

# CABINET



Report subject	<b>Transition to a Sustainable Fleet Strategy</b>
Meeting date	15 January 2020
Status	Public Report
Executive summary	<p>BCP Council's current Capital Investment Programme (CIP) (2019/20 to 2021/22) includes £9.8m approved budget resource for fleet vehicle replacement. To date, £5.8m of this budget has been committed/spent leaving a 'uncommitted' fleet replacement capital budget of £4m.</p> <p>The Council's declaration of a Climate and Ecological Emergency will require development of a strategic Sustainable Fleet Strategy that embeds this declaration into front-line service fleet operation requirements and the Council's transformation programme. This Strategy must also address potentially substantial funding pressures that will arise from the Council's corporate ambitions to become carbon neutral by 2030 and the historically varied approach to fleet funding adopted by preceding Councils. For the Sustainable Fleet Strategy to be financially viable, sufficient budgetary resource must be identified/allocated within annual revenue budgets to fund the future replacement of a vehicle as its useful life expires.</p> <p>It is recognised that transition to a properly rationalised, costed and fully funded strategic Sustainable Fleet Strategy will take time. Ahead of this strategy, it is recommended that Cabinet authorise the use of the remaining £4m 'uncommitted' fleet replacement capital budget to fund the acquisition of critical, 'high priority' vehicles needed to maintain front-line service delivery and avoid adverse impact to service users whilst future service transformation option programmes and decisions can be given time to be fully realised.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <ul style="list-style-type: none"><li><b>(a) Endorse the development of a rationalised, long-term BCP Sustainable Fleet Strategy;</b></li><li><b>(b) Acknowledge the financial impact of the varied approach to fleet replacement by legacy Councils on the BCP Sustainable Fleet Strategy; and</b></li></ul>

	<b>(c) Authorise the Service Director for Environment to use up to £4m of uncommitted fleet capital budget to acquire critical, high priority vehicles in the transition period to the Sustainable Fleet Strategy.</b>
Reason for recommendations	To consider and approve the future fleet replacement strategy.
Portfolio Holder(s):	Councillor Dr Felicity Rice Portfolio Holder for Environment and Climate Change
Corporate Director	Kate Ryan – Environment and Community
Contributors	Larry Austin – Environment Director Kate Langdown – Head of Neighbourhood Services Mark Parsons – Transport and Operating Centres Manager Shirley Haider, Tina Worthing, Steve Wade & Russell Smith – Finance Jeremy Richardson – Head of Procurement
Wards	BCP Wide
Classification	For Recommendation and Decision

## Background

- On 23<sup>rd</sup> November 2018 the LGR Programme Board supported a Decision Record to adopt a best practice model of centralised fleet maintenance and operating budget control including the creation of a single Fleet Replacement Programme.
- In doing so the decision provided BCP Council the:
  - best opportunity to ensure BCP Operator Licence compliance across its substantial 90 Large Goods Vehicle fleet and effective management of its approximately 1,300 vehicles, heavy plant and specialist equipment assets.
  - ability for BCP Fleet Services and Finance/Procurement Services to develop a transparent corporate capital replacement strategy based on the efficient vehicle life in terms of reliability and value for money (VFM)
  - ability for Fleet Services wherever possible the control to drive down fleet costs and reduce environmental impacts e.g. carbon footprint across the authority. Including:
    - Identification of cross service unit utilisation of vehicles and reduction in units (smart management). Reducing the overall demand for existing and new vehicles through evidence-based meetings with service managers. The process will also identify future vehicles replacement needs which will then be costed and allocated to

financial years for purchasing, in line with a Fleet Replacement Programme and budget allocations. Surplus vehicles will be sold and the associated spend redirected to support investment in new fleet or taken as savings.

- Standardisation of fleet manufacturer type and in turn vehicle part suppliers and fuel usage via procurement efficiencies.
  - Wider budget control helps with peaks and troughs with vehicle spend without impacting services.
  - Economies of scale (suppliers dealing with a single knowledgeable buyer).
3. Asset registers previously held across the four proceeding authorities have now been centralised to provide one corporate asset register and operating budgets have been transferred from service units to Fleet Services to centrally manage spend, removing the need for internal charging except for BBML, and Stour Valley Partnership where as separate legal entities recharging remains applicable.

### **Priority Vehicle Replacement Programme**

4. It is essential the new BCP Council vehicle fleet continues to undergo a regular planned Fleet Replacement Programme to support front line service delivery continuity. Vehicle life is defined depending on vehicle type and operation, which specifies when a vehicle is due for replacement. The approach takes account of the whole life costs, including the cost of maintenance and spare parts, the estimated value at the end of determined economical life and how long the vehicle would be unavailable due to breakdowns and associated additional short term hire costs necessary to ensure front line services can continue to operate during such periods.
5. Fleet Services has undertaken a priority interim Fleet Replacement Programme Review across the full BCP Council Fleet with Service Units and Financial Services to identify assets that already/will fall within this criterion during the remainder of 19/20, 20/21. Please note this list has been formulated using the best available data and condition assessments at the time of undertaking, however it may-be necessary to amend/reprioritise vehicles to purchase due to emerging vehicle failure or service need and as such is a live document.
6. A vehicle's economic life can sometimes be extended, and in a number of service areas this has been the approach taken due to an inability to finance the required replacement fleet. However, this is not recommended as the increase in maintenance costs, vehicle downtime, service delivery impact and reputational damage often make this an unfavourable approach.

### **Future Development of a BCP Council Sustainable Fleet Strategy**

7. On 16th July 2019 BCP Council declared a Climate & Ecological Emergency and a formal commitment to doing all BCP Council can to achieve the target of

becoming carbon neutral by 2030 via the production of a long term plan with quantifiable targets and actions required to achieve them.

8. A crucial element of the plan will involve the creation of a BCP Council Sustainable Fleet Strategy. This work will take time to robustly develop with service users and industry. As an interim position whilst this strategy is developed, the following principles, before and during tendering for each of the priority vehicle replacement purchases identified in paragraph 2.2 are proposed: (acknowledging that opportunities to achieve points a) and b) will be restricted due to marketplace proven technology, available budget, supporting infrastructure investment needs and short/medium term ability to redesign service delivery models whilst ensuring front line service continuity).
  - a) the overall fleet numbers will be rationalised, and alternative modes of sustainable transport fully considered, promoted and encouraged ensuring that vehicle utilisation is maximised whilst balancing operational and health and safety needs.
  - b) when a vehicle is due to be replaced and has been confirmed as required it will be replaced with an ultra-low emission vehicle (ULEV) as the vehicle of preference where a suitable alternative can be sourced, Essentially, and with consideration to existing council infrastructure and current availability, these are likely to be full electric vehicles or a petrol hybrid configuration.
  - c) when a ULEV isn't available or economically viable, the replacement vehicle will as a minimum be Clean Air Zone compliant thereby complying with Transport for London minimum emission standards. The priority vehicle replacement register includes vehicles that do not currently meet these minimum standards, by replacing them BCP Council will be improving its fleet emissions base line.
  - d) The continued roll out of telematics across the fleet will be applied to enable better vehicle utilisation, reduced fuel consumption and improved vehicle safety.
9. More work is required to fundamentally understand, challenge and determine how the authority funds this substantial programme in the future. This is particularly pertinent considering the magnitude of change being experienced in the sector towards more sustainable fuelling as many switch to alternative cleaner power sources. However, as an example although electric refuse trucks are available they are still very expensive (more than double) compared to diesel vehicles, even when taking into account the whole life cost benefits of electric thus creating a future potential financing pressure for the authority.
10. It is therefore proposed that a further report will seek overall approval of the total fleet portfolio Sustainable Fleet Replacement Programme once service transformation programmes have been approved and costs associated with supporting a sustainable greener fleet are fully understood, including the costs of

supporting changing service delivery models and the considerable infrastructure investment needs.

### **Summary of financial implications**

11. In the transition period to new BCP Sustainable Fleet Strategy, in order to maintain frontline service delivery, it is proposed that the Council progresses with the acquisition of priority vehicles identified as in need of urgent replacement (as outlined in paragraph 2.2). BCP's Capital Investment Strategy (approved February 2019) includes £9.8m approved capital resource to fund fleet replacement over the Medium Term Financial Plan (MTFP). This represents budgets inherited from preceding Councils, and is funded from a combination of Prudential Borrowing (£8.9m), Capital Grant (£0.8m) and Earmarked Reserves (£0.1). As of 3 December 2019, the Council has committed £5.8m of this resource on front-line service vehicles in need of urgent replacement. It is proposed that the remaining uncommitted £4m capital budget resource is made available to fund the urgent replacement of priority vehicles across BCP, with approval of specific vehicle acquisitions delegated to Service Director for Environment.
12. It is proposed that the long term BCP Sustainable Fleet Strategy once developed is funded from prudential borrowing. This has the benefit of spreading the financial impact of fleet acquisition over the useful life of the asset and also ensures the financial sustainability of the fleet. This is because ongoing revenue budgets are established for borrowing repayments, from which future vehicle replacements are funded when vehicle lives expire. The Prudential Code for Capital Finance stipulates that a Council can undertake prudential borrowing:
  - to finance capital expenditure
  - where it is supported by a robust business case that demonstrates that both the borrowing capital and associated interest repayments can be funded over the life of the asset
13. In line with the Council's 'Invest to Save' framework, prudential borrowing would be repaid over the useful life of each vehicle, at a 'low risk' borrowing rate of 3.5%.
14. With regard to the availability of revenue budget to fund associated borrowing, BCP Council has inherited legacy revenue budgets which contain no provision for vehicles that were acquired through 'one-off' funding (Council capital reserves, in year revenue budget surpluses, one-off capital grant funding). Whilst these vehicles will require replacement over the next ten years (the period of the BCP Sustainable Fleet Strategy), no specific revenue budget has been set aside by legacy Councils for their replacement. This is likely to create a funding pressure for the new Strategy. By contrast, vehicles acquired through prudential borrowing, do have annual budget set aside for their future replacement. That said, it should be recognised that this annual budget reflects the cost of vehicles at the time of purchase. Estimated costs for their replacement within the Sustainable Fleet Strategy will likely be higher – especially should vehicle specifications be modified in response to the Climate & Ecological Emergency Declaration.

15. Potential revenue budget savings could be made in lease, hire, repairs and maintenance budgets as a result of transition to Sustainable Fleet Strategy. These will be quantified as part of Strategy development.

### **Summary of legal implications**

16. BCP Council are required to adhere with Transport legislation which is intrinsically connected to a providing a safe and compliant fleet:

- The Road Traffic Act 1998 Section 74
- The Goods Vehicle Licence of Operators 1995
- Traffic Act 1968

### **Summary of human resources implications**

17. There are no human resources implications arising from this report

### **Summary of environmental impact**

18. The replacement plan will result in cleaner emissions from the new vehicles. The new vehicles will be compliant with a higher environmental standard and contribute to improved air quality as a consequence of reduced emissions particularly of Nitrogen Oxides (NOX) and particulate matter (PM's)

### **Summary of public health implications**

19. The Fleet Replacement Programme will help ensure vehicles are replaced in a timely manner to take advantage of the latest emissions, telematics and safety related technology to improve public safety and local air quality.

### **Summary of equality implications**

20. There are no specific issues arising from this Fleet Replacement Programme report. Vehicle specifications are assessed to considered equality implications as part of the procurement process.

### **Summary of risk assessment**

21. Failure to replace vehicles, plant and equipment in a timely manner increases the likelihood of equipment related incidents that could result in fatality, serious injury, prosecution (including the potential for corporate manslaughter) and serious loss of reputation.

22. Poor fleet management can have a serious detrimental effect on service units ability to deliver services cost effectively. The current combined fleet assets are approximately £34m in value and, with an annual turnover in excess of £2.7m, fleet is a significant component to ensuring business continuity and providing support for growth.

### **Background papers**

Response to Climate Change Emergency  
Priority Replacement Programme Schedule