

Brighton & Hove City Council

Policy and Resources Committee

Agenda Item 136

Subject: Fleet Procurement 2022-2023

Date of meeting: 12th May 2022

Report of: Executive Director Economy, Environment & Culture

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Fleet Strategy 2020-2030 sets out the council's approach to converting the fleet from diesel and petrol vehicles to low emission vehicles as part of the council's plan to become Carbon Neutral by 2030.
- 1.2 As part of this strategy, a nine-year replacement programme has been developed to exchange all diesel refuse collection vehicles (RCV) to electric powered or hydrogen powered as the technology becomes available.
- 1.3 This report sets out the procurement plan for City Environmental Management (CEM) for 2022-23 and seeks permission to enter into a contract to procure four electric powered side-loading RCVs at a value of £2.400m.
- 1.4 The report is also seeking authority to increase borrowing by £0.200m in 2022-23 to enable the purchase of new electric fleet for the recently insourced Toilet Cleansing Service.

2. Recommendations

- 2.1 That Committee delegates authority to the Executive Director of Environment, Economy & Culture, in consultation with the Chief Finance Officer, to enter into a contract up to the value of £2.400m for four electric powered side-lifting RCVs.
- 2.2 That Committee delegates authority to the Executive Director of Environment, Economy & Culture, in consultation with the Chief Finance Officer, to enter into future contracts for low emission RCVs up to a maximum value of £2.500m per year, or any alternative value approved by Budget Council as part of the Capital Programme, for the duration of the Fleet Strategy 2020 to 2030.

- 2.3 That Committee agrees that the use of the delegated authority as set out in 2.2 will be reviewed annually at Policy & Resources Committee as part of the Fleet Strategy Update report.
- 2.4 That committee agrees additional borrowing of £0.200m to purchase electric fleet required for the Toilet Cleansing Service.

3. Context and background information

- 3.1 The Fleet Strategy 2020-2030 was approved at Policy and Resources committee in January 2021.
- 3.2 This Strategy forms part of the council's carbon reduction plans by seeking to end the use of all petrol and diesel vehicles across the council by 2030. A nine-year vehicle replacement plan was developed for Cityclean vehicles, including RCVs.
- 3.3 In accordance with the strategy, the council replaces vehicles with non-fossil fuel powered vehicles only, other than in exceptional circumstances where this is not possible or practicable. The council currently owns 25 electric vehicles. Of this, two are standard RCVs and another two standard, electric RCVs are on order.
- 3.4 The report explained that the strategy would need to be iterative to be able to respond to emerging technologies and changes in the low emission vehicle market.
- 3.5 The replacement plan for 2022-23 has been amended in light of new technology. This is attached as appendix 1.

Side-Lifting RCVs

- 3.6 At the time of developing the vehicle replacement plan, the specialist side lifting vehicles used by Cityclean to empty 3200 litre communal refuse bins were only available in a diesel model. These RCVs are only used by one other local authority in the UK who has the same communal bins system as Brighton & Hove City Council. These bin systems and vehicle types are widely used in southern Europe where they are currently transitioning to LPG fuel rather than electric.
- 3.7 The council owns five side lifting diesel RCVs to service the city's communal bins, two of which are near end of life and a further two will need replacing as soon as possible. They currently cost, on average, £0.026m per annum to service and maintain. It is not possible to hire this truck type in the UK.
- 3.8 The vehicle replacement plan anticipated that the council would have to replace these vehicles in 2021-22 or 2022-23 in diesel type and then replace them with low emission type as technology advances in 2029-30. However, there is one company, Terberg, who are partnering with a UK company, Electra, to develop an electric model which is now available to order. These are the only manufacturers of electric powered side lifting RCVs in the world.

- 3.9 For procurement purposes, a direct award can therefore be made through an existing framework on the basis that this is a specialist item that is only provided by one supplier.
- 3.10 Production slots for all RCVs are extremely limited globally in the post pandemic market, with supplies of parts required for vehicle builds in very high demand. Further to this, the desire for all Local Authorities and other countries to accelerate towards carbon neutrality and low emission vehicles means the demand for production slots are extremely high and likely to become more competitive over the next 10 years.
- 3.11 If agreed, the council has provisionally secured four production slots for electric powered side lifting vehicles: two to be delivered in autumn 2022 and two in 2023-24. Each vehicle costs in the region of £0.580m. A Low Emission grant of up to £0.025m will be payable by the government for each of these vehicles.
- 3.12 The costs of this can be met from existing budget allocation and the vehicle replacement plan to 2030 would be adjusted accordingly.
- 3.13 While production slots have been provisionally agreed these will only be held for the council until the end of May 2022. If the council had not confirmed a decision to proceed by this date the slots will be released to another customer. This is reflective of the level of demand for new RCVs and in particular for electric RCVs in the current market. If the council were to lose these slots then it is highly likely that diesel RCVs will need to be purchased in order to replace the existing side lifting RCV fleet which is end of life. However with the degree of pressure in the market it is also possible that the council will not be able to source slots for diesel side lifting vehicles for some time. This could lead to service failure in relation to communal refuse collection.
- 3.14 While the costs of electric RCVs are much higher than diesel types (currently £0.325m for a diesel side lifting vehicle) the maintenance and fuel costs will substantially reduce. The business case for moving to electric vehicles was set out in the Fleet Strategy 2020-2030.
- 3.15 Electrical infrastructure at Hollingdean Depot is currently being upgraded to allow for the increased demand for electricity. Solar panels at the depot contribute to the electricity demands and there are plans for the number of solar panels to be increased as the depot site is redeveloped over the next two years.
- 3.16 It is estimated that the carbon saving arising from using four electric side lifting RCVs rather than diesel will reduce the council's carbon emissions by 10.5 tonnes per annum.
- 3.17 These RCVs are mainly used for collections in the city centre and operate for up to 11 hours a day. Transition to electric vehicles will therefore make a

substantial contribution to improving air quality in the low emission zone of the city.

- 3.18 In light of the new technology for these RCVs and the high cost of each vehicle, it has been agreed with the supplier to include a break clause in the contract after delivery and trial of the first vehicle. However, research and knowledge of previous work with these manufacturers gives a high level of confidence that the new electric side-lifting vehicles will be successful.

Delegations for the duration of the Fleet Strategy 2020-2030

- 3.19 This report is also recommending that authority is delegated to the Executive Director of Environment, Economy & Culture, in consultation with the Chief Finance Officer, to enter into future contracts up to the value of £2.500m per annum for new RCVs, which is the annual borrowing allowance for CEM fleet.
- 3.20 It is recommended that this is agreed for the duration of the strategy and in light of the high cost of individual electric RCVs and the volatility of the market, that mean that decisions have to be made quickly to secure production slots. Standard electric RCVs are currently marketed in the region of £0.390m. The CEM vehicle replacement plan seeks to purchase up to five RCVs per annum in future years.
- 3.21 All purchases are made in line with procurement regulations and contract standing orders, in most cases via mini competitions on existing frameworks.
- 3.22 A Fleet Strategy 2020-2030 update will be presented to committee in the autumn/winter 2022-23 with a progress update and setting out the CEM replacement plan for 2023-34.
- 3.23 The authority delegated to the Executive Director to enter into contracts up to a maximum of £2.500m per year would be reviewed annually by Policy & Resources Committee as part of the Fleet Strategy review. Further to this if there were to be a material change in circumstances a report would be brought to the Committee to review this delegated authority or seek specific approval for a proposed purchase.

Toilet Cleansing Service Fleet

- 3.24 This report is also requesting permission to increase borrowing by up to £0.200m for 2022-23 only in order to procure an electric fleet for the recently insourced Toilet Cleansing Service. A revenue budget has already been allocated to repay the additional borrowing.

4. Analysis and consideration of alternative options

- 4.1 Four side-lifting RCVs need to be replaced over the next 18 months in order to keep the communal bin collection service operational.

- 4.2 Consideration has been given to changing the bins system and phasing out these vehicle types replacing them with cheaper standard electric RCVs. However, this is not recommended as this would require smaller 1100 litre bins to be used on street which are not designed for this purpose and take up more public highways space. These bin types are already shown to be unsatisfactory for communal recycling collections and therefore it is not recommended that this approach is also taken for refuse collections.
- 4.3 Phasing out the communal bins altogether and returning to kerbside collections has been considered. It is not recommended that the council returns to kerbside collections in these areas as this would lead to substantial increased cost with more vehicles and staff required. Further to this, the kerbside collections in these areas were phased out due to a high proportion of these properties having limited or no storage space for refuse and this resulting in widespread debris being a constant issue in the city centre.
- 4.4 Purchasing of cheaper diesel side-lifting vehicles is an alternative option costing in the region £0.325m per vehicle. This would be with a view to replacing them with electric or another low emission fuel RCV by 2030. However, this is not recommended as the council has an opportunity to move to an electric type RCV now and failure to do so will mean that the city does not realise the benefits of lower emissions and cleaner air until a much later date.

5. Community engagement and consultation

- 5.1 The Fleet Strategy 2020-2030 involved consultation with councillors, council staff for all relevant departments and trade unions.
- 5.2 The strategy also drew on feedback provided to the council via the city's Climate Assembly.
- 5.3 The proposals in this report are fully aligned to the Fleet Strategy 2020-30.
- 5.4 Relevant Ciytclean driver representatives and their union representatives have been involved in reviewing the option of procuring this vehicle in electric and are in support of this.

6. Conclusion

- 6.1 The recommendations in this report have made in order to enable the council to transition to low emission fleet as quickly as possible, within budget limitations.
- 6.2 Delegating authority to enter into high value contracts, that are aligned to the Fleet Strategy and within budgeted allowances, will ensure that the Local Authority will not lose opportunities to move at speed and maximise the benefits for the city.

7. Financial implications

- 7.1 The cost of £2.400m for the four electric powered side-lifting RCVs would result in half the spend in 22/23 and the remainder in 23/24 based on the available production slots. Fleet and Maintenance have an annual Capital Budget for the procurement of vehicles of £2.500m. The capital budget is funded from unsupported borrowings for which there is permanent revenue budget for the annual repayments and interest.
- 7.2 Assuming the capital budget in 22/23 is fully spent in line with the Fleet Strategy, the borrowing costs are anticipated to be £0.401m pa over 7 years from 23/24. The recommendation to increase the year capital budget by £0.200m funded by unsupported borrowings would result in an increase to the borrowing costs of £0.032m pa over 7 years from 23/24. Together with the financing costs of the £2.500m budget, total borrowing costs will be incurred of £0.433m pa over 7 years from 23/24. The interest rates applied for the unsupported borrowing have assumed an increase to interest rates, however there is a risk that interest rates could increase further resulting in increased revenue costs.
- 7.3 The Low Emission grant will cover 20% of the purchase price, up to a maximum of £0.025m per vehicle. There are 100 grants available at this rate with up to 5 grants per organisation. If either limit is reached the council can apply for the next tier of grants at £0.016m or £0.005m depending on levels available. The grant received will be used to fund the capital budget ahead of any unsupported borrowings.
- 7.4 It is anticipated that the electric RCVs will result in lower maintenance and fuel costs to the service. Any significant variations to budget will be reported as part of the council's monthly budget monitoring process.
- 7.5 This report is also recommending that authority is delegated to the Executive Director of Environment, Economy and Culture, in consultation with the Chief Finance Officer to enter into future contracts up to the value of £2.500m per annum for new RCVs for the duration of the Fleet Strategy 2020 - 2030. This is supportable in revenue terms as the service has an annual revenue budget which provides for the capital financing costs (principal and interest) of unsupported borrowing of up to £2.500m each year. This delegation is therefore viable subject to inclusion of an annual capital investment sum in the capital investment programme and its approval by Budget Council as normal. If the approved capital investment sum is increased or decreased by Budget Council, the delegation will be aligned accordingly.

Name of finance officer consulted: John Lack Date consulted: 27/04/2022

8. Legal implications

- 8.1 The Council is required to comply with the Public Contracts Regulations 2015 (PCR) in relation to the procurement and award of contracts above the relevant financial thresholds. In the case of a goods contract this is

£213,477 (including VAT). Using a Framework is a compliant route to market. The Council's Contract Standing Orders (CSOs) will also apply to the procurement exercise referred to in the recommendation at 2.1. CSO 7.5 permits officers to select a supplier without the need for further competition where there is only one supplier capable of fulfilling the requirement. The CSOs and the PCR will apply to any procurements carried out pursuant to the delegation in the recommendation at 2.2.

- 8.2 The recommendations in this report have corporate policy implications as they are closely linked with the Fleet Strategy. This report has therefore been referred to Policy & Resources Committee (P&R) for a decision. Reports should usually go to the service committee prior to P&R but the constitution permits officers to take a report directly to P&R where (as in this case) this is impractical for timing reasons.
- 8.3 The procurement of the electric fleet required for the Toilet Cleansing Service will be authorised by officers in accordance with their delegated powers and shall be carried out in compliance with the CSOs and the Public Contracts Regulations 2015.

Name of lawyer consulted: Alice Rowland Date consulted: 27/04/2022

9. Equalities implications

- 9.1 There are no Equalities Implications arising from this report.

10. Sustainability implications

- 10.1 These implications are covered in the main body of the report

11. Other Implications

Social Value and procurement implications

- 11.1 This report has not been presented to Procurement Advisory Board because of the need to make a quick decision in order to secure production slots for these specialist vehicles. These vehicles can only be procured from a single supplier globally.
- 11.2 Procurement of these vehicles will contribute to improved and more reliable waste collection service from communal refuse bins in the city centre, seafront and other areas of the city.

Public health implications:

- 11.3 Procurement of these vehicles will reduce emissions in the city and particularly in central areas contributing to cleaner air and improved health outcomes.

Supporting Documentation

1. Appendices

1. CEM Fleet Replacement Plan 2022-23

2. Background documents

1. [Fleet Strategy 2020 -2030](#)
2. [Low-emission vehicles eligible for a plug-in grant - GOV.UK \(www.gov.uk\)](#)