ENVIRONMENT, TRANSPORT & SUSTAINABILITY COMMITTEE	Agenda Item 49 Brighton & Hove City Council

Subject:		**Fleet Procurement Options**
Date of Meeting:		**26th November 2019**
Report of:		**Executive Director, Economy, Environment & Culture**
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Ward(s) affected:		**(All Wards);**

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 The purpose of this report is to set out a proposed approach towards the future procurement of the council fleet. If agreed this will form the basis of a council wide Fleet Strategy and Replacement Programme which will be developed over the next six months.

1.2 The Fleet section in City Environmental Management is responsible for fleet procurement and maintenance for all services of the council.

1.3 The report provides a number of options for fleet procurement, including purchasing new; second hand; all electric vehicles or a mixed and flexible approach with the aim of maximising carbon reduction per pound spent.

1.4 It is proposed that while the full Fleet Strategy and Replacement Programme is developed, procurement using a mixed and flexible approach is commenced in order to improve service delivery and to reduce the carbon costs and emissions of our fleet contributing toward the council's aim of improving air quality and becoming carbon neutral by 2030.

2. RECOMMENDATIONS:

2.1 That the Committee approves Option 4 as the approach to procurement of the council fleet as set out in appendix 1.

2.2 That the Committee agrees that this approach should be developed as part of a a council-wide Fleet Strategy which will be brought to this Committee and to Policy & Resources Committee for final approval.

2.3 That the Committee notes the requirement for additional borrowing to purchase a sufficient number of new vehicles within City Environmental Management, to meet service requirements, which will be based on a business case and will be considered as part of budget setting.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Brighton & Hove City Council operates a fleet of around 350 vehicles including: refuse/recycling vehicles, sweepers, gritting lorries, vans, large tractors, mowers and pool cars. This will increase to 465 next year when the Mears housing repairs contract is in-sourced. Additionally, the council has around 500 small plant items (grass mowers, chainsaws etc.). All of these are maintained in the workshop based at Hollingdean Depot.

3.2 Following a review of the current fleet, it was identified that many of the vehicles are three to four years overdue for replacement. This is as a result of funding pressures but also due to the council not having an actively managed replacement programme aligned to a fleet strategy.

3.3 This has resulted in the council keeping some vehicles that are frequently out of service due to requiring repairs. In City Clean where the council is reliant on a fleet of 53 refuse collection vehicles. The age of the fleet has led to significant service disruption which can lead to additional costs of having to pay overtime to catch up on missed work and reputational damage for the council.

3.4 Operating an ageing fleet has increased maintenance costs and affects reliability. This also has a knock on effect with increased short term hire costs.

3.5 Running an ageing fleet also has an effect on vehicle emissions. Many of our vehicles operate to low Euro standards, rather than Euro 6, hybrid or electric levels. Replacing our ageing fleet is therefore also essential to ensure that we reduce air polluting emissions and work towards the council's target to become carbon neutral by 2030.

3.6 In assessing value for money, consideration should be given to the environmental impact of future purchases per pound invested. For example, as can be seen in the table below, environmentally friendly cars have a greater environmental return on investment in terms of amount spent to save one metric tonne of CO2, and it could therefore be more environmentally friendly and cost effective to invest in five environmentally friendly cars, rather than one environmentally friendly refuse collection vehicle.

	CO2 in Metric Tonnes	
CO2 Over 9 years life	26T refuse vehicle	Standard size car
Diesel CO2	242	33
Electric CO2	60	8
Annual reduction tonnes going Elec	181	25
Cost Difference between Diesel and Electric vehicle	£143,671	£4,000
Amount spent to saved, one metric tonne	£792.02	£160.12

<u>The way forward</u>

3.7 At present, industry experts suggest that electric refuse collection vehicles are of limited benefit and the costs are very high. There are a number of pilot projects

running in the country to help develop the technology which is rapidly advancing. At present the battery life is limited and the power is drained very quickly if the vehicle is required to go up hill. City clean has recently trialled some vehicles with electric lifting and compressing gear but found it to be too slow and unreliable to be able to provide an effective service.

3.8 Our future procurement processes need to consider more than just the vehicles. Whole-life costings should be used to ensure we understand the true total cost of a vehicle throughout its operational life. More analysis needs to be carried out regularly to identify the exact replacement costs and to also identify any additional savings opportunities.

3.9 It is important to highlight that, as and when we introduce more environmentally friendly vehicles, the unsupported borrowing in future years will be higher than in previous years. This will be reflected in proposals made at budget setting based on a business case to invest funds currently spent on repairs, maintenance and spot hire on additional borrowing to procure newer more reliable and environmentally friendly vehicles. However, some additional revenue funding to allow purchasing will be required to enable future savings which can then be reinvested in new more efficient, environmentally friendly, fleet vehicles.

3.10 The Head of Fleet Management will be responsible for scanning the market for new vehicle technologies to ensure that carbon reduction per pound is considered for each purchase. This will involve exploring other technologies such as hydrogen cell vehicles. The procurement will normally be carried out through a Framework but where vehicles that offer excellent carbon reduction per pound exist outside of existing frameworks, other procurement methods will be considered.

3.11 It should be noted that the procurement of some new specialist vehicles, such as refuse collection vehicles, can take from 9-12 months until the vehicle can be commissioned into service. Therefore in the shorter term the Head of Fleet Management will be converting spot hire vehicles to lower cost lease hire vehicles to improve service continuity and reduce costs.

3.12 As the council moves to procure more electric vehicles, additional electrical charging infrastructure will be required. This will engender additional costs – in particular as the electric fleet grows in a particular location, such as Hollingdean Depot. However, the council will also be looking at options for generating the electricity supply at these sites for example via the installation of solar panels or hydrogen production as appropriate.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 The procurement options are detailed in Appendix 1.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The council will consider the views of the City Climate Assembly Meeting, the Biosphere Board and other partners and community activists when developing the Fleet Strategy.

6. CONCLUSION

6.1 To improve air quality in the city and contribute towards the reduction of our carbon footprint, the council should consider the most environmentally friendly procurement path that is possible and currently available. The council also needs to be answerable to any scrutiny around best practice, best value and the health benefits to residents. Approving the recommendations in section 2 will provide a financial and environmental balance that enables the council to benefit from future technology as it evolves.

6.2 Future procurement should focus on service need and consideration should be given to the whole life cost and environmental benefits for each £1 spent. The council has an analysis calculator that can provide this data to assess the implications of each decision.

6.3 We need to continue to work with and share experiences with other businesses and local authorities including:

- Sheffield City Council and Westminster City Council who are testing and using electric vehicles
- Sevenoaks District Council who operate a smart purchasing system
- A Total Whole Life cost analysis system operated by another large business partners.

6.4 A new council wide Fleet Strategy and a replacement programme must be adaptable to external factors including the development of new innovations and technology. Failure to do this will increase the use of short term hire vehicles and maintenance spend due to operating vehicles past their optimal disposal date.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 As stated in paragraph 2.3 (the recommendations) of this report, fleet procurement to meet service requirements will be funded from borrowing. It is expected that the cost of borrowing will be funded from within existing revenue budgets. There may also be efficiency gains from a newer fleet of vehicles. For example, lower maintenance costs. The financial implications will also be reviewed and evaluated as part of the business case required to progress fleet procurement. Investment plans emerging from the business case will be considered by as part of the budget setting process.

Finance Officer Consulted: Jess Laing *Date: 12/11/2019*

Legal Implications:

7.2 The Environment, Transport and Sustainability Committee is the appropriate decision-making body in respect of the recommendations at paragraph 2 above.

7.3 The council-wide Fleet Strategy and Replacement Programme will have corporate and budgetary implications and will therefore need to go to Policy & Resources for approval. Where a matter is to be referred to Policy & Resources Committee it will normally be considered first by the Committee with

responsibility for the relevant functions or service area before being referred with recommendations to the Policy & Resources Committee for a decision. The Fleet Strategy and Replacement Programme will therefore be brought to this Committee prior to being taken to the Policy & Resources Committee.

7.4 Once the Strategy has been approved the council will apply it when procuring fleet vehicles.

7.5 Contracts valued at more than £500,000 require committee approval before the procurement commences.

7.6 The council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. The council's Contract Standing Orders will also apply.

Lawyer Consulted: David Fairfield *Date: 12/11/2019*

Equalities Implications:

7.7 Meeting the needs of staff who have disabilities and need to drive for work will be included within the Fleet Strategy.

Sustainability Implications:

7.8 The options detailed in Appendix 1 take into consideration the sustainability implications of the fleet replacement programme.

7.9 It is important to establish the principle that the service's contribution to reducing the council's carbon footprint is considered alongside other key considerations including that vehicles are able to perform the duties required of the service and that vehicles are reliable and we are able to maintain them.

7.10 Our preferred approach sets out the sensible approach, balancing ambition with practicality and prudence having considered the following:

- Hybrid vehicles: large refuse vehicles do not offer enough carbon saving benefit to justify the large expense of buying them. However, hybrid cars and vans do offer good value carbon savings
- Service delivery: electric refuse vehicles must first be able to do the job as required. To prove their effectiveness, we should consider trials with demonstration vehicles. For example, the hilly topography of the outer parts of the city could be particularly challenging for the current generation of large electric vehicles.
- Technology maturity: whilst there are currently few suppliers of electric vehicles, this is a fast changing picture. It may benefit us to wait until 2021/22 before we significant invest in a large electric fleet of refuse vehicles.
- Environmental emission standards: all 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 pollutant from vehicle exhausts. This includes nitrogen oxides (NOx), carbon monoxide (CO), hydrocarbons (THC and NMHC) and particulate matter (PM) which is

soot from diesel cars. The effect of reducing these pollutants can also mean improved fuel economy and lower CO2 emissions.

- Health concerns from diesel engines: we also need to be aware that the new 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 purchase petrol vehicles that emit the less harmful fine particulates that new diesel vehicles produce.

SUPPORTING DOCUMENTATION

Appendices:

1. Purchasing options

Background Documents

1. None