



Northumberland

County Council

COMMUNITIES AND PLACE OVERVIEW AND SCRUTINY COMMITTEE

DATE: 31ST AUGUST 2022

OVERVIEW ON THE FLEET REPLACEMENT PROGRAMME 2021/2022

Report of: Interim Executive Director of Planning and Local Services, Rob Murfin

Cabinet Member: Councillor John Riddle, Local Services

Purpose of report

To provide an overview of the work undertaken and challenges faced in delivering the Council's fleet replacement programme in 2021/2022.

Recommendations

To note the work undertaken to deliver a challenging fleet replacement programme during this period.

Link to Corporate Plan

The Fleet Replacement Programme is relevant to the following themes in the corporate plan:-

'Enjoying - We want you to love where you live'

'Connecting - We want you to have access to the things you need'

The allocation of capital funding to support a rolling fleet replacement programme is essential to ensure that key front-line services have reliable, cost effective and modern vehicles and equipment to enable them to deliver services to individuals and communities across the County. An effective, modern and well managed vehicle fleet also ensures that the council minimises the impact that its transport activities have on the environment, makes a positive contribution to tackling climate change and keeps pace with innovation and best practice.

Overview of 2021/2022 Programme

Key issues

1. It is essential that the Council delivers its fleet replacement programme in a timely manner that meets service requirements, whilst also ensuring that there is a robust

challenge over service need, harmonising vehicle specifications and delivering value for money through effective procurement arrangements.

2. The process for undertaking the replacement of vehicles has been established for several years with clearly documented responsibilities assigned for each stage of the process and robust governance arrangements put in place to regularly monitor and review progress. The process ensures that services are robustly challenged over both the need for replacement vehicles and the specification of the vehicle (so that there is a greater degree of standardisation across the fleet).
3. When developing the programme, consideration is given to the service department's needs over the timing of replacement vehicles, the time required to undertake the procurement exercise and manufacturers' build times once orders are placed. This means that Fleet staff must look across both the current and future years replacement programmes so that service critical/long lead-in time vehicles are given priority.
4. There are always challenges in fulfilling the need to replace such a wide range of vehicles and plant due to transport industry changes, new legislation, and current new vehicle demand outstripping supply from manufacturers. These hurdles have always required careful consideration; however, the programme was impacted hugely by the pandemic primarily due to vehicle manufacturers and their supply chains being disrupted which affected production levels. These impacts can be summarised as follows:-
 - a) Vehicles manufacturers were unable to meet demand due to the world-wide shortage of semi-conductors resulting in reduced numbers of vehicles being produced.
 - b) Commercial dealerships and associated supply chains were operating on reduced capacity due to staff absences, impacting on their responsiveness and increasing lead-in times for quotes, responses to queries, adaptations to specifications and delivery timescales.
 - c) Major manufacturers closing down production lines for 2-3 months in the summer.
 - d) Any conversions or adaptations to the base vehicle requiring involvement of the manufacturer and external body shops suffered delays, as supply chains for materials were on back order.
 - e) Some manufacturers closed order books and were unwilling to provide quotes as the increased material costs resulted in uncertainty with the total costs on delivery.
 - f) Build times increasing from ~12 months for standard vans up to ~18 months. Suppliers are also indicating that the uncertainty on costs and materials for conversions may result in some specialist LCV's taking 18-24mths from point of order to delivery.
 - g) The demand for electric vehicles (EVs) has also exceeded supply, causing significant delays to delivery and impacting on the number of EV's we expected to have in place in 2021/2022.
5. The uncertainty of vehicle delivery times has reinforced the Council's decision to finance vehicle purchases on the capital programme, with these financing arrangements being kept under regular review to ensure value for money is being secured. The complete ownership and the flexibility to decide when to sell these assets has proven to be highly beneficial when responding to the difficulties being faced as a result of the Covid-19

pandemic. In addition to avoiding the financial and operational risks associated with either having to negotiate extensions to lease financing arrangements or secure short-term vehicle hire provision, the Council has benefited from significantly higher than forecast resale values. The second-hand market has been buoyant due to reduced new vehicle production, in some cases residual values have increased by 40% in 18 months providing the council with higher than anticipated capital receipts from auction sales.

6. There were 121 new vehicles registered in this budget year at a cost of £6.487 million.
7. We have increased the number of small EV's from 7 in 2020/21 to 36 currently in operation with services. A further 11 vehicles are waiting for service user agreements and confirmed prices.
8. The delivery of the fleet replacement programme is always challenging but in 2021/22 this proved to be extremely difficult. The high number of vehicles scheduled for replacement; the items carried forward from 2020/21, together with supply delays, resulted in 73 vehicles worth £2.530 million that were ordered with suppliers but remained undelivered by the 31st March 2022.
9. It should however be noted that due to effective forward planning arrangements all 'service critical' replacement vehicles were delivered with no adverse effect to service delivery.
10. The council has committed to a 'net zero' target for carbon emissions by 2030 and has also pledged an earlier 50% reduction in emissions by 2025. Taking this policy into consideration, Fleet have acted now to adopt EV technology within the programme to assist and contribute towards achieving these climate change targets. Progress in increasing the number of electric vehicles within the fleet has been slower than anticipated, again due to production issues, but also the increased demand globally as companies seek to move towards the government's targets. Release dates on new models of EV commercial models have also been pushed back by manufacturers delaying the opportunity to assess the suitability of larger Transit sized EV panel vans.
11. Due to the current financial and operational limitations when looking at replacing Large Commercial Vehicles (LCV) and Heavy Goods Vehicles (HGV), due to a lack of suitable alternatives that can meet the Council's operational requirements around range/payload and the significantly higher purchase prices – between 40 and 70% higher than diesel powered. The Fleet Team with support from the Climate Change Team are implementing a 3-month trial project to determine the viability of changing the Council's diesel fleet to operate on a low carbon alternative fuel using Hydrotreated Vegetable Oil (HVO), otherwise known as Renewable Diesel. This drop-in replacement fuel for diesel is equal in terms of power but produces up to 88% less kgCO_{2e} than diesel. There has been a slight delay in introducing the pilot which is being run from the Stakeford Depot due to a requirement to run down the bulk stock of Rebated Fuel (Red Diesel) following changes in HMRC exemptions. It is intended that the trial will run from August this year and following a review of its performance, it is anticipated that a report will be presented to Cabinet to enable consideration to be given to the option and timing of switching all of the Council's diesel fleet onto HVO as a transitional arrangement to significantly lower the carbon emissions from our fleet, as we continue the process of moving to zero-carbon

emission vehicles as technologies develop and viable replacement vehicles become available. A quick summary is presented below:

- a) HVO is practically identical to diesel in chemical and physical characteristics.
- b) HVO can be used as an immediate drop-in fuel replacement to diesel in any engine using diesel, with no further modifications to the engine and no impacts on manufacturer's warranties.
- c) This fossil free fuel is made from 100% renewable waste residues and vegetable oils.
- d) The kgCO₂e produced by HVO compared to diesel are up to 88% less, making an outstanding alternative to reduce the emissions from the council's diesel vehicle fleet while waiting the EV or other zero-emission alternatives to be ready on the market.
- e) HVO is anticipated to cost an additional ~12% more but may be offset by improved mpg but this will be determined following the trial.
- f) Performance and mpg comparisons will be monitored over 3mths.

12. The Council currently determines the timing for planned replacement of vehicles based on the economic lifespan of the different categories of vehicles within its fleet using historic data on vehicle maintenance costs by vehicle category and residual value, to ascertain when it is most economic to replace a vehicle (namely at a point when failing to replace the vehicle would result in the additional maintenance costs being greater than the cost of maintenance & financing for the provision of a new more reliable vehicle). This information is used to plan and finance the fleet replacement programme, with each individual vehicle identified as being due for replacement then being subject to an assessment to ascertain its overall condition/mileage/maintenance history to determine whether its economic life can be extended further. The fleet team also work closely with the service user departments to challenge the need for vehicles and replacements taking into consideration vehicle utilisation levels, changes to service provision and any new technologies/vehicles available. In addition to the above processes which have been in place for several years, the Council also routinely reviews and benchmarks its replacement cycles against other similar local authorities. A benchmarking review is currently being undertaken to help inform and shape the replacement cycle costs that need to be built into the Council's next MTFP period. This review is on-going with data only received from one other LA so far, but from the limited data obtained to date the Council's standard replacement cycles are broadly comparable, the key differences being a variation for small vans/panel vans (NCC being 2 years earlier) and refuse collection vehicles (NCC being 1 year longer).

Details of the Replacement Programme in 2021/22

The year-on-year increase in lead-in and delivery times across all vehicle types resulted in a backlog of items having to be carried over from the 2021/22 period – this meant that at the start of the 2021/22 programme there were 376 items listed for replacement. In addition to this a further 21 new items at a cost of £0.460 million were added to the programme. Service reviews and challenging the need for vehicles has resulted in 11 vehicles or items of plant

being removed from the programme, with a saving of £0.172 million. The final vehicle replacement count following these changes was 386.

The 21 additional items included:

- a) A new specialist JCB Pothole Pro (£0.160 million) to support £1.000 million of carriageway refurbishment/patching work being undertaken per year within the Council's LTP highway maintenance programme and reduce subcontractor costs.
- b) Various agricultural tractors and mowing equipment to enable for Ponteland Leisure Centre (£0.087 million)
- c) Various agricultural and horticultural machinery to support Neighbourhood Services
- d) A Ford Ranger pick-up for Cramlington Youth Project (£0.028 million)
- e) A 3.5ton Caged Tipper Vehicle for NEAT Berwick (£0.041 million)
- f) Mini Excavator with attachments for Technical Services to support the increasing numbers of electrical vehicle charging points being installed across the county by the EV Charging Infrastructure team (£0.024 million)
- g) Nissan eNV200 Electric Van for Housing (£0.025 million)

Overall Fleet Replacement Budget: £10.131 million

A budget summary for the 2021/22 fleet replacement capital programme is shown in table 1 below.

Table 1

Description	2021/2022 £m
Approved within MTFP	7.932
Reprofiling from previous year	2.199
Total Available Budget	10.131
Mid-year Review reprofiling and reflected in 2022-23 MTFP	(3.292)
Revised Budget	6.839
Actual Expenditure	6.487
Reprofiling at 31st March 2022	0.352

A) Actual Expenditure incurred (up to 31st March 2022): £6.487 million

121 Vehicles have been delivered to fleet users. Service critical vehicles were prioritised on the programme to ensure there was no impact to front line delivery including:

- 10 Refuse Trucks
- 7 x Caged Tipper Vehicles
- 4 x 18ton Gritters with quick release tipper bodies for dual use (summer - highways maintenance; winter – salting)
- 13 Ride on Mowers
- 2 x Pavement Sweepers
- 12 x Tipper Vehicles for road maintenance and street cleansing

B) Vehicles Ordered with Suppliers: £2.530 million

There were 73 vehicles ordered with suppliers that did not get delivered before 31st March 2022.

These vehicles include:

- 4 x 18ton Gully Emptiers (now delivered)
- 6 x Pavement Sweepers (now delivered)
- 2 x 26ton with Gritters/Surface Dressing Bitumen Tank Bodies
- 1 x 18ton Hotbox Vehicle for highway repairs

- 58 x Large Panel Vans for Housing

C) Vehicles with Procurement: ~ £0.001 million

The Procurement Team are in the process of procuring a scrub deck attachment that fits to the new pavement sweepers with Neighbourhood Services SE

D) Vehicles In Progress: ~£3.029 million

Fleet are finalising 116 vehicle specifications with service users, sourcing manufacturers and body convertors.

They include:

- 12 x Ride On Mowers.
- 15 x 3.5ton Tippers with various cab options
- 1 x Chipping Spreader to support Surface Dressing Programme in 2023
- 7 x 7ton Tippers including Countryside Woodland Arborists
- 38 x large panel vans – potential EV replacements
- 3 x 3.5t Caged Vehicles – potential EV replacements
- 19 small vans - potential EV replacements

E) Rescheduled Replacements: ~£2.248 million

This figure is the budget to replace 75 vehicles that could not be progressed and agreed with services before the 31st March 2022 due to:

- Electric Vehicle Review
- Weight capacity review
- Uncertainties within the service
- Utilisation reviews.
- The scheduled replacement date being moved forward to the next financial year following vehicle condition assessment.

The Fleet team work closely with Finance and Procurement staff and review progress with delivery of the fleet replacement programme on a monthly basis and profiling of spend against budget estimates, with this information feeding into the Council’s budget monitoring and reporting arrangements.

Implications

Policy	Challenging service users over both need to replace and the specification of the vehicles and plant required helps to ensure that the Fleet Replacement Programme supports the Corporate Plan objectives of innovation to deliver improvements in service delivery and efficiencies, and the Council’s climate change action plan targets.
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Finance value and for money	<p>The timely replacement of vehicles and plant as they reach the end of their economic life ensures value for money. The use of framework contracts and packaging of vehicle supply requirements to cover several years provides economies of scale, ensures that the most cost-effective means of obtaining new vehicles and plant are being used.</p> <p>The use of NCC capital to purchase vehicles rather than using finance lease arrangements has proven to be highly beneficial in responding to the issues faced during the pandemic, with NCC securing significantly better than forecast resale values at auction and minimising the risks associated with negotiation of extensions to leases.</p> <p>HVO is anticipated to cost an additional ~12% more but may be offset by improved mpg but this will be determined following the trial.</p>
Legal	None
Procurement	Close working arrangements are in place between Procurement and Fleet Management to ensure the delivery of the programme. All procurement activity is undertaken by the corporate Procurement Team in accordance with legal and constitutional requirements.
Human Resources	None
Property	Additional EV charging infrastructure has been installed at the Council's depots to facilitate the increased use of EV fleet vehicles.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	None
Risk Assessment	The main risks associated with the fleet replacement programme are the delay in replacement of vehicles/plant that are critical to service delivery. Robust arrangements are in place to manage and mitigate these risks, there have been no adverse impacts for service provision associated with vehicle delivery arrangements in 2021/22.

Crime Disorder &	All new vehicles are fitted as standard with a GPS tracking device, speed limiters and, where suitable, in cab driver behaviour devices and digital cameras.
Health and Wellbeing	Providing fit for purpose vehicles will impact positively on musculoskeletal health.
Customer Consideration	New vehicles are branded with the new NCC livery so that customers and the general public are aware that it is NCC staff/vehicles that are being used to provide services to them.
Carbon reduction	The Council's vehicle fleet uses £3.037 million worth of fuel each year. Ensuring that the fleet is modern, well maintained and robustly managed is vital if the Council wishes to reduce its carbon impact from the provision of services. The Council already utilises electric vehicles for pool cars within the fleet and is in the process of replacing its small diesel vans with full electric models, and continues to investigate the viability of replacing larger types of vehicles with full EV as new commercial vehicle models become available. Low carbon fuel (HVO) is also being trialled as a replacement for diesel as a transitional approach to greening the fleet.
Wards	All

Background papers:

None

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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