

Fleet and Plant Asset Replacement Plan

Report by Kevin Anderson, Executive Director Place

Report for Noting

1. Recommendations

Council is recommended to note:

- i) an accelerated capital investment of £4.67m from existing and future fleet capital budget allocations, to address a funding gap of £3.51m, for 2023-25.

2. Purpose of Report/Executive Summary

This report details the on-going fleet and plant requirements and an accelerated replacement plan to deliver the Council's operational activities whilst aiming to ensure its fleet is modern, efficient and fit for purpose mitigating significant current maintenance liabilities.

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3. Background

- 3.1 Since 2020, vehicle and replacement parts prices have increased considerably because 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. With vehicles off the road for significant periods of time, this is impacting on service delivery, particularly in Waste and Recycling Services.
- 3.2 There is a forecasted material variance of £551k in relation to fleet and plant maintenance for 2023-24. This is unsustainable as the fleet and equipment becomes older and deteriorates further.
- 3.3 Officers have taken time to review the current fleet and plant inventory to ensure that the Council's fleet is fit for purpose, with consideration also provided for a migration towards a just transition to net zero.
- 3.4 Neighbourhood Services has worked closely with other Council services to understand future fleet requirements and developed a fleet and plant asset management plan up until 2028.
- 3.5 The vehicles and plant listed for replacement will support key frontline services across the Council. However, the programme will require additional and accelerated capital investment. It is envisaged that this investment will positively impact the current overspend in revenue fleet maintenance.

Main Report

- 3.6 Officers have assessed the replacement vehicle market looking at diesel/petrol, electric and hydrogen options. This has identified that typically an electric refuse collection vehicle is circa twice the cost of a diesel alternative and hydrogen powered vehicles are circa four times as expensive as diesel alternatives. These cost comparisons exclude an allowance for installation of EV charging or hydrogen infrastructure.
- 3.7 The table below shows the replacement cost of the required vehicle fleet and plant equipment for the period 2023-2028. This compares the available capital budget with options to purchase Internal Combustion Engine (ICE) and electric vehicles, where available. Indicatively, a significant funding gap of £7.7m on a like for like basis is noted due to several vehicles not being replaced during the Covid pandemic and the available capital budget remaining flat cash in a significant inflationary environment, with rises of around 20% in vehicles prices in the past year noted. The table also illustrates the indicative funding gap should the fleet be replaced with electric alternatives or a mix of ICE and electric vehicles.

Replace Year	Budget Available	Number of Vehicles to Replace	Cheapest Vehicle Cost Option	Total Plant	Funding Gap	ICE & Electric Mix	Funding Gap	Electric*	Funding Gap
2023-2024	185,000	12	1,543,000	82,500	1,440,500	1,584,000	1,481,500	1,308,000	1,205,500
2024-2025	1,500,000	29	3,128,160	442,575	2,070,735	3,292,800	2,235,375	4,967,550	3,910,125
2025-2026	1,500,000	47	2,492,099	667,015	1,659,114	3,043,737	2,210,752	3,763,670	2,930,685
2026-2027	1,500,000	39	2,490,044	648,268	1,638,312	3,204,311	2,352,579	3,984,551	3,132,819
2027-2028	1,500,000	31	1,996,469	396,866	893,335	2,305,202	1,202,068	2,557,421	1,454,287
TOTAL	6,185,000	158	£11,649,772	£2,237,224	£7,701,996	£13,430,050	£9,482,274	£16,581,192	£12,633,416

Note 1 * Some vehicles have to be retained as ICE with no EV alternative available

Note 2 An annual inflationary allowance of 5% has been included for future years

3.8 Officers therefore reluctantly conclude that in the current financial climate 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 all new vehicles as electric/hydrogen until the market has matured, EV infrastructure is installed and greater reliability can be ensured, and economies of scale have led to a reduction in prices.

3.9 If Elected Members agree that a move to alternative fuelled vehicles is not sustainable at the moment on cost grounds, it is essential that an accelerated purchase programme is brought forward to bridge the gap to ensure vehicle roadworthiness and ongoing service delivery.

The following table specifies the number of vehicles to be replaced in the accelerated purchase programme. This programme targets the replacement of Refuse Collection Vehicles (RCVs), Heavy Goods Vehicles (HGVs), specialist vehicles and aged problematic light vehicles. The Council currently has four hired Refuse Collection RCVs which are one to two years old, to compensate for currently off-road RCVs, which impact the revenue account to the extent of around £203k per annum. Should these vehicles be purchased rather than 41 hired that will provide a revenue saving and also spread the age profile of new fleet which will benefit future placement programmes over longer time frames.

Year	Capital Budget Available	Number of Fleet to Replace	Like for Like Cost Option	Plant & Machinery	Total Fleet & Plant	Funding Gap
2023-2024	£185,000	12	1,543,000	82,500	1,625,500	1,440,500
2024-2025	£1,500,000	29	3,128,160	442,575	3,570,735	2,070,735
Total	£1,685,000	41	£4,671,160	£525,075	£5,196,235	£3,511,235

- 3.10 Elected Members are recommended to note an accelerated capital investment of £4.67m from existing and future fleet capital budget allocations, to address a funding gap of £3.51m, for 2023-25.
- 3.11 Vehicle availability and delivery within these timescales has been factored into the fleet replacement split across the two years.
- 3.12 RCVs/HGVs and specialist vehicles will be renewed with newer, cleaner diesel alternatives while EV and the use of alternative fuels such as Hydrogen and Hydrotreated Vegetable Oil (HVO) will be further assessed. HVO is a fossil-free paraffinic diesel fuel that can be used as a direct replacement for mineral diesel with up to 90% lower net carbon dioxide (CO₂) emissions.
- 3.12 A further report will be brought to Council detailing the Climate Action Plan, which will inform future fleet and plant capital investment.
- 3.14 Neighbourhood Services will continue to work closely with services to scrutinise requirements and assess how service delivery evolves and transforms, such as implementing more efficient and effective means of fleet and plant asset management and maintenance utilising appropriate software and systems; altering working patterns to better suit service needs; trialling imprest stock within the workshop for ready supplies of essential parts to expedite repairs and servicing; and procurement of greener vehicles and plant alternatives to those that are existing fossil fuel powered, should this be the approved direction by Council. Progress on these matters will be reported through transformation workstreams at the Business Transformation Steering Group.
- 3.15 If approved, the next steps will be to procure the vehicles outlined in this document for 2023-25 taking into account the implications listed in Section 4. The procurement plan is based on priority and is ready to be mobilised, with a number of currently hired Waste vehicles able to be made permanent assets, with the net effect of reducing revenue hire expenditure and maintenance costs; and mitigating against production and delivery timescales.
- 3.16 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 sources 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. Future reports will also consider leasing options.

4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The report requires an acceleration of £3.51m capital funding from future allocations to mobilise the fleet and plant replacement programme for 2023-25, to the cumulative value of £4.67m. The purchase of new vehicles will have an impact in reducing the purchase of spares and cost of repairs on vehicles and plant. New vehicles and plant will come with a warranty which will provide further general revenue account savings.

4.2 Digital

A new fleet and plant asset management system will require to be scoped, procured and implemented. Progress will be monitored through the Business Transformation Steering Group.

4.3 Risk

The Council is operating an aged fleet which is sub-optimal and costs significant sums of expenditure to maintain as well as impacting service delivery, particularly in relation to Waste Services. The existing methods and systems for fleet management also require upgrading to incorporate a new asset management system. As part of its HGV Operators Licence legal requirements the council must maintain a fleet that is roadworthy. To not do so risks action by the Driver and Vehicles Standards Agency (DVSA) and/or the Police followed by a subsequent public inquiry into the matter. If the DVSA demand that non-compliant vehicles be taken off the road on the grounds of safety, then service delivery such as bin collection will be impacted along with reputational damage for the Council.

4.4 Ensuring Equalities (if required a separate IIA must be completed)

The subject of this report does not have a significant impact on equality.

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The report proposes service transformation which will underpin the Single Midlothian Plan.

A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☒ Modern
- ☒ Sustainable
- ☒ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☐ One size fits one
- ☐ None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☐ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☒ Efficient and Modern
- ☒ Innovative and Ambitious

A.4 Delivering Best Value

The report aims to deliver best value for the Council.

A.5 Involving Communities and Other Stakeholders

The purpose of the report is to improve outcomes for our communities.

A.6 Impact on Performance and Outcomes

Improving the fleet and plant inventory will mitigate service impacts through breakdowns and repairs. The report aims to measure progress through outcomes.

A.7 Adopting a Preventative Approach

The report is based on the creation of a wellbeing economy which prioritises prevention, fairness for people, the economy and the environment.

A.8 Supporting Sustainable Development

The subject of the report improves the condition of the Council's fleet and plant inventory with improved carbon emissions.