

For publication

Title of report: Options for replacing the Council's fleet

Meeting:	Council
Date:	19 th July 2023
Cabinet portfolios:	Cabinet Member for Climate Change, Planning and Environment Cabinet Member for Housing
Directorates:	Housing Leisure, Culture and Community Wellbeing
For publication	

1.0 Purpose of the report

This report was considered by Cabinet at its meeting on 18 July, 2023 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

- 1.1 The majority of the Council's fleet is ageing, and the current lease is due to expire in early 2024 with no option to extend. New fleet arrangements must therefore now be agreed by Cabinet and Council to ensure we can continue to deliver key housing and environmental services to our residents.
- 1.2 The Council's Climate Change Strategy target is for the Council to be carbon neutral by the year 2030, and decarbonisation of the Council's fleet is a key component to achieving this target, due to emissions from petrol and diesel vehicles.
- 1.3 The Climate Change Strategy is the key driver for the recommended approach, and the purpose of this report is to describe the proposed journey towards a carbon neutral fleet.

2.0 Recommendations

- 2.1 That Council approves the principle of replacing the current fleet with a new lease for 34 electric vehicles, and using short term hire for the Council's remaining vehicle requirements, as part of a phased approach to decarbonising the fleet before 2030.
- 2.2 That Council delegates responsibility for the associated procurement activity and budget decision making to the Service Director – Housing, in conjunction with the Service Director – Finance, the Deputy Leader, the Cabinet Member

for Housing and the Cabinet Member for Climate Change, Planning and Environment.

- 2.3 That Council further delegates responsibility for entering into the associated legal contracts to the Service Director - Housing in conjunction with the Service Director – Finance and the Monitoring Officer.
- 2.4 That Council recommends that the additional costs of taking forward the preferred option are incorporated into the Council's General Fund revenue and Housing Revenue Account budgets for the financial year 2024/25.
- 2.5 That Council receives an annual updating report on the economy, efficiency, and effectiveness of implementation of the preferred option.

3.0 Reason for recommendations

- 3.1 The recommended way forward ensures that in the short term we increase the number of electric vehicles to the maximum level possible based on the current charging infrastructure, and then take a phased approach to increasing the number of electric vehicles as charging capacity increases, over the next five years.
- 3.2 The majority of the current fleet is ageing and by replacing it with new vehicles this will reduce breakdown and repair costs.
- 3.3 The use of short-term hire provides flexibility to allow us to trial different product types as and when the market for electric and other zero carbon options improves, and also allows us to reduce the overall number of vehicles as and when vehicle requirements change as a result of service efficiency measures.
- 3.4 This phased approach has benefits from a fleet management perspective as it spreads the work required over several years as opposed to condensing it into a single exercise.
- 3.5 Similarly, by taking on new electric vehicle leases as part of a phased approach, the impact on the Council's budget will be spread over a longer period of time, avoiding a single 'big hit' cost.
- 3.6 There are some disadvantages, including the need for more expensive, steel van racking, and the fact that instead of the installation of permanent corporate vehicle livery we will need to use temporary magnetic signage. However, these are outweighed by the advantages set out above.

4.0 Report details

Number of vehicles required

- 4.1 We currently have 208 vehicles comprising 149 leased, 5 owned, and 54 on short term hire. This figure excludes the following vehicles:
- 3 X road sweepers, 3 X Land Rovers, 2 X mini pickups, 1 X jetter vehicle and other grounds maintenance machinery (such as road legal ride on lawnmowers etc) as these are treated as plant.
 - 1 X tenant participation vehicle as this is owned and used as a mobile office for Housing services.
 - 1 X Ford Galaxy – this is the old mayoral vehicle and is used as a pool vehicle across the Council.
 - 1 X Mayoral vehicle – this was procured in 2022 and is an electric Citroen E-C4.
- 4.2 Currently, of the 208 fleet vehicles, 165 are used by Housing services and paid for from the Housing Revenue Account (HRA) and the remaining 43 are paid for from the General Fund.
- 4.3 An initial review of existing working practices has been undertaken with regards to fleet rationalisation and to align with current service requirements, and the assumed total need going forward is for 198 vehicles.

Achieving the 2030 Climate Change Target

- 4.4 The aim is to move the fleet to electric vehicles. We have already trialled a range of electric vehicles and currently have five fully electric vehicles. We have committed funding to increase the number of charging points at the depot from four to 18 (the maximum that can be currently supported by the local grid), meaning we can now increase the number of fully electric vehicles within the fleet to 34.
- 4.5 We anticipate the overall replacement programme to be as follows:

Activity	Year
Lease 34 electric vehicles and fulfil all other service requirements with short term hire	2024
Replace all 'medium' sized vans (currently 45) with electric vehicles	2026/27
Replace all 'large' sized vans and tippers (currently 119) with electric vehicles*.	2027/28
*If the 'large' vehicles are still not fit for purpose then explore the option to use HVO fuel on the assumption that HVO will become more widely available on forecourts over time.	
Replace the 34 electric vehicles once the 2024 lease expires with a new fleet of electric vehicles	2029

- 4.6 We will continue to trial different vehicle types, as short-term hire will allow this flexibility, and learn from other organisations. As time progresses, more

zero carbon options will become available on the market, as will solutions to address some of the current challenges associated with electric vehicles (for example payload and charging range limitations).

- 4.7 In addition to electrifying the fleet we will also explore the option of replacing diesel with Hydrotreated Vegetable Oil (HVO), which could prove a better option for some of the larger vehicles which may be harder to replace with an electric solution.
- 4.8 We will also be seeking to increase efficiencies in vehicle usage to reduce overall fuel consumption and emissions, as part of the Housing Services Transformation Programme.

5.0 Alternative Options

- 5.1 A high-level option appraisal has been undertaken and the costs associated with each of the options identified and modelled. The annual costs, and initial outlay associated with each option, are set out in the Table at paragraph 5.6.
- 5.2 Consideration was given to purchasing the majority of the vehicles that the Council currently leases, with a view to selling them on at the end of their natural life and procuring electric replacements. This option also included a new lease for 34 electric vehicles and a short-term hire option for the remaining vehicles – Option 1. This option is potentially the most cost efficient, giving an annual saving of around £220k when compared to the preferred option and so reducing the pressure on both the HRA and General Fund Revenue budgets. However, there are risks to retaining the current fleet.
- 5.3 The main risk is that by leaving electrification until close to 2030, supply chain issues may affect the Council's ability to achieve its Climate Change Strategy target. Additionally, as many of the vehicles are already 6 years old and increasingly unreliable, service delivery to the council's tenants would be impacted due to regular breakdowns which would lead to extra costs and reduce the anticipated savings. An allowance of £20k had been factored into the cost of this option to reflect the extra repairs though whether this sum is sufficient is very difficult to predict.
- 5.4 Consideration was also given to entering into a new lease for all vehicles (including 34 electric vehicles) to replace the current fleet - Option 2, and to purchasing new vehicles (again including 34 electric) to replace the current fleet – Option 3. As well as being expensive, these options would again run the risk of the Council not achieving the 2030 target. Furthermore, there are currently no suitable electric solutions for some of our vehicle types.
- 5.5 Finally, consideration was given to deferring replacement so that the grid / charging capacity could be implemented first, thus allowing us to replace the

entire fleet with electric vehicles. This is not possible as the current lease cannot be extended to allow for this delay.

5.6 Table comparing costs of alternative options considered:

Table 1: Comparisons of alternative options				
OPTION 1 - Replace majority of the fleet with short term hire vehicles and a new lease for 34 electric vehicles.				
OPTION 1	Average Annual figure	2023/24 Budget	2024/25 Initial Outlay	Ongoing Annual cost from 2024/25
TOTAL HRA	£1,310,458	£1,090,130	£61,260	£1,298,206
TOTAL GF	£454,926	£458,570	£27,900	£449,347
TOTAL Overall	£1,765,384	£1,548,700	£89,160	£1,747,553
OPTION 2 - Replace whole fleet with a new lease (34 electric vehicles)				
OPTION 2	Average Annual figure	2023/24 Budget	2024/25 Initial Outlay	Ongoing Annual cost from 2024/25
TOTAL HRA	£1,472,772	£1,090,130	£336,000	£1,405,572
TOTAL GF	£528,479	£458,570	£79,800	£512,519
TOTAL Overall	£2,001,251	£1,548,700	£415,800	£1,918,091
OPTION 3 - Replace whole fleet by purchasing new vehicles (34 electric vehicles)				
OPTION 3	Average Annual figure	2023/24 Budget	2024/25 Initial Outlay	Ongoing Annual cost from 2024/25
TOTAL HRA	£1,531,086	£1,090,130	£336,000	£1,483,086
TOTAL GF	£508,102	£458,570	£79,800	£496,702

TOTAL Overall	£2,039,188	£1,548,700	£415,800	£1,979,788
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Preferred Option - Replace majority of the fleet with short term hire vehicles				
Preferred option	Average Annual figure	2023/24 Budget	2024/25 Initial Outlay	Ongoing Annual cost from 2024/25
TOTAL HRA	£1,450,901	£1,090,130	£260,640	£1,398,773
TOTAL GF	£535,421	£458,570	£66,300	£522,161
TOTAL Overall	£1,986,322	£1,548,700	£326,940	£1,920,934

6.0 Implications for consideration – Financial and value for money

6.1 Each service has budgets allocated for vehicles to cover lease, running and maintenance costs. The total budget for 2023/24 is **£1.549m** (Note that this figure excludes the vehicles listed in para 4.1) and this is split between the HRA **£1.090m** and the General Fund **£459k**.

6.2 The average annual cost of the preferred option is estimated to be **£1.986m** in 2023/24 (this is a full year effect). It should be noted that this is not the lowest cost option as stated in paragraph 5.2 above and is **£438k** per annum over the current total budget for 2023/24 (HRA **£361k** and General Fund **£77k**).

6.3 The additional General Fund revenue cost will be met from the Vehicle and Plant Reserve for the first two financial years and then built into the Medium-Term Financial Plan. The HRA is under considerable pressure at the present time as a result of a range of in-year financial challenges including the rent cap of 7% for 2023/24 and ongoing inflationary pressures on pay and materials. It is therefore proposed to address the additional costs of running with the preferred option through the annual HRA budget and business planning process.

6.4 The figures quoted in the table at paragraph 5.6 are indicative and based on the best information currently available. As such, they are subject to variation depending on the procurement frameworks used, vehicle types etc. It is possible that we will obtain cheaper short term hire rates if the Council commits to hiring the vehicles over longer periods e.g., two years.

6.5 Providing value for money for our tenants and residents remains a priority for the Council, not just when budget setting but when making every decision, with this being even more pertinent at the present time as the cost of living crisis continues to bite. Whilst consideration has been given to creating the

maximum flexibility to enable the Council to take advantage of advances in technology and for more efficient electric / zero carbon options to become available, the preferred option should not be seen as the long-term solution. Every opportunity will be taken to reduce the overall cost of the Council's fleet, to include further rationalisation of vehicles wherever possible through systematic reviews of current work practices.

6.6 It is therefore recommended that a further review of the preferred option should be undertaken within a maximum period of 12 months when further information will be available on such matters as charging infrastructure and the associated depot investment costs, and the fleet requirements of a redesigned Housing Property Services function.

6.7 The council's officers will also explore the possibility of accessing grants such as the OZEV Workplace Grant Discount to help finance electrification of the Council's fleet.

7.0 Implications for consideration – Legal

7.1 Officers from the council's Procurement and Legal services will be fully engaged in all procurement and contract processes, to ensure full compliance with relevant statutory provisions and value for money imperatives.

8. Implications for consideration – Human resources

8.1 A continual review of fleet numbers is carried out in order to minimise the overall fleet costs. This is an ongoing process and further analysis will be carried out to incorporate future requirements based on the outcomes of upcoming service re-design exercises.

8.2 Currently the majority of the Housing Property Services workforce take their vehicles home and while this practice will be discontinued in relation to the first phase of 34 electric vehicles, the Council will need to develop various HR policies and procedures as part of the wider Housing Services Transformation Programme.

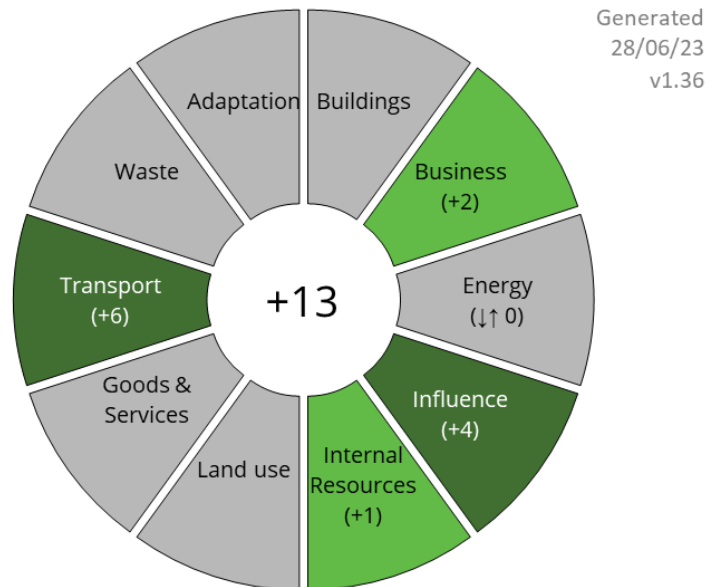
8.3 In time, it is anticipated that an additional member of staff will be required to deal with fleet administration and to support all processes associated with electrifying the fleet.

9.0 Implications for consideration – Council plan

9.1 The Council Plan sets out the aspiration for Chesterfield Borough Council to be a carbon neutral council by 2030, and decarbonising the fleet is a key component in achieving this target.

10.0 Implications for consideration – Climate change

10.1 Road fuel use by Council operatives resulted in estimated emissions of 575 tonnes of CO₂ during 2022/23. This is a substantial proportion of the Council's emissions (23%) and represents one of the biggest challenges to the Council's ambition to become carbon neutral as an organisation by 2030.



Chesterfield Borough Council has committed to being a carbon neutral organisation by 2030 (6 years and 6 months away).

10.2 As shown in the CCIA above, the climate impact of the preferred option is essentially positive. Implementation will require additional staff time to fully develop the option further and require an increased commitment to electricity purchasing. However, this is countered by the significant reductions that will be achieved in overall council emissions and road fuel consumption.

11. Implications for consideration – Equality and diversity

11.1 A preliminary Equalities Impact Assessment has been completed (Appendix 1).

11.2 There are no direct impacts as a result of the Council's move to the preferred option, however there will be a need to ensure the individual needs of vehicle users are considered through individual assessments.

12.0 Implications for consideration – Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
No vehicles at the end of the current lease contract – inability for Council services to carry out required service delivery	High	Likely	The preferred option will ensure new vehicles are in place at the end of the lease period	High	Low
Breakdown of ageing vehicles	Med	High	The preferred option will ensure new vehicles are in place at the end of the lease period thus mitigating the risk of breakdowns	Med	Low
Failure to meet 2030 target resulting in requirement to offset emissions and associated financial penalties.	Med	Med	The possibility will be explored of using HVO as an alternative fuel which produces significantly lower emissions. The offset cost is lower than petrol and diesel costs	Med	Low
Budget – Fleet related costs constantly vary and there is no certainty on the future costs involved in electrifying the fleet	Med	Med	All manufacturers are heavily investing in new technologies and upscaling production which should in turn lower overall costs	Med	Med

Decision information

Key decision number	<i>All key decisions must be in the Forward Plan at least 28 days in advance. There are constitutional consequences if an item is not in the Forward Plan when it should have been. Contact Democratic Services if in doubt.</i>
Wards affected	All Wards

Document information

Report author	
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Background documents	
These are unpublished works which have been relied on to a material extent when the report was prepared.	
Climate Change Strategy: climate-change-strategy-2023-2030.pdf (chesterfield.gov.uk)	
Appendices to the report	
Appendix 1	Equalities Impact Assessment