

## READING BOROUGH COUNCIL

### REPORT BY DIRECTOR OF ECONOMIC GROWTH & NEIGHBOURHOOD SERVICES

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	23 SEPTEMBER 2021		
<b>TITLE:</b>	FLEET REPLACEMENT PROGRAMME		
<b>LEAD COUNCILLOR:</b>	TONY PAGE	<b>PORTFOLIO:</b>	STRATEGIC ENVIRONMENT, PLANNING & TRANSPORT
<b>SERVICE:</b>	TRANSPORTATION	<b>WARDS:</b>	BOROUGHWIDE
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek scheme and spend approval for the Vehicle Replacement Programme (VRP) as part of Capital Programme 2021-23. The VRP aims to support the Councils ambition to move towards net zero by 2030 and as one of the biggest sources of green house gas generation that the Council has control over, it is essential that the VRP delivers this change.
- 1.2 This report references the work that the Energy Savings Trust (EST) have done to support the procurement strategy and seeks delegated authority to enter into contracts in accordance with the Public Contracts Regulations 2015 (PCR 2015).

#### 2. RECOMMENDED ACTION

- 2.1 That scheme and spend approval be given for the vehicle replacement programme, as set out in this report, to be funded from the agreed Fleet capital budget set out in the Capital Programme.
- 2.2 That the Executive Director for Economic Growth and Neighbourhood Services in consultation with the Lead Councillor for Strategic Environment, Planning and Transport, and the Assistant Director of Legal & Democratic Services, be authorised to enter into vehicle contracts as required by the vehicle replacement programme, as well as, subject to funding being available within the Fleet capital budget, any additional vehicle purchase(s) required during the term of the replacement programme.

#### 3. POLICY CONTEXT

- 3.1 The Governments policy approach to the transition towards zero emission road transport and a reduction in emissions from convention vehicles is set out in its paper "Road to Zero". The Policy also sets out the Transport Energy Model which assesses the energy consumption, air quality pollutant emissions and

greenhouses gas emissions of a range of road transport fuels and technologies over the period to 2050.

- 3.2 The information set out in the Policy provides helpful information to inform decisions for changes to the Council's fleet, which was not available in the last Vehicle Replacement Programme plan.
- 3.3 The Council has clearly set out its aim to achieve net zero by 2030 in its Climate Declaration and changes to the number and type of both Council owned and its grey fleet will have one of the biggest impacts in helping to achieve this ambition. The Corporate Plan 2021-22 theme Healthy Environment ensures services focus on helping to deliver its ambition.
- 3.4 Both the Climate Change Emergency declaration and Carbon Plan set out a commitment for the Council to green its fleet and the Vehicle Replacement Programme sets out a structure by which this can be delivered.

#### 4. THE PROPOSAL

- 4.1 In order to meet the Council's ambitions, a planned approach to vehicle replacements needs to be taken which takes into consideration the Government's 'Road to Zero' policy and supporting information, its capital allocation, local service needs, availability of the right fleet replacements and how vehicular fleet reductions can be made.
- 4.2 The Council has worked with the Energy Savings Trust (EST) to consider the impact of its fleet and viable alternatives and the findings are attached in Appendix 1.
- 4.3 The programme aims to set out a clear forward plan of replacements with current market cost estimates. In addition to the financial planning benefits:
  - it also helps with re-tendering of the maintenance contracts because the contractors have a view of what they would be responsible for;
  - it shows the journey towards greening the fleet and
  - multi-year contracting of vehicle acquisitions will help to reduce administration and lead times of the procurement and generates fleet standardisation. Grouping of similar vehicles on contracts can result in savings in the procurement of vehicles, vehicle parts, repairer contracts and training of operators. Lead in times are currently up to 1 year, so being able to place orders well in advance is essential.
- 4.4 The Council owns its fleet and some of these vehicles are reaching the end or are past their reasonable serviceable life, which averages 7 years, therefore are in need of replacement. Although the mileage on these vehicles may be low it is the stop/start nature of the work and the powering of auxiliary equipment that has the greatest impact on the vehicles.
- 4.5 Due to the aggregate spend of £6.959m for the replacement of these vehicles as shown in Section 10 of this report, it is proposed to access a national framework agreement to procure the vehicles in accordance with PCR 2015.
- 4.6 The outright purchasing of these vehicles was considered as the best option at this time for the following reasons:

- The larger more expensive vehicles such as the Refuse Collection Vehicles have a high initial cost to purchase but a low residual value at the end of their operational life, meaning it would not qualify as an operational lease.
  - The Councils can currently secure low borrowing rates against the capital required to fund the outright purchase.
  - If services change or the need for the vehicles reduce across its operational life, rather than having to pay out to buy-out of the term left on the operational lease, the Council can sell the vehicle, so bringing money back in to the Council.
- 4.7 It is proposed that the replacement programme be separated into individual lots based upon the required vehicle specifications, and that each lot be individually procured via mini-competition through the most appropriate framework.
- 4.8 Call off contracts will be awarded to the successful bidders in accordance with the process stipulated within the associated framework agreement. Each call-off contract will stipulate a guaranteed minimum order, whilst providing scope for ad-hoc purchases as required. This guarantees the most advantageous economies of scale, whilst reducing the overall cost of procurement through a single procurement process.
- 4.9 The Capital Programme allocation will allow for the replacement of vehicles, however it should be noted that some flexibility of the timing of the spend will be required due to the procurement process or vehicle lead-times. Some of the vehicles will have a year plus lead-time, the order/commitment will be in one year but the actual spend may be in the following year.
- 4.10 It should be noted that the programme does not aim to replace vehicles on a like for like basis. The replacement programme will assess whether the service needs can be met in a different way, such as a reduction in vehicle size or electric bikes, cargo bikes or through an active transport plan. This will need to be assessed against any regulatory restrictions and guidance.
- 4.11 Some vehicle types that are due for replacement are not yet available as electric options, and some of these still have no dates of when this option will come to the market. Officers have investigated the options available and have delayed some vehicle replacements to enable the market to catch up. However, not all the replacements can be delayed as some operations have changed, (e.g. better cross team working requiring extra vehicle seating or different type of bodies) meaning the current vehicles are no longer fit for purpose or have become unreliable or costly to repair.
- 4.12 Whilst electric powered vehicles are a key element for the Council meeting its carbon commitments it does need to be balanced with the vehicles ability to undertake the required workload. Mileage range tends not to be a big issue, due to the low annual mileage of the Councils vehicles, but other issues need to be taken in to consideration such as the use of auxiliary equipment that are powered by the vehicles, such as tippers, tailifts etc.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 This proposal helps to contribute towards the Councils strategic aims.  
 Healthy Environment - the proposals will contribute to the Council's aim of tackling climate change and working towards our goal of a carbon neutral town

by 2030. The proposal will increase sustainability by ‘greening’ the fleet and reducing the reliance on fossil fuels with the introduction of alternative fuels vehicles. Supporting the use of more electric vehicles, lowering carbon and cleaner air for Council vehicles use will also contribute to health benefits for Reading’s residents and visitors.

Further information is set out below in Section 6 and in the attached Fleet Replacement Programme Climate Impact Assessment.

## **6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS**

- 6.1 The Council declared a climate emergency in February 2019. The Council’s Carbon Plan 2020-25 was developed in the light of this and includes targets to reduce corporate greenhouse gas emissions by 85% by 2025, en route to ‘net zero by 2030’, and to reduce fossil fuel use by 50% by 2025. Both targets are heavily dependent on the transition of the fleet, and particularly the RCV fleet, from fossil fuel to EV. The recommendations in this report will therefore make a significant, positive contribution to the achievement of Carbon Plan targets and the Council’s wider climate change commitments.
- 6.2 Fleet diesel currently represents 16% of RBC’s corporate carbon footprint. As scope for making further carbon reductions from our buildings diminishes, a much larger relative contribution to target carbon savings from fleet will be required over the period 2020-25. Over the past decade, just 3% of RBC’s carbon savings have been achieved via fleet efficiencies, whereas under the new Carbon Plan, savings from fleet make up over a quarter of the target for the period 2020-25, with over half of these arising from electrification of the fleet (the remainder being targeted from fleet rationalisation and other initiatives).
- 6.3 EVs deliver significant carbon savings relative to diesel/petrol due to the lower carbon intensity of grid electricity, which is becoming ‘greener’ all the time as more renewable energy is generated, meaning that while there is still a carbon footprint associated with the manufacture and operation of EVs, they offer zero emissions from the tailpipe. Replacing diesel/petrol vehicles with EVs wherever possible is therefore necessary to achieve Carbon Plan targets as well as delivering wider environmental benefits such as reduced air quality impacts.

## 6.4 RBC Fleet size, Mileage and Impact.

Sector	Fleet Type	% Size	% Mileage	% Green House Gases
Heavy Goods	Refuse Collection Vehicles	6.6%	4.4%	44.3%
	Rigids > 7.5 tonnes	6.1%	38.4%	11.5%
	Rigids < 7.5 tonnes	10.2%	4.3%	12.3%
Light Commercial	LCV Large	47.4%	43.8%	23.2%
	LCV Small	8.2%	3.8%	1.6%
	LCV Medium	9.2%	3.3%	1.1%
Cars	Car	9.7%	2.0%	3.0%
Plant	Pant	2.6%	1.6%	2.9%

## 7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 There is no requirement for community engagement on a procurement of this type.

## 8. EQUALITY IMPACT ASSESSMENT

8.1 Under the Equality Act 2010, Section 149, the Council must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2 The Council has reviewed the scope of the programme as outlined within this report and considers that the proposals have no direct impact on any groups with protected characteristics and therefore no formal equality impact assessment has been undertaken.

## 9. LEGAL IMPLICATIONS

9.1 The procurement process proposed is in accordance with the Councils Contract Procedure Rules as well as PCR 2015. The replacement programme will be split into various 'Lots', and it is intended to award the associated contracts to the most economically advantageous tender in accordance with the criteria defined within the specification, as governed by the associated framework agreement.

## 10. FINANCIAL IMPLICATIONS

10.1 Funding of £6.959m has been approved through the capital programme to be spent on the vehicle replacement programme over a 2-year period commencing April 2021. A summary of the replacement programme spend can be found below.

10.2 The financial implications arising from the proposals set out in this report are set out below:

### Revenue

	2021/22 £000	2022/23 £000	2023/24 £000
Employee costs (see note1) Other running costs	Nil	Nil	Nil
Capital financings costs			
<b>Expenditure</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
Income from: Fees and charges (see note2)	Nil	Nil	Nil
Grant funding (specify)			
Other income			
<b>Total Income</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Net Cost(+)/saving (-)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

10.3 The fleet revenue budget will remain unchanged to meet the vehicle operational costs.

### Capital

	2021/22 £000	2022/23 £000	2023/24 £000
Proposed Capital Expenditure	2,931	4,028	Nil
Funded by:			
Capital Receipts/Borrowing	2,931	4,028	Nil

Fleet Replacement programme vehicle type summary		
Year	Vehicle Types	Costs (000)
2021-22	Refuse collection vehicles, 7.5 tonne tippers, Loading shovel, 3.5-2.9 panel vans, Cars (BFfC), Accessible buses (BFfC). Compact road sweepers.	2,931
2022-23	Refuse collection vehicles, Compact road sweepers, 3.5 tonnes tippers. Highway mowers, forklift.	4,028

10.4 Due to the nature of the 2-year replacement programme, the budget may be subject to re-profiling between years at budget setting and subsequent any in-

year underspends will be requested to be carried forward into the following year as part of the outturn report.

## **11. Value for Money (VFM)**

- 11.1 Researching and using the best procurement framework agreements available that best fits within the requirements of the Council, to secure the best available levels of discounts and ensure any further discounts in relation to bulk purchasing are taken up. Such as the YPO & the CCS industry leading procurement frameworks.
- 11.2 Multi-year contracting of vehicle acquisitions will help to reduce administration/lead time of the procurement and generates fleet standardisation. Grouping of similar vehicles on contracts can result in savings in the procurement of vehicles, vehicle parts, repairer contracts and training of operators.

### **Risk Assessment.**

#### Financial

With interest levels being so low now If the vehicle replacement programme is not taken forward it is likely that the cost to borrow the capital will increase.

#### Environmental

If the vehicle replacement programme is not delivered, then the Council may not be able to fulfil its strategic objectives or aims to develop Reading as a Green City with a sustainable environment and economy.

## **11. BACKGROUND PAPERS**

Fleet Replacement Programme Climate Impact Assessment (attached)