

## **VEHICLE AND PLANT REPLACEMENT PROGRAMME 2022/23 AND 2023/24**

### **1. RECOMMENDATIONS**

- 1.1 That the Cabinet recommend that Council approve a 2023/24 Vehicles and Plant Replacement budget of £2.400 million, to accommodate the purchases originally intended to be made in 2022/23, whilst noting the revenue implications to be picked up within the Council's Medium Term Financial Plan.
- 1.2 That the Cabinet note the intention to present the broader replacement programme for 2023/24 as part of the Council's Medium Term Financial Planning.

### **2. INTRODUCTION**

- 2.1 The Council's vehicles and plant (V&P), required for frontline services, are replaced according to an annual programme which is set as part of the Council's annual budget process.
- 2.2 The replacement programme for 2022/23 has been reviewed in light of procurement requirements and extended vehicle lead times, and this review indicates that 42% of the planned spend on replacements will not be achieved within the current financial year.
- 2.3 Through the Financial Monitoring Report presented to the Cabinet in July, some items originally due replacement in 2022/23 have been rephased to 2023/24.
- 2.4 Latest market testing has shown significant increases in prices, which will affect the size of the budget required in 2023/24. Council approval is needed so that the procurement and ordering of these assets can be progressed.
- 2.5 As part of its commitment to the Climate and Nature Emergency, the Council is also considering its options for alternative fuels.

### **3. BACKGROUND**

- 3.1 The Council has a fleet of 265 vehicles and plant items, which deliver operational services, primarily:
  - Waste and Recycling
  - Housing Maintenance
  - Streetscene & Grounds Maintenance
  - Parking Enforcement and Engineering Works
- 3.2 These assets are procured and maintained by the Council's in-house Transport department. All assets are placed on the overarching replacement programme, with assets being replaced at the end of their economic life (which considers individual maintenance records as opposed to being purely time driven).

- 3.3 The budget for replacement vehicles and plant in 2022/23 was agreed as part of the Medium-Term Financial Plan and Annual Budget report to Cabinet in February 2022. The original budget for 2022/23 was set at £3.081 million. This was made up of a gross £3.581 million total programme cost, with a £500,000 rephasing adjustment included.

#### 4. CHALLENGES IN DELIVERY OF THE V&P REPLACEMENT PROGRAMME

##### Timelines

- 4.1 The original 2022/23 programme was large and complex with over 80 individual assets due for replacement. Many of these assets include ancillary equipment including racking and tracking, which must be accounted for in individual specifications and agreed with the end-user departments. As explained further in 4.3, there was also an issue with one of our appointed suppliers which has led to a delay in the procurement of some assets.
- 4.2 The vehicle manufacturing sector has suffered from lengthening lead times for the supply of assets from point of order, as a result of covid-19 and Brexit and more recently the war in Ukraine. The council assesses lead times as part of the procurement process, but the recent changes in lead times are significant - for example:

Item	Approx. lead time 2019	Approx. lead time 2022
Panel van (transit size)	16 weeks	48 weeks
Refuse collection vehicle (HGV)	26 weeks	54 weeks

- 4.3 These lead times mean that it is becoming increasingly difficult to both order and receive new assets within the same financial year. The Council has also had issues in collaborating with the winning tenderer for most of the Light Commercial Vehicles (LCV's). This tenderer could not fulfil the required specification at the tendered price, leading to the contract being cancelled and the procurement process restarted.
- 4.4 As a result of these delays, some assets due for replacement in 2022/23 need to be re-phased into 2023/24. Net rephasing of £1.281 million was included within the April - June Financial Monitoring Report, presented to the Cabinet on 29<sup>th</sup> June 2022, leaving a budget for 2022/23 of £1.800 million.

##### Pricing

- 4.5 The current rate of inflation and the global pressures mentioned earlier are leading to a significant increase in cost for some items that will be rephased into 2023/24. The average price change for these items is +33%. The implications of this are shown in section 6.
- 4.6 The Council has two options for the award of contracts for the items that have been rephased to 2023/24;

1. **A Direct Award** – uses a Framework that has been set up to allow other Authorities to direct award. It can be used by NFDC to get quotations and award directly to the highest ranked supplier under the relevant Lot of the Framework that the vehicle requirement falls under. The highest-ranking

supplier has been scored by the framework organisers; The Procurement Partnership Ltd (TPPL) and Hertfordshire County Council (HCC). The scores are based on cost and quality. Using the top ranked supplier mitigates the risks of further delays and provide the service the organisation expects.

2. **Use a framework to run a Mini Competition**, will involve another Tender exercise which will take two to three months to set up, advertise score and award. This will increase the time for the replacements to arrive. This would allow the council to reassess quality and prices but may not result in an overall benefit.

- 4.7 Based on the dynamic set of circumstances that NFDC have and is enduring, the Direct Award option will be adopted.
- 4.8 The full scope of the 2023/24 replacement programme will be worked up over the summer and into the early Autumn, with a view to gaining Council approval within the Council's Medium Term Financial Planning for the original programme budget for 2023/24 in advance of February 2023. Ahead of that, this report seeks approval for a 2023/24 budget, to accommodate the replacement of the V&P rephased from 2022/23.
- 4.9 The replacement programme will consider the impending revised waste collection service to be rolled out following the adoption of the new Waste Strategy and will include a review of low-emission alternatives to traditional diesel vehicles.

## 5. FINANCIAL IMPLICATIONS

### Capital

- 5.1 The table below shows the status of the 2022/23 replacement programme, along with the status of the 2023/24 forecast, relating to the rephased vehicles from 2022/23:

	2022/23	2023/24
	Budget	Budget
Original 2022/23 Programme Total	3,581,000	
Original Rephasing Allowance	(500,000)	500,000
<b>Original Budget Set February 2022</b>	<b>3,081,000</b>	<b>500,000</b>
Rephasing - April - June FM Report from 2022/23	96,000	
Rephasing - April - June FM Report into 2023/24	(1,377,000)	1,377,000
<b>Latest Approved Budget</b>	<b>1,800,000</b>	<b>1,877,000</b>
Inflation Adjustment Required	0	523,000
<b>Total Forecast Cost - Rephased 2022/23 Vehicles</b>		<b>2,400,000</b>

- 5.2 At this stage therefore, Cabinet are being asked to recommend Council approve a 2023/24 Capital Budget of £2.400 million, to ensure vehicles originally intended for replacement in 2022/23 can be procured and replaced in 2023/24. It should also be noted that this budget is based on most recent market information available, but the price of individual items will not be known until the procurement process is complete.
- 5.3 As outlined in paragraph 4.8, the broader Capital budget for 2023/24, to consider the V&P scheduled for replacement in 2023/24 will be brought back to the Cabinet and onto Council through the Council's Medium Term Financial Plan.

## **Revenue**

- 5.4 Due to the increase in prices as shown above, there is a knock-on implication to the revenue budgets (split between GF and HRA) as the costs of the Vehicles are depreciated over the period of their useful economic life. The full impact of the additional £523,000 capital outlay required is approximately £90,000 in a full year.
- 5.5 The next Financial Monitoring Report will pick up on the revenue implications to 2022/23 as a result of the rephasing's into 2023/24. The Medium-Term Financial Plan will pick up on the impact of the increased costs in the 2023/24 programme.

## **6. CRIME & DISORDER IMPLICATIONS**

- 6.1 There are none

## **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 The council declared a Climate and Nature Emergency in 2022. Reductions in council vehicle emissions are a key element of this work. One of the criteria assessed when scoring vehicle/plant tenders from suppliers is the level of CO2 emissions in grammes per km. This leads to lower emissions being scored higher. Suppliers are also asked to describe how the vehicle/body can be made more environmentally friendly.
- 7.2 The council is also running a trial using Hydrogenated Vegetable Oil (HVO) in a small number of vehicles in the existing fleet. HVO should lead to lower emission levels compared to diesel fuel. This trial will provide data on vehicle efficiency, emissions, and costs.
- 7.3 Opportunities for vehicles with lower emission levels are currently being explored by an officer working group which will report its findings later in 2022.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

- 8.1 There are none.

## **9. DATA PROTECTION IMPLICATIONS**

- 9.1 There are none.

## **10. PORTFOLIO HOLDER COMMENTS – ENVIRONMENT AND COASTAL SERVICES**

- 10.1 This comprehensive report describes the challenges that the Council faces with the Vehicle and Plant programme. Some vehicle replacements will take longer than planned impacting on budgets for next year. This situation cannot be avoided but I am confident that our officers are making the right recommendations.
- 10.2 I am pleased that the Council continues to demonstrate its commitment to the Climate and Nature Emergency and that options for alternative fuels are being investigated.

## **11. PORTFOLIO HOLDER COMMENTS – FINANCE, INVESTMENT AND CORPORATE SERVICES**

- 11.1 Within the vehicle plant and replacement programme we face a number of challenges the first being that of supply, recent global events have resulted in a shortage of raw materials with an inevitable knock on effect with delivery dates. As with any shortage of supply there is also an impact on price further exasperated by the rising level of

inflation resulting in a significant increase in price. Our third, although slightly less challenging issue, is the change to vehicle and plant to reflect this Council's commitment to reducing its carbon footprint and the use, where possible, of renewable and greener energy.

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**Background Papers:**

None