.uk | Tel: 0131 347 1902

Fleet Renewal Programme

2. Executive Summary

- 2.1 This report updates Committee on the fleet renewal programme and notes the proposed for capital investment of up to £12.563m (for up to 215 vehicles to be replaced). This will ensure the Council's vehicle fleet is reliable, fit for purpose and contributes towards carbon reductions and improved air quality. The procurement of these vehicles will be undertaken using a number of national frameworks and is expected to commence in March 2020.
- 2.2 In order for this programme to move forward timeously, the report also seeks approval for the award of all contracts in the programme (as noted within Appendix 1) to be delegated to the Executive Director of Place.

3. Background

- 3.1 The Council has a vehicle fleet of 1,098 vehicles in total (including 796 Light Fleet and 302 Heavy vehicles). A project to review the arrangements in place for managing the Council's vehicles has been on-going for some time, with the main aims being to replace the current aged fleet; to ensure that the Council has a fleet that is fit for purpose; contributes towards carbon reductions and improved air quality; has the level of reliability and flexibility required; and is most cost efficient without any compromise to health and safety.
- 3.2 The current fleet of vehicles are aging and therefore, to achieve the project goals, it is essential that the Council invests to ensure that the future fleet is fit for purpose and can be adequately maintained.
- 3.3 Initial market research (looking at best practice in other local authorities and subject matter expert consultations) indicates that there is a rationale to look at different approaches for Light and Heavy fleet, therefore the fleet replacement programme is split into these two distinct groupings.
 - 3.3.1 Light fleet is defined as vehicles up to 3.5T in gross weight consisting mainly of cars, vans and generic minibuses; and
 - 3.3.2 Heavy fleet is defined as vehicles of gross weight in excess of 3.5T typically truck mounted/ Heavy Goods Vehicle class.

- 3.4 For Heavy fleet, the market research into the emerging electric technology of heavy Fleet indicates that replacement of these vehicles will remain financially unviable for the next five years.
- 3.5 This report is focused on the Heavy Fleet, while work continues on finalising plans for the Light Fleet.

4. Main report

Heavy Fleet

- 4.1 Funding has been received to allow the Council to purchase a large electric sweeper (the first in Scotland). Not only is this vehicle carbon neutral in terms of emissions, the noise reduction achieved by moving to this electric model will allow the service to operate extended hours without disrupting residents of the city. Moving forward, it is intended to operate a minimum of one third of heavy vehicles on alternative fuel within the next seven years however this will be challenging.
- 4.2 In terms of capital spend on other heavy vehicles, there are currently no financially viable options that would allow the Council to purchase electric vehicles without significant external funding. Council officers will continue to work with government funding bodies and commercial companies to explore funding options and are confident that further funding will be secured.
- 4.3 There are options available for individual vehicle types to become less fuel dependent, for example refuse vehicles now have the option of a fully electric bin lift, and trials of this system have demonstrated a reduction in noise and fuel consumption. Feedback from the service department has been very positive so far.
- 4.4 As part of the fleet renewal programme, funding has been identified to ensure there is the flexibility to replace up to one third of the Heavy fleet within six months, should any financially viable electric options emerge. This is possible through a staged replacement programme, as well as retaining a smaller number of hire vehicles. The required investment is set out below:

Cleansing £1,800,000

- 4.5 It is proposed to purchase 29 vehicles to replace existing vehicles, covering all aspects of street cleansing management including bulk uplifts, specialist hot washing units, specialist trucks, litter bin collection vehicles (that collect litter from over 3,400 litter bins across the city), and mechanical sweepers.

Waste services £3,700,000

- 4.6 The requirements for the waste collection service over the next seven years are not yet clear as the potential impacts of the Communal Bin Review, the two new waste transfer stations and the proposed deposit return scheme (DRS) for glass are not yet known.

4.7 However, an assessment of the current vehicle arrangements shows that there are currently 21 Refuse Collection Vehicles (RCVs) on hire, and for the reasons given above it has been decided to keep six as hires (albeit on a firmer contract and reduced cost). The remaining 15 will be replaced as part of the renewal programme.

4.8 There are also five other vehicles and items of plant that need to be replaced.

Parks £1,500,000

4.9 Parks and Greenspace have been working with some of the most aged vehicles in the fleet (average age of 11.5 years). The proposal is to replace 59 vehicles (with only three hire replacements) with vehicles with improved health and safety features for staff. Both contract hire and purchase options are available for these types of vehicles, therefore the best solution will be identified in advance of tendering.

4.10 It has also been agreed to remove the crew-cab element of large trucks in this area, therefore the payload of the vehicles can be increased, reducing the number of journeys required. This will mean transporting crew in alternative vehicles, with electric vans being the suggested option.

4.11 The overall capital required remains the same, however the vehicle count would increase, whilst the emissions and fuel cost would decrease. The remaining spend covers plant machinery including tractors, JCBs, specialist trucks and grounds maintenance machinery.

Roads £4,300,000

4.12 A review of service activities has shown that much of the current fleet is no longer fit for purpose. The review shows that

4.13 The capital investment for 41 vehicles in total is required to cover street lighting maintenance, road maintenance and resurfacing, carriage way line marking, winter emergency services, and gully emptying services.

Other service areas £715,000

Library Services

4.14 The Library vehicles are now 17 years old: the service will be reduced to two large units with smaller electric vans providing an order/delivery service instead of five which currently operate.

Community Transport

4.15 After a successful pilot of smaller bus transportation for children, three electric buses are being added to the transport hub fleet to replace the current older models.

Light Fleet Vehicles £510,600

4.16 This financial year (2019/2020) has seen the Council focus on carbon emission reductions by accelerating the introduction of electric vehicles into the fleet. Grant funding of over £0.5m has been secured to enable the purchase / lease of electric

vehicles, and over £0.5m has also been secured to invest in the supporting charging infrastructure.

- 4.17 Prior to this financial year all electric vehicles were leased for a period of three years. As technology has now advanced to a stage where main line produced electric vehicles can travel in excess of 100 miles on a single charge, this provides an opportunity for the Council to further make the switch to electric vehicles and ensure that a significantly greater number of Council journeys are undertaken in electric cars and vans.
- 4.18 For this reason, it is proposed to purchase 32 car and 20 vans. Scottish Government funding of 40% of the purchase price has been offered. This means it will be possible for the Council to replace all Fleet cars with electric in 2020.
- 4.19 There will be a separate report to follow outlining further future proposals on planned replacement for light fleet.

Vehicle Maintenance

- 4.20 The maintenance of all of the procured vehicles will be undertaken by the in-house workshop. As part of the fleet review, the activities of the workshop operation are being reviewed to ensure that the service is optimised to support frontline service delivery in the service areas shown above.

5. Next Steps

- 5.1 Once approved the next steps will be to procure the vehicles outlined in this document. Taking into consideration the following:

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 four-year warranty in the submission.
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.

- 5.2 Subject to Committee approval of the renewal programme and the contract awards outlined in Appendix 1, it is requested that delegated authority is given to the Executive Director of Place to award contracts in line with the programme provisions. This will enable the programme to move forward timeously.

- 5.3 In the event of vehicles failing to meet quality requirements specified in the Contract, Fleet will ensure that strict Contract Management has minimal effect on business continuity.
- 5.4 It is intended to appoint a Fleet Sustainability Manager, to ensure that the Fleet Renewal Programme remains a priority, while a Contract Manager will be in place to monitor performance of the vehicles throughout the duration of the contracts and will be responsible for ensuring that there is minimal impact on business continuity where vehicles fail to meet the quality requirements specified.

6. Financial impact

- 6.1 The investment required to bring the fleet up to the necessary standard is estimated to be £12,563,966, as set out in Appendix 1. This cost can be contained within the capital budget for Fleet replacement as approved by Council on 20 February 2020.
- 6.2 The investment value takes into account the list price of the vehicles proposed for purchase with no residual value. At time of tenders, all potential purchases will be cross checked against contract hire rates/other methods of procurement to ensure that purchase is still the best value option.
- 6.3 £420,000 of capital funding has been set aside for the vehicles for Parks that may be lower cost on contract hire (negotiations are on-going at time of writing). If this is the case, the capital funding required will be reduced by this amount. Similarly, any grants received towards electric or other sustainable vehicles will reduce the net cost to the Council.
- 6.4 The loans charges associated with the total capital investment over a 7-year period is estimated to be a principal amount of £12.563m and interest of £1.482m, resulting in a total cost of £14.045m. This represents an annual cost of £2.006m. This forecast uses an interest rate of 2.51%, which is based on current Public Loans Works Board borrowing rates and an appropriate margin to cover short-term volatility. As vehicles are procured, the Council's Treasury Service will carry out a financial options appraisal to identify the method of finance that will deliver best value for the Council.
- 6.5 Loans charges or alternative financing costs will be met from savings achieved through the overarching Fleet Review Project and securing investment from external funding sources. The Fleet Review Project will overall deliver a net saving to the revenue budget of approximately £500,000, after loans charges are taken into account.
- 6.6 All tenders will be scrutinised to maximise the potential to deliver whole life cost savings.

7. Stakeholder/Community Impact

- 7.1 The fleet renewal programme will help support key frontline services to the city and will have a positive impact on communities.

- 7.2 The improved environmental performance of the fleet will also reduce carbon emissions and will contribute to improved air quality.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1 - Procurement Lots.

Appendix 1 - Procurement Lots

Project	Modelled Value (£)	Capital Spend	Revenue Spend	Funding/Potential Funding
Electric Vehicles 1 Corsa (x32)	£553,953.28	£332,371.96		£221,581.32
Electric Vehicles 2 Kangoo (x20)	£ 297,146.40	£178,287.84		£118,858.56
Electric Vehicles 3 Nissan (x20)	£152,181.60			£152,181.60
Electric Sweeper	£184,307	£184,307		£187,307.00
Plant Paver Machine	£250,000	£250,000		
Purchase of 4 x Waste Plant Machinery - Roller Packers	£320,000	£320,000		
Purchase of 14 x 3.5T Beavertail Vans and 2 x 4.6T boxside	£500,000	£500,000		
Purchase of 9 x 18T Multibody Tipper/Gritter, Insulated/Concrete Body/Hotbox	£1,069,000	£1,069,000		
Purchase of 13 x Demount Bodies (for 7.5T chassis)	£65,000	£65,000		
Purchase of 15 x 7.5T Tipper/Gritter/Crane Multibodies	£1,320,000	£1,320,000		
Purchase of 3 x 26T Tipper/Gritter/Insulated/Crane Multibodies	£480,000	£480,000		
Hire of 26T Gritter x1 plus 18T x 7 (6 year contract)	£852,000		£852,000	
Purchase of 6 x 4.5T Dropside/Tipper Vans	£240,000	£240,000		
Purchase of 3 x 5.2T Tower Vans and 1 x 7.5T Access Tower Van	£280,000	£280,000		
Purchase of Flatbed/Hiab Truck	£100,000	£100,000		
Purchase of 3 x Electric Buses	£270,000	£270,000		Potential Funding
Purchase 4 x 18T RCV for Food and 2 x18T for glass that can be converted	£930,000	£930,000		

Purchase 15x 26T RCV	£2,400,000	£2,400,000		
Purchase of 2 x JCB 1CX/2CX	£60,000	£60,000		
2 large mechanical sweepers	£300,000	£300,000		
5 midi sweepers (over 3.5 t) - over 4 years	£520,000		£520,000	
Purchase of 2 x Large Jetter Van	£132,000	£132,000		
Hire of 8 x small Precinct Sweepers (3.5t and under) 4 years	£850,000		£850,000	
Purchase of 9 x Tractors/Large Tractors	£246,000	£246,000		
Purchase of 2 x 7.5T Library Vehicles (bespoke)	£374,000	£374,000		
Purchase 18T Zipper Truck	£100,000	£100,000		
Purchase of 14 x Trailers	£63,000	£63,000		
HIRE 3x Hydraulic Platform Lighting Tower vehicles (4 years)	£180,000		£180,000	
2 x carriage way markers	£200,000	£200,000		
3 x Gully cleaners	£450,000	£450,000		
5 x 7.5T litter presses plus 1 x 12T litter press	£545,000	£545,000		
1 10T Bin Repair vehicle with crane dropside etc	£88,000	£88,000		
20 Trucks 7.5t (5 Flatbed Taillift, 9 dropside crane, 5 hooklift & demount, 2 tipper)	£1,087,000	£1,087,000		
Total	£14,455,307	£12,563,966		