



Report subject	Council Sustainable Fleet Management Strategy and Fleet Replacement Programme
Meeting date	23 June 2021
Status	Public Report
Executive summary	<p>The report seeks endorsement of Bournemouth Christchurch & Poole Council's first Sustainable Fleet Management Strategy that will raise awareness of these high profile and high value corporate assets, communicate governance arrangements to ensure the fulfilment of the councils legal obligations as a vehicle Operator Licence holder whilst detailing the roles and responsibilities of those who operate/maintain them. It will also provide clear decision making processes to deliver an integrated corporate fleet management service.</p> <p>Underpinning this strategy is the requirement for a sustainable (legally, financially, and environmentally) Fleet Asset Replacement Programme. A financing programme required to fund the replacement of core vehicles, plant and equipment as they come to the end of their economic life.</p> <p>If approved, this will form the basis of an ambitious council wide Fleet Management De-Carbonising Strategy and Replacement Programme for the next 3 years, 2021 – 2024, that proposes to balance investment in the necessary alternative fuel technology and infrastructure to support a significant increase of 104, from the current 13 Ultra Low Emissions Vehicles (ULEV) purchased and operated by the council, as well as a reduction in CO2 emissions of non ULEV's producing a combined CO2 saving of 3,062 tonnes. This is to support the council's 2030 carbon neutral declaration against as yet unknowns of the council's ongoing corporate transformation programme and asset and accommodation strategy.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <ul style="list-style-type: none"> a) Members endorse the Sustainable Fleet Management Strategy, acknowledging the necessity for an initial 3 year phased approach towards achieving an ultra-low emission fleet and the future key infrastructure decisions required that will determine its direction and success. b) Members endorse the move to using Hydrotreated

	<p>Vegetable Oil (HVO) as a replacement for conventional diesel throughout the council vehicle fleet. Approving commencement of procurement for the provision of HVO fuel and the supply. This cleaner, less polluting fuel results in a significant CO2 emission reduction.</p> <p>c) Members approve the £0.39m capital spend necessary to fund the supporting infrastructure investment to realise significant increases in ULEV’s purchases, to be funded from capital grant</p> <p>d) Members approve the Fleet Replacement Plan 2021 – 2024 and authorise the procurement of the remaining vehicles in the plan as vehicle lives expire.</p> <p>Cabinet recommend that Council approve;</p> <p>e) Members approve the use of new prudential borrowing for the Fleet Replacement Plan and recognise the impact of this on the annual revenue budget requirement.</p>
Reason for recommendations	<p>The proposed Fleet Replacement Plan and Sustainable Fleet Management Strategy set out the vital ambitious foundations towards achieving sustainable fleet management for BCP Council and a commitment towards its ambition of becoming carbon neutral by 2030.</p> <p>Failure to approve the Fleet Replacement Plan and associated Sustainable Fleet Management Strategy places the authority at risk as vehicles reach end of life of repeated statutory service failure, associated reputational damage, increased revenue budget pressure and potential for breach of its Operator Licence compliance.</p>

Portfolio Holder(s):	<p>Cllr Mark Anderson, Portfolio Holder for Environment</p> <p>Cllr Mike Greene, Cabinet Member for Transport and Sustainability</p>
Corporate Director	Kate Ryan, Director Environment & Communities
Report Authors	<p>Kate Langdown – Service Director</p> <p>Mark Parsons – Transport & Operating Centres Manager</p> <p>Shirley Haider – Management Accountant</p> <p>Tina Worthing – Finance Manager</p> <p>Steve Wade – Management Accountant</p>

	Russell Smith – Accountant Mike Morris – Senior Property Manager
Wards	Not applicable
Classification	For Recommendation & Decision

1. Background

- 1.1 On the 17 January 2020 a report entitled 'Transition to a Sustainable Fleet Strategy' was considered by Cabinet with the following recommendations made:
- a) the development of a rationalised, long-term BCP Sustainable Fleet Strategy be endorsed;
 - (b) the financial impact of the varied approach to fleet replacement by legacy Councils on the BCP Sustainable Fleet Strategy be acknowledged;

2. Sustainable Fleet Management Strategy

- 2.1 The developed Sustainable Fleet Management Strategy provides a pathway approach that will help to ensure BCP Council has safe, reliable, cost effective and carbon reduced vehicles, plant and associated equipment, at the right time and at the right cost to support the strategic, corporate and service objectives of the Council and to support good service delivery
- 2.2 Vehicles/plant and mechanised equipment are corporate assets; they have a capital value, require revenue to operate and maintain and necessitate statutory safety inspections to comply with various regulations. Environment Services (Fleet Services) are responsible for the purchase, maintenance, repair and disposal of all such assets owned by BCP Council these being:
- large goods vehicles
 - vans and pick ups
 - minibuses
 - heavy plant and lifting equipment.
 - grounds maintenance equipment
 - depot plant
 - trailers and tractors
- 2.3 The summary live asset replacement needs schedule is shown in Appendix A – Fleet Replacement Plan. Please note this schedule 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.

- 2.4 The plan will be adapted throughout its lifetime in response to the council's transformation agenda via service units with the ambition to realise overall reductions in the number of assets utilised by the council where achievable. Any increase in assets held against the plan, for example to support income generation or growth demand, will only be supported via the production of an approved business case and identified funding.
- 2.5 The council, through this strategy, will raise awareness of these important corporate assets, establish governance arrangements, defined roles and responsibilities and will provide clear decision-making processes to deliver an integrated corporate fleet management service.

3. **Climate & Ecological Emergency Response**

- 3.1 In July 2019 the council declared a Climate and Ecological Emergency making a formal commitment to doing all it can to achieve the target of becoming carbon neutral by 2030. This strategy creates an ambitious starting pathway towards greening the council's fleet of vehicles and other associated mechanised equipment to minimise the environmental and health impacts they cause, without compromising on the quality and efficient services we deliver daily to our residents.
- 3.2 As work progresses at pace with the council's transformation programme and accommodation strategy, it is recognised both will impact our future operating models. This is coupled with industry uncertainty around the direction of future Ultra Low Emissions Vehicles (ULEV's) technology, particularly in terms of Large Goods Vehicles (LGV's), where the marketplace is yet to mature. Additionally, some types of vehicles are not yet widely available and new market entrants' longevity and fitness for purpose remain, in part unproven. It is therefore proposed that the council's Sustainable Fleet Replacement Strategy is delivered in 2 phases:
- Phase 1. An initial 3-year commitment that sets out an ambitious beginning of our pathway towards greening our fleet of vehicles:
 - utilising existing operating centres with a considered investment in infrastructure and supply upgrades that will be required to deliver a significant increase in ULEV's
 - widespread switch to alternative sustainable fuels Hydrotreated Vegetable Oil (HVO) replacing conventional fossil fuel diesel across the non ULEV council fleet wherever supported by vehicle manufacturers.
 - introduction of pilots for home charging of BCP vehicles that operate directly from employees' homes.
 - Phase 2. Will be to review the learning and success from phase one and re-strategize for 2025 onwards as required in response to both organisational and industry advancements that will influence the longer-term vehicle replacement plan. This will include a further Council report that will seek approval for a revised strategy and for funding for the next tranche of vehicle replacements.

Investment in Electric Vehicles (EV)

- 3.3 The 3-year programme seeks to ambitiously build on the existing 13 EV fleet currently operated by the council. Between 2021 & 2024 the replacement plan

proposes to procure a further 104 electric vehicles within an overall total of 369 fleet replacements required in this period.

3.4 Proposed ULEV purchases CO2 savings

Replacement Year	No of ULEV Proposed	Yearly CO2 kg reduction	Cumulative CO2 kg reduction
2021/22	80	279,722.54	279,722.54
2022/23	13	98,565.39	378,287.93
2023/24	11	17,827.63	396,115.56
Total 104			396 tonne CO2 reduction

3.5 To achieve this the council must invest in necessary infrastructure. To date 19 x 7.2kw chargers have already been installed and a further 3 units already approved to support previously approved vehicle replacement needs funded via the Office of Low Emission Vehicle grant funding.

3.6 Site surveys have been undertaken to determine need and appropriateness. The strategy proposes an investment of £0.39m to realise the electric vehicle ambition.

3.7 In realising the electric vehicle ambition, it should be noted that an element of the infrastructure investment will be location specific installation and will not be transferable to another site should the council decide to move its depot provision in the future. Of the identified £0.39m infrastructure cost it is estimated only £0.15m will be transferrable to a new site. It is proposed to fund this from the MHCLG Waste Infrastructure fund.

Investment in Sustainable fuel - Hydrotreated Vegetable Oil (HVO)

3.8 The strategy proposes the widespread replacement of conventional fossil fuel diesel with HVO. This follows successful council trials and will enable the council to achieve up to 90% reduction in tailpipe emissions amongst vehicles not yet in need of replacement, or where there is unavailability in the marketplace or operational uncertainty about replacing a vehicle with an EV alternative.

3.9 HVO is a paraffinic fuel that is chemically similar to conventional fossil fuel diesel and complies with European Standard EN1590. It is also a renewable energy source, produced from 100% sustainable renewable waste feedstocks coming from waste cooking oil, residues etc.

3.10 HVO can be introduced into most diesel engines without any mechanical modifications and as such is labelled "drop in fuels". Of our current 3,358t CO2 fleet emissions, in addition to the proposed EV conversions achieving 396t by 2024 a change to HVO could produce a 2,666t CO2 saving from 22/23. These combined changes should reduce emissions by more than 91%.

- 3.11 The proposed adoption and procurement specification prerequisite of HVO across the council fleet would be specified as an accredited fuel under the Zemo Partnership Renewable Fuels Assurance Scheme for high -blend renewable fuels, that complements the safe guards included in the Renewable Transport Fuel Obligation (RTFO). The assurance criteria are based on life cycle GHG emissions, feedstock sustainability and supply chain traceability.

The first full year effect of conversion will be 2022/23.

- 3.12 Revenue implications of a procurement move to HVO is likely to be 10 – 15% more than conventional fossil fuel diesel at present, however, it is anticipated over future years this gap will likely reduce as Government continue to disincentivise fossil fuel usage.

- 3.13 The figure below shows the combined financial impact of the plan to convert some vehicles to ULEV and the remainder to HVO, and then continue to replace converted HVO vehicles with ULEV, reducing the fuel costs in future years.

Cumulative Fuel Savings

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Fuel cost	1,472	1,467	1,524	1,497	1,488	1,438	1,408	1,398	1,237	1,010
Annual change		(5)	57	(27)	(9)	(50)	(30)	(10)	(161)	(227)
Cumulative Impact		(5)	52	25	16	(34)	(64)	(74)	(235)	(462)
Fuel Savings (Diesel/HVO)		(5)	(3)	(35)	(43)	(107)	(148)	(170)	(348)	(595)
ULEV Charging Costs			55	60	59	73	84	96	113	133
Net		(5)	52	25	16	(34)	(64)	(74)	(235)	(462)

Note:

Conversion of the fleet to HVO in 2022/23 means very little fuel savings achieved in that year.

2024/25 onwards figures are based on future years modelled EV purchases achieving 85% EV conversion of the vehicle fleet (based on current marketplace availability) and assumes zero inflation. This will be subject to a Phase Two fleet replacement report decision in 2024.

Pilot Employee Home Charging Scheme

- 3.14 To enable the future adoption of more electric vehicles across the council fleet and provide solutions to current council owned site charging limitations, a home charging scheme pilot will be launched.

- 3.15 The pilot, if successful, will be used to inform the development of the council's policy and processes with appropriate consideration of the legal, financial, environmental and safety related factors such as charge point payment mechanisms, paving the way for a wider roll-out of vehicles that for operational reasons are taken home by employees. If successful, the scheme could enable the council to increase its future electric fleet by a further 113 home charged based vehicles when they are due to be replaced.
- 3.16 The full strategy is detailed in Appendix B – Sustainable Fleet Management Strategy.

4. Funding Strategy

- 4.1 The £31.1m Fleet Replacement Plan identified in figure 1 covers the years 2020 – 2024. £4.18 million has already been approved and spent in 2020. Approval is sought for the £26.92 million element of the plan covering the period 2021 - 2024 After the application of existing available budget, is proposed to fund this from prudential borrowing. The CIPFA Prudential Code for Capital Finance stipulates that a council can utilise 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". Repayment of new borrowing is required to commence in the first full year after borrowing is taken out. It is proposed this will be facilitated through annual 'vehicle specific' borrowing repayment budgets established within base budgets, that spread the cost of upfront borrowing over 8 years (the average life of vehicles in the Plan).
- 4.2 Originally the estimated vehicle spend for 2020/21 was £7.3m, actual spend is £4.18m. The revenue budget for repayment of the borrowing for these items is already provided for centrally and is therefore fully funded. The balance of purchases has been slipped into 2021/22. This has had the effect of reducing the impact of the anticipated prudential borrowing requirement of the plan in 2022/23 and increasing it for 2023/24.
- 4.3 Figure 1 below demonstrates the revenue impact of the plan over the next three years. The borrowing requirement in relation to vehicles purchased in 2020/21 is already provided for through existing budgets. The replacement plan from 2021/22 onwards has £2.289m of revenue budget to support the borrowing need (for example lease / hire vehicle budgets for vehicles acquired through the plan, revenue budget provision in relation to Christchurch fleet), although some of this is one-off in nature. The additional annual requirement for 2022/23 is £0.63m, increasing to £2.4m in 2023/24

Figure 1	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k
Prudential borrowing requirement (repay from following year)					
Fleet Strategy	4,148	17,801	5,498	3,655	31,102
Total new borrowing	4,148	17,801	5,498	3,655	31,102
Annual borrowing repayment including interest @ 3%	0	591	3,127	3,910	7,628
Annual borrowing repayment	0	591	3,127	3,910	7,628
Leasing budgets	0	0	(145)	(228)	(373)
Prudential borrowing budgets	0	(591)	(885)	(885)	(2,361)
ULEV/HVO savings		0	0	0	0
Recharges to HRA / Capital	0	0	(115)	(115)	(230)
Vehicle related revenue budgets	0	(591)	(1,145)	(1,228)	(2,964)
One off surplus from previous year		0	(560)		(560)
Application of historic vehicle capital receipts			(291)		(291)
Application of future vehicle capital receipts			(293)	(73)	(366)
One-off funding	0	0	(1,144)	(73)	(1,217)
Annual revenue cost (inc risk premium)	0	(0)	838	2,609	3,447
Risk premium (diff betwn interest @ 3% and 1.43%)	0	(38)	(204)	(255)	(497)
Annual revenue cost (exc risk premium)	0	(39)	634	2,354	2,950

- 4.4 There is currently a provision of £1.647m in the MTFP for 2022/23, with a further increase of £0.47m in 2023/24. These provisions can now be revised, reducing the increase in budget for 2022/23 by £1.013m, and increasing the budget by an additional £1.25m in 2023/24 to match the requirements in Figure 1. The planned purchases of £3.65m in 2023/24 will require an additional £0.9m of budget provision in 2024/25.

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k
MTFP proposal as at February 2021	0	0	1,647	470	2,117
Change proposed	0	0	(1,013)	1,250	237
Revised MTFP proposal June 2021	0	0	634	1,720	2,354

As shown in 3.13 once the conversion to ULEV and HVO are bedded in, revenue savings will start to be achieved, estimated at £.034m in 2025/26 increasing to £0.462m by 2029/30. Subject to Phase Two fleet procurement decision report in 2024.

- 4.5 Members are reminded that the reason BCP Council finds itself in this financial position is because of the differences in funding approaches used by legacy authorities. Bournemouth Borough Council historically utilised a combination of capital grant funding, one-off reserve allocations or one-off in year revenue savings to finance fleet purchases. In Christchurch a mixed approach to fleet funding was used with a proportion of fleet funded from ongoing revenue budget, others from one-off capital resource. The results of this approach are that insufficient revenue vehicle budgets were set aside in legacy revenue budgets through which to fund the replacement at life expiry. BCP Council has therefore inherited a largely ageing fleet with inadequate revenue budget provision set aside through which to fund its replacement.
- 4.6 The council retains the option of utilising capital grant funding to acquire a proportion of the fleet. This would reduce the borrowing requirement and subsequent impact on the MTFP. Whilst it would offer some 'breathing space', it is not a permanent and financially sustainable solution as the same funding pressures / issues would still emerge 8 years from now.
- 4.7 The council could also consider postponing the acquisition of some vehicles to later years – utilising more leased / hired vehicles in the interim. This is not deemed to be cost effective as the cost of hiring vehicles is proven to be more expensive than outright acquisition.

5 Financial Risks

- 5.1 Fleet cost estimates within the plan are based on recent vehicle acquisition prices, awarded either off competitive procurement frameworks or after a fully open procurement exercise. Whilst some allowance is made for likely inflationary increases in vehicle acquisition price, final capital outlay will only be known once the procurement process for each vehicle is completed. There is therefore an underlying financial risk that capital outlay in the Plan is undervalued.
- 5.2 All capital receipts from selling vehicles to be replaced will be recycled back into the funding of the ongoing replacement programme. The plan assumes a level of residual value on vehicles of around 1.5% of purchase price. Should these residual values not be realised, the budget required to cover the borrowing repayments would need to be increased. The percentage applied is deemed to be highly prudent and should be attainable across the entire fleet.
- 5.3 The MTFP pressure makes no allowance for risk premium. In line with the Council's Invest to Save framework, a low risk rate of 3% is applied to borrowing repayments, where the project relies on future income streams to repay the borrowing. As there is

no reliance on future income in this instance the risk premium has been excluded from net revenue pressure funding being sought.

5.4 Some or all of the new prudential borrowing requirement is likely to be affected through new PWLB loans. Members will be aware that the PWLB is in the process of consulting on changes to the PWLB borrowing framework. Proposed changes will restrict the circumstances in which a Council can access PWLB borrowing. The consultation makes it clear, however, that Councils can still access PWLB borrowing for capital spend that falls into one of the following categories:

- Service delivery
- Housing
- Regeneration
- Refinancing (of historic PWLB debt)

The Fleet Replacement Plan falls under the “Service Delivery” category. The Council therefore assumes continued access to PWLB borrowing to finance the Plan if required.

6. VFM Assessment

6.1 All vehicles within the plan have been rigorously scrutinised and challenged with regard to the future necessity of replacement need and will be again ahead of the year replacement is due. All vehicles in the plan will be acquired through an open and transparent competitive procurement process.

6.2. The council considers the outright acquisition of vehicles to be more cost effective than a lease / hire option, and it also offers greater service flexibility. This is supported by marketplace monitoring. Fleet Management Officers will continue to periodically sample model procurement options with Financial and Procurement Services

6.3 The plan optimises expected vehicle lifespans – vehicles are intended to be replaced only when vehicle lives expire. Repairs and maintenance budgets are consistent with this approach.

7. Summary of legal implications

7.1 BCP Council is 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

7.2 Proactive investment in the Fleet Replacement Programme reduces the risk of failure to comply with the requirements of the Operator’s Licence and associated legislation.

8. Summary of human resources implications

8.1 There are no human resources implications arising from this report

9. Summary of sustainability impact

- 9.1 The purchase of new vehicles has an environmental impact in terms of the use of materials used to make the vehicles and embodied emissions from the manufacturing process. However, the replacement of aged Euro 4 and 5 diesel assets with electric, hybrid, petrol and (where no practical alternative exists) Euro 6 diesel will result in a significant reduction in the emissions of all types of pollutants from the Councils' fleet, which will contribute positively to improving air quality across the conurbation.
- 9.2 Adopting HVO as the primary fuel for council fleet assets not proposed to be replaced by EV at this time will reduce CO2 tailpipe emissions by up to 90% thereby make a significant contribution towards reducing the council's scope 1 emissions and commitment to being carbon neutral by 2030.

10. Summary of public health implications

- 10.1 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.
- 10.2 Removing diesel fuel as the primary fuel source for council vehicles to HVO fuel will positively result in fewer exhaust emissions and result in improved air quality and therefore better public health.
- 10.3 A switch to Electric Vehicles produces a reduction in operating noise and associated quality of life. As an example, an ERCV operates at 60 decibels versus a diesel equivalent operates at 100 decibels.

11. Summary of equality implications

- 11.1 There are no specific issues arising from this Fleet Replacement Programme report. Vehicle specifications are assessed to consider equality implications as part of the procurement process.
- 11.2 A full equalities impact assessment relating to employee at home electric vehicle charging will be undertaken in advance of the pilot.

12. Summary of risk assessment

- 12.1 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.
- 12.2 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 £38m in value and, with an annual operating budget of £4.2m fleet is a significant component to ensuring business continuity and providing support for growth.
- 12.3 Climate & Ecological Emergency Declaration, delays in securing capital funding to support decarbonising the Council fleet and investment in associated infrastructure will result in the Council not achieving its 2030 carbon neutral ambition and targets will need to be revised to reflect this.

12.4 Ability to achieve EV conversion as planned will be dependent upon Scottish & Southern Electrics (SSE) ability to resource the infrastructure upgrade requirements within the timescales needed. Whilst discussions have been held and quotations received this cannot be confirmed until a formal works order is placed.

13. Background papers

Transition to a Sustainable Fleet Strategy (Published works)

Covid-19 Fleet Procurement Decision Record (CIMT)

Appendices

Appendix A Live Summary Fleet Replacement Programme

Appendix B Proposed Sustainable Fleet Management Strategy

Appendix C Decision Impact Assessment

