

VEHICLE AND PLANT REPLACEMENT PROGRAMME**1. RECOMMENDATIONS**

1.1 Cabinet recommend that Council approve:

- A supplementary budget of £126,000 for the revised budgets for Vehicles and Plant Replacement Programme for 2023-24
- A revised budget of £2.102 million for the Vehicle and Plant Replacement Programme for 2024-25.

1.2 Cabinet note the intention to develop a new fleet strategy, which will set the future approach to the replacement of our assets, capturing the opportunities to reduce emissions in line with the declared Climate and Nature Emergency.

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 2023/24 has been reviewed in light of increasing costs, procurement requirements and extended vehicle lead times. Some items originally due replacement in 2023/24 will necessarily need to be rephased to 2024/25.

2.3 Latest market testing has shown continued 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.

2.4 As part of its commitment to addressing the Climate and Nature Emergency, the Council is also developing a new fleet strategy.

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 2023/24 was agreed as part of the Medium-Term Financial Plan and Annual Budget report to Cabinet in February 2023.

The original budget for 2023/24 was set at £3.212 million, including £150,000 of fleet upgrades needed for the waste strategy implementation.

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

Timelines

- 4.1 The original 2023/24 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.
- 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 current lead times are significant - for example:

Item	Approx. lead time 2019	Approx. lead time 2023
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. In February 2023, the replacement programme for 2 years was approved, giving an improved chance of completing the 24-25 programme on schedule.
- 4.4 For now, some assets due for replacement in 2023/24 need to be re-phased into 2024/25.

Pricing

- 4.5 Material costs have been increasing, along with energy. This has caused prices to rise on a regular basis, making budgetary forecasting difficult. The current rate of inflation and the global pressures are leading to a significant increase in cost for some items. It is clear that, although prices have risen, demand is still at the same level. For the items in the revised 23-24 replacement programme that have not yet been ordered, there is on average an expected 20% increase in cost. The implications of this are shown in section 6.

5. FLEET STRATEGY

- 5.1 Reduction in emissions from the NFDC fleet will play a part in the Council's Climate Emergency Action Plan. Currently the majority of the fleet and heavy plant are diesel engines, with 4 small electric vans and an increasing proportion of battery powered tools. HGV's account for 56% of the emissions, despite representing only 9% of the vehicles, plant and tools that are required to operate frontline services.
- 5.2 The four small electric vans are used by the Public Conveniences and Enforcement teams. The 4 electric vehicles have been reliable and cost less to maintain than the diesel equivalent, with an average annual saving on Service, Repairs and Maintenance (SMR), fuel and tax of £1,600 per vehicle.

- 5.3 The vehicle charging infrastructure at the Council’s Marsh Lane Depot in Lymington is currently at capacity. The likelihood is that significant investment will be required to allow a greater proportion of the fleet to be considered for electric vehicle replacement. There is currently no electric vehicle charging infrastructure at the depot in Ringwood. The new depot at Hardley, due for completion in 2024, has been designed with underlying infrastructure in place to allow for installation of charging points in future.
- 5.4 Consideration of the following is needed:
- Options for emissions reduction in the wider fleet, considering electric, hydrogen and lower emission hydrocarbons such as Hydrogenated Vegetable Oils
 - Relative costs of alternatively-fuelled vehicles and plant and their diesel equivalents
 - Cost of investment in depot infrastructure
 - Options for non-depot-based fleet, such as Housing Maintenance vehicles
- 5.5 A fleet strategy will be developed which will account for the issues above. This strategy will be completed for February 2024.

6. FINANCIAL IMPLICATIONS

Capital

- 6.1 The table below shows the status of the 2023/24 replacement programme, along with the status of the 2024/25 forecast, relating to the rephased vehicles from 2023/24:

	2023/24	2024/25
	Budget	Budget
Original Replacement Programme	3,062,000	1,309,000
Original Waste Strategy	150,000	
Original Budget Set February 2023	3,212,000	1,309,000
Rephasing due from 2022/23	106,000	
Rephasing to be moved into 2024/25	(556,000)	556,000
Latest Budget	2,762,000	1,865,000
Savings identified within the programme	(48,000)	
Inflation Adjustment Required (replacement programme)	174,000	237,000
Inflation Adjustment Required (waste strategy – see note 6.3)	43,000	
Total Forecast Cost	2,931,000	2,102,000

- 6.2 Cabinet are being asked to recommend Council approve a Supplementary Budget of £126k, with a total budget of £2,931k. The revised 2024-25 budget is £2.102 million (a net increase of £237k). 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.
- 6.3 In July, the Portfolio Holder for Finance and Corporate Services approved a supplementary budget, as per the Council’s Financial Regulations, for 5 bin lifts which are to be added to existing vehicle assets as part of the transition to wheeled bins for garden waste collections. The cost of each of these additional assets

increased from £26k to £34.5k, leaving a requirement for a £42,500 supplementary budget. Subsequently, the opportunity arose to consider an alternative electric bin lift. Such lifts will save on fuel and would be self-funding over a 5-year period. The additional purchase cost of these lifts (£42.5k in total) will be met through existing budget allocated to sustainability projects.

Revenue

- 6.4 Due to the increase in prices as shown above, there is a knock-on implication to the revenue budgets (split between General Fund and Housing Revenue Account) as the costs of the Vehicles are depreciated over the period of their useful economic life. The full impact of the additional £169,000 capital outlay required is approximately £30,000 in a full year.
- 6.5 The next Financial Monitoring Report will pick up any revenue implications to 2023/24 as a result of the rephasing's into 2024/25. The Medium-Term Financial Plan will pick up on the impact of the increased costs in the 2024/25 programme.

7. CRIME & DISORDER IMPLICATIONS

- 7.1 There are none.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1 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.
- 8.2 The future fleet strategy will set out the long-term approach to emissions reductions.

9. EQUALITY & DIVERSITY IMPLICATIONS

- 9.1 There are none.

10. DATA PROTECTION IMPLICATIONS

- 10.1 There are none.

11. PORTFOLIO HOLDER COMMENTS – ENVIRONMENT AND SUSTAINABILITY

- 11.1 The Council's fleet of vehicles and plant is essential to allow us to provide key services to the public across the district, including waste collection, street cleaning and housing maintenance. The revisions to the replacement programme within this report will ensure we can continue to develop our fleet, and I am particularly keen to see how the future fleet strategy will help the Council to reduce it's vehicle emissions as part of the Climate and Nature Emergency.

12. PORTFOLIO HOLDER COMMENTS – FINANCE AND CORPORATE

- 12.1 As outlined in the report, the vehicle manufacturing industry as a whole continues to present challenges in terms of lead times and rising costs. Therefore it is necessary to readjust the replacement programmes for this year and next year, and I support the request for supplementary budget in light of the market issues. Through efficient use of our vehicle resources, timely maintenance and effective procurement we will continue to ensure that costs are minimised as far as possible, whilst ensuring our assets are fit for purpose for these essential frontline services.

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Background Papers:

None

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