

# REPORT FOR DECISION



<b>DECISION OF:</b>	Cabinet
<b>DATE:</b>	02 September 2020
<b>SUBJECT:</b>	Wider Vehicle Replacement Strategy
<b>REPORT FROM:</b>	Leader and Cabinet Member for Finance and Growth and Cabinet Member for Environment and Climate Change
<b>CONTACT OFFICER:</b>	Donna Ball, Executive Director of Operations
<b>TYPE OF DECISION:</b>	Key decision
<b>FREEDOM OF INFORMATION/STATUS:</b>	In the public domain
<b>SUMMARY:</b>	The report sets out the requirements for vehicle and plant replacements for the 3 year period, 2020/21 to 2022/23.
<b>OPTIONS &amp; RECOMMENDED OPTION</b>	<p>Cabinet is asked to:</p> <ul style="list-style-type: none"> <li>• Approve the 3 year Vehicle Replacement Strategy (2020/21 to 2022/23).</li> <li>• Approve the implementation of the 2020/21 to 2022/23 replacement programme, including the tender and purchase of vehicles and plant and to the proposed funding.</li> <li>• Delegate the approval of each procurement process to the Director of Operations, the Council's S151 Officer in consultation with the Cabinet Member for Environment and Climate Change, subject to the procurement being in line with the proposed strategy.</li> <li>• Note that Cabinet will be notified of contract awards throughout the lifetime of the strategy and progress will also be reported as part of the Council's quarterly financial monitoring reports.</li> </ul>

<b>IMPLICATIONS:</b>	
<b>Corporate Aims/Policy Framework:</b>	Do the proposals accord with the Policy Framework? Yes
<b>Statement by the S151 Officer: Financial Implications and Risk Considerations:</b>	<p>The costs of the vehicles can be met from the Council's Capital Programme for which funding for Vehicle Replacement was built in to the programme from 2020/21.</p> <p>The associated borrowing costs have also been reflected in the council's budget although there may be an opportunity to reduce the impact through the consolidation of leasing budgets that are currently held by individual services, some of which have been used to support more expensive short term leasing arrangements.</p> <p>The proposed approach to procurement will ensure that the Council is continually testing the market and ensuring value for money and the delegation process ensures oversight and governance of the whole process.</p>
<b>Health and Safety</b>	If vehicles and plant aren't replaced they will in time become unsafe. Specifications for new vehicles will include enhanced H&S features and take account of vibration levels, noise and loading height.
<b>Equality/Diversity implications:</b>	No
<b>Considered by Monitoring Officer:</b>	As set out in the Report
<b>Wards Affected:</b>	There are no ward implications arising from these proposals.
<b>Scrutiny Interest:</b>	

## 1.0 BACKGROUND

- 1.1 The Council currently has a fleet of over 200 vehicles and plant, the vast majority of which is beyond end of life and is in urgent need of replacing. The age of the fleet is causing problems with increasing unreliability of vehicles, which is directly impacting on operational delivery in services such as highways, waste collection and street cleansing. To address some of these issues, the council currently has greater reliance on short term lease and spot hire arrangements which are proving more costly and costs of repairs and maintenance for vehicles is also increasing.

1.2 In recognition of this and, at the same time take the opportunity to address the wider climate agenda, the Council made available £10m over 3 years in the capital programme to support the replacement of the fleet. Cabinet received a report on the replacement of some of the Council's Refuse Collection Vehicles in July 2020 due to the urgent need to place an order for them. This report sets out the rationale and the proposed procurement route for the remainder of the vehicle fleet.

## 2.0 CLIMATE CHANGE AND CLEAN AIR PLAN

2.1 The Council has previously declared a climate emergency and has made a commitment to be carbon neutral by 2030. As part of Greater Manchester, the Council is also consulting on the Greater Manchester Clean Air Plan which includes proposals for the introduction of a Clean Air Zone (CAZ). Whilst the outcome of the consultation will not be known for some time, the over-riding principles and aims of the strategy need to be considered when developing a strategy for vehicle and plant replacement in Bury. If approved, the proposed vehicle and plant replacement strategy will ensure that the whole of the council's fleet will be fully compliant with the CAZ. As well as having significant clean air benefits, the approach will also ensure that the council will not incur any fees and charges that may be introduced, subject to the outcome of the consultation, across Greater Manchester for non-compliant vehicles.

## 3.0 VEHICLE REPLACEMENT STRATEGY

3.1 The 2020/21 capital programme was set by Full Council in February 2020 as part of the 2020/21 budget setting process. Included in the programme was £10m of investment for vehicle replacement. This was further endorsed as part of the Cabinet resolutions which included a significant focus on the climate change agenda. Since then, a review and prioritisation of the current vehicles has been undertaken and it is proposed that the replacement programme be conducted in phases over 3 financial years.

3.2 In developing the phasing, the service has, as well as age and condition, taken account of the longer term operational needs for the vehicles, frequency of use and council priorities and outcomes. This has also helped to establish the numbers of each type of vehicle required.

3.3 Replacing these vehicles will enable services to operate more effectively, efficiently and safely, using a modern, fit for purpose fleet, utilising the latest technologies. It will also ensure compliance with the GM CAZ and avoid the risk of incurring penalties.

Table 1 - the original proposed replacement programme

Phasing of Vehicle and Plant Replacement		
Phasing	Number of Vehicles	Estimated Cost £m
Phase 1 2020/21	117	7.940
Phase 2 2021/22	48	0.893
Phase 3 2022/23	49	0.934
<b>Total</b>	<b>214</b>	<b>9.767</b>

3.4 In July 2020, Cabinet approved the purchase of 12 refuse collection vehicles. These vehicles are included in the numbers and costs in Table 1 above. The

strategy for the procurement of the remaining vehicles has been delayed by the Covid-19 pandemic and there may be slippage between the financial years as a result of this. Should this be the case, cabinet approval will be sought to carry forward the budget into the next financial year.

- 3.5 The costs in Table 1 are derived from *estimates* of the replacement cost of each vehicle currently on the fleet. In reality, there is a strong likelihood that not every vehicle will need to be replaced, due to changes in service requirements, following service reviews or the adoption of new ways of working. Conversely, additional vehicles or different, higher specification, more expensive vehicles may be required in some cases.

#### **4.0 PROCUREMENT APPROACH**

- 4.1 The vehicle fleet replacement programme includes a diverse range of requirements and the various vehicle supply markets have different characteristics. It is not a 'one-size fits all' situation. Consequently, in order to achieve best value outcomes, it is recommended that a case by case approach is taken to determine the appropriate procurement route, based on the options outlined above, utilising professional peer networks and market knowledge in the decision making process. This will allow consideration of any changes in market conditions and facilitate the use of collaborative options if they present themselves. It also allows consideration of alternative procurement routes such as contract hire, which may be appropriate for some specialist vehicles (such as compact sweepers) and second hand options which can be a more cost effective option in some circumstances.
- 4.2 It is proposed that the procurement for the replacement programme will be managed in a number of phases, based on vehicle type, and tendered on that basis. The timing of the procurement will be determined by the service. It is proposed that, subject to the procurement being in line with the proposed strategy, approval of each procurement process be delegated to the Director of Operations, the Council's S151 Officer and the Cabinet Member for Environment and Climate Change. Cabinet will be notified of contract awards throughout the lifetime of the strategy and progress will also be reported as part of the Council's quarterly financial monitoring reports.
- 4.3 Cabinet can agree to delegate authority to nominated officers to agree individual procurements given the complexity of the replacement programme and the need to have an efficient process that will not unduly delay the placing of orders. Tender prices are only valid for a limited time and waiting for a full Cabinet approval may mean that prices expire. It needs to be noted that individual decisions in the programme involving expenditure over £250,000 will still need to be published in advance in the Forward Plan, unless urgent. Those under £250,000 will have to be recorded as Officer Delegated Decisions and published by Democratic Services.
- 4.4 If there is a case to move urgency within the 28 day Forward Plan notice period on an individual scheme involving spend over £250,000 the Officers will need to notify the relevant Cabinet members, Chair of Overview and Scrutiny Committee and nominated opposition members and give 5 days' notice of the decision. If the decision cannot wait 5 days, the Chair of Overview and Scrutiny would have to formally agree the urgency.

- 4.5 The Emergency Powers Group which was set up to support the Council's response to the Covid-19 emergency can provide a useful means to facilitate such decisions.

## **5.0 ALTERNATIVELY FUELLED VEHICLES**

- 5.1 Within each vehicle specification will be a request to tenderers to provide prices for alternatively fuelled vehicles and these will be evaluated along with other quotes to determine which provide the best value for money. There is a requirement for all suppliers to provide emission levels of all vehicles tendered for. Where there is a specific need and providing it is cost effective then certain specifications will be written based on the requirement of electric or other alternatively fuelled vehicles.
- 5.2 When considering reducing the Council's carbon footprint from vehicle emissions one has to ensure that all new vehicles are fit for purpose, reliable and able to be maintained. One has to consider the technology maturity. Currently there are few suppliers of electric vehicles, particularly HGVs, but this is a fast changing picture and the cost of electric vehicles is likely to decrease in the next few years. However, many electric vehicles are not tried and tested yet and the support around these vehicles is still in its infancy.
- 5.3 It should be borne in mind that all future vehicle purchases (where available from manufacturers) will meet the latest Euro 6 standard for exhaust emissions, introduced in 2015, which all new mass produced vehicles sold in the EU must meet, and was designed to reduce harmful pollutants from vehicle exhausts. This includes nitrogen oxides (NO<sub>x</sub>), carbon monoxide (CO), hydrocarbons (THC and NMHC) and particulate matter (PM) i.e. soot from diesel cars. The effect of reducing these pollutants can also mean improved fuel economy and lower CO<sub>2</sub> emissions. All new replacement vehicles purchased will automatically be compliant with the GM CAZ.
- 5.4 There are health concerns about emissions from diesel engines. The fine particles in diesel exhausts are of special concern because, due to their respirable size, they can penetrate deep into human lungs. It is reported this increases respiratory and cardiovascular disease and worsening of symptoms in people with asthma. Where electric or hybrid vehicles are not available or fit for purpose, the Council should consider the purchase of petrol vehicles that emit the less harmful fine particulates that new diesel vehicles produce.
- 5.5 As the Council moves to procure more electric vehicles, electrical charging infrastructure will be required at Bradley Fold Depot and perhaps elsewhere at other satellite locations. That infrastructure does not exist currently.

## **6.0 FINANCING OPTIONS**

- 6.1 The total cost of the proposals is estimated to be c£9.8m and can be funded from within the funding made available in the capital programme. It should however be noted that c£2.1m has previously been approved by Cabinet in July 2020 for the purchase of 12 Refuse Collection Vehicles. There are two options available to the Council in procuring vehicles: purchase and leasing. Leasing is traditionally higher cost than purchasing and this is borne out by the fact that most Authorities choose outright purchase:

- 6.2 **Outright purchase** – this has the advantage of the Council having control of its asset in terms of being able to dispose of without early termination costs. Furthermore, there are no return conditions or mileage limitations.
- 6.3 **Operator lease** – this has been the preferred method for many years but does have the restriction of not being able to return the vehicle ahead of the lease expiry date unless outstanding annual lease payments are made. Strict return conditions with penalties and mileage excess rates are also applied. It is also very difficult to synchronise the delivery of a new vehicle to coincide with the expiry of the lease of the vehicle to be replaced. This leads to short term extensions of leases, which can be relatively expensive. Financially this method often appears to be most advantageous but this can be misleading because it does not necessarily take account of all costs. It is also inflexible operationally.
- 6.4 It is proposed that the Council proceeds on the basis of outright purchase.
- 6.5 The cost of borrowing is already factored within the Council’s budget and therefore these proposals will not add any further financial pressure on the council’s financial strategy. Provision for some leasing costs is held at service level and will offset the costs of borrowing that were built into the council’s budget from 2020/21 onwards. As part of a wider transformation of the council’s financial framework, the council is seeking to centralise corporate costs including leasing and therefore the delegated budgets will be consolidated and held corporately. This will enable the council to have much greater oversight and control over its borrowing and borrowing costs.

## **7.0 CONCLUSION**

- 7.1 The proposed vehicle and plant replacement programme is necessary to ensure the continued safe and efficient operation of the Council’s functions. There have been no replacements for a number of years which has meant reduced reliability, additional maintenance costs, impact on ability to deliver quality services, additional spot hire of vehicles and increased pressure on individual services and in particular the Transport and Workshop staff. It is imperative that vehicles are replaced as soon as is practicably possible.

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### **List of Background Papers:-**

None

### **Contact Details:-**

Glenn Stuart, Head of Waste and Transport  
Neil S Long, Assistant Director Operations