



Cabinet

Item
11(i)

23 November 2020

Report of	Assistant Director Environment	Author	Robert Doran ☎ 282612
Title	Request for Delegated Authority for the Procurement of Fleet for Helpline, Neighbourhood Services and Pest Control.		
Wards affected	All Wards		

1. Executive Summary

- 1.1 This report is to agree the options for the purchase or contract hiring of twenty one vehicles which will include small and medium sized vans, cars and 4x4 pickup trucks for the reasons set out in this report, and to delegate authority to purchase or contract hire the vehicles depending on the outcome of the procurement process and provided that costs are met within agreed budgets.
- 1.2 This procurement exercise is the first phase in the Council's ambitious plans to transition to a zero-carbon fleet by 2030. Most vehicles, as part of this exercise will be replaced with electric vehicle (EV) or hybrid alternatives as part of the Council's commitment to tackle the climate emergency.

2. Recommended Decision

- 2.1 To give authority to the Chief Operating Officer, in consultation with the Portfolio Holder for Waste, Environment and Transportation to purchase or contract hire twenty one vehicles, including electric and or hybrid for the reasons set out in this report, and providing the costs can be met from within agreed budgets.

3. Reason for Recommended Decision

- 3.1 The current fleet is coming to the end of the existing lease hire so for operational reasons the Council will need to purchase/lease replacement vehicles.

- 3.2 Due to the types of vehicles and stages within the timescale for procurement in 2020 it is recommended to delegate authority to the Chief Operating Officer in consultation with the Portfolio Holder for Waste, Environment and Transport, to purchase or contract hire the twenty one vehicles, to ensure that there is no risk to the delivery of core Council services.
- 3.3 The Council will carry out a procurement exercise through a specialised framework to determine whether the option to purchase or contract hire is the most cost-effective option.

4. Alternative Options

- 4.1 The Council could continue to extend the lease hire for existing vehicles, however the extended hire agreement will include conditions relating to damage or failure of any major vehicle components (e.g. engines, gear boxes etc). Due to the age, wear and tear of vehicles such component failure is likely and presents additional risk in terms of finance and operational resilience.

5. Background Information

- 5.1 The Council operates a range of 'small' fleet, which enables the Council to undertake activity and duties across a range of teams and services including, Neighbourhood Wardens, general street cleansing and maintenance, Country Park operations, Pest Control and the Helpline service.
- 5.2 Without a regime of vehicle replacement for services identified above, the Council will not be able to deliver a satisfactory service to residents, visitors, and businesses.
- 5.3 The Council has a responsibility to ensure that all fleet complies with national standards, is adequate in terms of capacity, is reliable and is fit for purpose to deliver against the agreed outcomes for the service.
- 5.4 The Council has a repair and maintenance contract with an existing provider, however the level of wear and tear on these vehicles means they are increasingly unavailable as and when necessary repairs and maintenance is undertaken (as to be expected with vehicles of this age, character and mileage). This impacts negatively on service provision and resilience. The majority of small fleet vehicles are at least seven years old and, in most cases, the existing contract hire arrangement has been extended. This time has enabled the Council to consider and plan a more environmentally sustainable procurement in line with plans to transition to a zero-carbon fleet by 2030.
- 5.5 Lead time for the delivery of new vehicles is uncertain in light of the Covid 19 pandemic. In order to allow time for vehicles to be delivered a full procurement process and subsequent order needs to be progressed as soon as possible. The Council has agreed a short extension period for most of the

existing small fleet with the current provider to ensure services are unaffected throughout this transitional period.

- 5.6 The Council is working with the Carbon Trust to develop a detailed Carbon Management Plan to 2030. This includes a strategy to transition to a fully EV fleet and the Council is working with experts at the Energy Savings Trust to develop this programme. In line with this strategic approach and following some soft market testing the procurement of low emission /EV vehicles for small fleet is considered viable operationally and financially, and it will be the first phase of the Council's plan to transition to a low carbon fleet over the next few years.
- 5.7 In pursuit of the best practicable environmental option for the vehicles considered in this report, electric vehicles are the Council's preferred choice. Other options have been carefully considered taking into account the impact on operational viability.
- 5.8 The Helpline service, covers North East Essex (Colchester and Tendring) on a twenty-four-hour basis. It is a critical service for vulnerable members of the community. To deliver this service, the fleet needs to provide absolute reliability and certainty. Having considered usage and vehicle charging times in relation to demand and call outs, there is a risk that reliance on fully electric vehicles may jeopardise service resilience and response times. For this reason, hybrid vehicles are being recommended that better match operational need at this time and which will provide a significant improvement on the current diesel vehicles in terms of environmental performance.
- 5.9 Neighbourhood Services operate two Land Rovers supporting operations in Castle Park and Highwoods Country Park. At this time there are no viable electric or hybrid 4x4 pick-up truck alternatives and as such it is proposed to procure replacement combustion engine vehicles to the latest emission standard. Should these vehicles be purchased through the procurement process they will be subject to continual review and earmarked for replacement as the EV market for 4x4 pick-ups develops.
- 5.10 Alongside the proposal set out in this report the Council is undertaking a separate project under the capital works programme to provide the necessary charging infrastructure at Rowan House to support the transition to EV for this section of the Council's fleet. This is subject to a separate capital works programme report (Reference Agenda Item 9(iv) - Capital Expenditure Progress and Programme Update). As such the Council will only award a contract for EV fleet if it provides best value and the necessary funds for infrastructure have been agreed.
- 5.11 Rowan House has been identified as the best location for the installation of the infrastructure, as the Shrub End depot requires significant electrical supply investment. Rowan House was pre-surveyed earlier in 2020 and it is believed that the required 20 chargers will be achievable. The works will cost £114,000 and it is anticipated that £14,000 will be secured through the Office for Low

Emission Vehicles (OLEV) workplace charging grant scheme for the charging units.

- 5.12 Further investment is also set aside under the capital works programme to improve the Shrub End Depot site. This includes initial 'future proofing' site works to enable the full electrification of all fleet including heavy goods vehicles. In order to have a power supply with capacity to charge the whole fleet a separate substation will likely be required. The cost implications and timeframe for this work will be set out in the Council's new Carbon Management Plan which is in development.

6. Procurement

- 6.1 The Procurement Partnership Limited (TPPL) Framework will be used for the small fleet, due to the expertise and knowledge provided by the team. This will also ensure compliance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.
- 6.2 Working with TPPL will enable us to incorporate supplier commitments to provide social value benefits in a way that is proportionate to the size and nature of any particular vehicle purchase.

7. Equality, Diversity and Human Rights Implications

- 7.1 The relevant Equality Impact Assessment for the Council's Procurement Strategy can be found [HERE](#)
- 7.2 Through the Council's procurement strategy, staff will ensure that all procurement and purchasing documentation recognises, understands, and supports the Council's policies with regards to equal opportunities, diversity and human rights.

9. Strategic Plan References

- 9.1 Fleet operations are a key element of the way the Council delivers its services to residents and businesses and therefore underpins much of the activity that will deliver against the strategic priorities. Fleet operations within the context of the Council's 'Climate Challenge and Sustainability' Strategic Priority are considered within section 16 of this report.

10. Consultation

- 10.1 The Council have been in consultation with the Energy Savings Trust regarding the implementation of EVs and the infrastructure required to charge these vehicles.

- 10.2 Frontline staff and service managers involved in the operational management of core services that require fleet vehicles have been consulted and will continue to be involved at all stages of the procurement and selection process to ensure that vehicles are fit for purpose and appropriate.
- 10.3 Demonstration EVs have been tested with teams and the feedback received was extremely positive. Drivers will experience a calmer driving experience in new quieter vehicles with less vehicle downtime due to the reduction in engine components.
- 10.4 There are no further direct consultation requirements over and above the process of publishing procurement awards.

11. Publicity Considerations

- 11.1 The introduction of EV and hybrid fleet vehicles is a demonstration of the Council's commitment to tackling the Climate Emergency and demonstrates positive progress on the journey to being net zero carbon for Council operations by 2030.
- 11.2 The vehicle fleet underpins many of the Council's core frontline teams and is a highly visible asset out in communities supporting services that benefit residents, local businesses and visitors to Colchester.

12. Financial implications

- 12.1 In 2018/19, the Council decided to move away from the more expensive option of lease hire to direct purchase via borrowing, resulting in significant savings to the Council.
- 12.2 The EV charging infrastructure is subject to a separate Capital Investment Programme bid and there will be associated revenue impact for the hosting, back-office support and on-going maintenance of the charging units. These costs are estimated at £10,400 per year but vary per supplier and will be identified and costed fully during the procurement process.
- 12.3 A review of the current electrical tariffs at Rowan House will be undertaken to allow the Council to take advantage of off-peak tariffs as most vehicle charging will take place overnight.
- 12.4 The estimated purchase costs are taken from soft market testing therefore these will need to be re-costed once the tender process has been undertaken. It is estimated that the vehicles will have an operational life of 7 years and costing information has been applied to these vehicles on this basis.
- 12.5 The Council would acquire outright ownership of the vehicles at the outset and would make a one-off payment to the supplier. The current 21 leased vehicles would be returned, and the Council would be required to repay the borrowing costs of the new vehicles over the operational life of the assets.

Estimates at the time of writing this report indicate that Public Works Loan Board (PWLB) interest rates of approximately 2.5% would be applicable over the 7 years.

- 12.6 Based on soft market testing, the total capital expenditure required for approval is £726,000 for 21 vehicles. The revenue implications based on the soft market testing are detailed below.

	Estimated revenue cost per Year
Minimum Revenue Provision for vehicles (£726k capital borrowed repaid in 7 equal annual instalments)	£103,729
Interest Costs for vehicles	£18,153
Minimum Revenue Provision for infrastructure (£100k capital borrowed repaid in 7 equal annual instalments)	£10,000
Interest Costs for infrastructure	£2,500
Vehicle maintenance	£26,220
Additional electricity cost (estimate and subject to negotiation)	£3,300
Hosting, back-office support and on-going maintenance of the charging units	£10,400
Fuel savings by conversion to electricity	-£8,800
Existing budget	-£86,600
Total additional cost	£78,902

- 12.7 The current 2020/21 leasing budget for the 21 vehicles stands at £86,600 therefore there is a shortfall of £61,502 a year. As part of the move to electrifying the fleet, a further revenue saving would be achieved from the reduction in fuel. This saving is estimated to be approximately £8,800. However, there is estimated increased electricity costs. As it is unknown what the total usage of electricity will be, an estimate of £3,300 is anticipated based on current fuel expenditure. A review of the current electrical tariffs at Rowan House will take place. This will allow the Council to take advantage of off-peak tariffs as most vehicle charging will take place overnight and as a result there may be a saving to be made on the anticipated increase in electricity. There will be a revenue impact for the hosting, back-office support and on-going maintenance of the charging units themselves of approximately £10,400 pa. These are estimated costs, as these vary per supplier but will be identified and costed fully during the procurement process. The additional cost of the proposal is £78,902 that will need to be funded by savings or reductions in the number of vehicles purchased.

- 12.8 A report provided by the Energy Savings Trust includes whole life cost modelling based on a five-year time frame. Five years is the maximum period that can be modelled as it is the longest time frame the data suppliers will predict residual values and service costs for. The Council operates vehicles over a seven-year period and this retention policy will materially impact in favour of light commercial vehicles. This is because the financial case for electric vehicles is improved, the longer a vehicle is on fleet, as it allows the lower operating costs to gradually write off the initial higher capital cost of the asset over time.

13. Health, Wellbeing and Community Safety Implications

- 13.1 These new vehicles should contribute to staff wellbeing as the vehicles will be more reliable meaning less downtime in fulfilling daily duties. They are also quieter which creates a more comfortable and relaxing driving experience.
- 13.2 Most of the small fleet will be electric with additional hybrids reducing the Councils carbon footprint. This will improve air quality and reduces air pollution leading to better health of workers and residents supporting improved wellbeing outcomes.

14. Health and Safety Implications

- 14.1 The Council has a corporate responsibility to ensure that all fleet and transport operations comply with national standards.

15. Risk Management Implications

- 15.1 By not undertaking a procurement process, the Council would be contravening the contract procedure rules of the Council, therefore making any award decision challengeable by other potential suppliers.
- 15.2 This procurement exercise will be undertaken to ensure the Council can demonstrate that a robust process has been followed and is contracting with a supplier to provide best value and to ensure continuity of service.
- 15.3 The Council will seek to mitigate against any potential risks by following the compliant procurement process and ensure contingency plans are in place for any failure of vehicles that may impact on core services.
- 15.4 Without the procurement of these vehicles the Council would be unable to undertake effectively relevant statutory duties under the relevant Public Health Acts, Prevention of Damage by Pests Act 1949, Environmental Protection Act 1990 and the Clean Neighbourhoods and Environment Act 2005.

16. Environmental and Sustainability Implications

- 16.1 The decommissioning of the existing small fleet, which contain diesel engines and replacing with new EVs or hybrid alternatives will produce less hydrocarbons plus nitrogen oxides. This brings benefit to public health and the environment and will reduce CO₂ emissions, which falls under the Directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles. The reduction in emissions produced by replacing the existing diesel vehicles with new EVs and hybrid alternatives is estimated to be 123.3 tonnes of CO₂e (over 10% of the emissions reductions anticipated from full fleet electrification, identified in the Carbon Trust pathway modelling report in August 2020). This is based on the annual mileages for the electric and hybrid vehicles being the same as those for the existing fleet in 2019/20. The Council will also see a saving over the whole life costs of the vehicles due to reduced maintenance costs and a reduction in fuel volume required to run the EV and hybrid vehicles.
- 16.2 Keeping EVs for longer does not have a negative impact on either Green House Gas emissions or air quality, which is the opposite of what occurs with older, internal combustion engine vehicles. Research suggests that electric vehicles are also more reliable and enjoy fewer maintenance issues.
- 16.3 The fleet contract will include obligations on the contractor to ensure that the Council is kept informed about the latest environmental technology innovations.
- 16.4 The Council will constantly investigate and identify alternative options to improve the environmental impacts of the Council's fleet and will seek opportunities to trial new technology in line with the net-zero Carbon target.
- 16.5 A report about the conversion of the Council's fleet to electric, and the development of a transition strategy based on a review commissioned by the Energy Savings Trust is due to be presented to the Council's Environment and Sustainability Panel in December.