

Meeting of the Highways and Environmental Services Select Committee – 21st September 2023

Report of the Acting Service Director - Neighbourhood Delivery

Transport Fleet Services

Purpose of report

1. To provide an update on the Council's Fleet service and consider the future options for its fleet management responsibilities, commensurate with the Council's financial and environmental policy objectives.

Recommendations

2. It is recommended that the Highways and Environmental Services Select Committee review the contents of this report and that any identified issues are referred to the relevant Cabinet Member and Acting Service Director to feedback and inform future decisions.

Background

3. Dudley's fleet operations currently provide a comprehensive vehicle fleet for all aspects of Council services. There are currently 450+ vehicles on the fleet, this is made up of a diverse range of vehicles from small car derived vans, light goods caged and tipper vans, tail-lift box vehicles, minibuses, roads and lighting maintenance vehicles, gritters, a range of bespoke refuse collection vehicles. In addition, there are also further items of heavy and handheld plant necessary to deliver our core services.

The current overall transport cost is in the region of £5.4 million, with fuel costs of £1.8 million per annum.

The current fleet asset value stands at circa £25 million pounds worth of vehicles and associated equipment.

With the lack of an effective fleet strategy and vehicle replacement program Dudley has found itself in a position with a fleet well over the optimum age, resulting in increased running costs, increased downtime which in turn has had a detrimental effect of the front-line services it supports.

The vehicles and associated equipment are maintained inhouse at the workshops at Lister Road Depot. Technicians and support staff are directly employed to provide all transport related services to stakeholders.

Transport is an enabler to front line services with the emphasis on providing the right vehicles and plant to ensure our employees can do their jobs, effectively in a safe, compliant, and sustainable way, covering the full working period of its customers to offer support to the wide range of assets to include: –

- 120 heavy vehicles covered under the O licence
- 280 light vehicles
- 12 road sweepers
- Over 40 items of plant and trailers
- 600 grounds maintenance assets

The current fleet has been previously purchased outright as this has been seen as the most cost-effective funding option mainly due to low interest rates. However, there are alternative funding options available that need to be explored. Consideration needs to be given as to whether investing money in a depreciating asset can be viewed as a disadvantage when the capital cost could be used to fund other areas of the business.

The existing fleet operation faces a tough challenge going forward as it depends essentially on Diesel as a single energy source currently powering the fleet, these vehicles emit significant quantities of CO2 combined with no electric vehicles currently acquired or in the pipeline. The fleet needs to be better utilised, enabling a reduction in numbers driving down the carbon emissions further whilst also improving the authorities financial position. Work has already taken place in reducing the size of the fleet with over 30 underutilised vehicles removed and not replaced from the fleet over the last 18 months.

The current strategy for fleet replacement has been to maximise the service life of the vehicles with a replacement cycle of 7 to 10 years depending on the variant, application and cost. Due to the geography of our operating area, the fleet does not operate to excessively high mileages, however many of the client service duty-cycles are onerous on ancillary equipment. The emphasis has very much been on undergoing

mid-life refurbishment to extend the life of the chassis and importantly retain the primary functional purpose of the specialist of the front-line vehicle. However, the replacement program has slowed down further, as a result of the pandemic, impending legislation, production slow-down, manufacturing lead times and fuel options consideration.

The current replacement program has resulted in vehicles on the fleet of more than 16 years old. Also, in the addition to this there has been further slippage on the replacement program as a result of a number of factors.

Due to the global pandemic, supply chain issues and rising fuel prices the vehicle price market has increased drastically. The availability of new vehicles has been reduced with the chip shortage holding up production in the industry driving prices up dramatically.

Making the change to an alternative fuel will come at a cost and will require large scale infrastructure investment and development. Most vehicles double in purchase price for an electric powered vehicle and are 4 times more to purchase the same vehicle in Hydrogen. Due to their early development, it is currently difficult to quantify vehicle total cost of ownership, performance, and fuelling needs of alternative fuel vehicles.

Policy Alignment

The UK has committed to net-zero carbon emissions by 2050. UK Climate Act, (amended 2019) Transport is currently the largest emitting sector of the UK economy, responsible for 25% of total UK greenhouse gas emissions. Over half the UK's transport emissions (52%) come from cars.

The intention is to phase out LGV diesels to be net zero by 2050 with the production of diesel trucks banned by 2040.

Electric vehicles (or EVs) offer one method of reducing emissions. In May 2019, the Committee for Climate Change (CCC) suggested that all new vehicles should be electrically propelled by 2035, if not sooner, to achieve the net zero target.

The UK Government is accelerating the transition to zero emission cars and vans. In November 2020, as part of the Government's 10 point plan for a green industrial revolution, the then Prime Minister announced that the sale of new petrol and diesel cars would be phased out by 2030 and that all new cars and vans would be zero emission by 2035.

EVs run, either partially or wholly, on electricity stored on board the vehicle in batteries or produced from hydrogen. Some types of EV qualify

as zero emission vehicles (ZEVs) or ultra-low emission vehicles (ULEVs), whereas others do not because their emissions are too high. ZEVs, for example, emit no CO₂ emissions at the tailpipe, whereas ULEVs must have reported tailpipe emissions of less 75 g/km of CO₂.

The market for EVs is immature yet growing. The latest data for Q3, 2022 shows that 14% of new car registrations in the UK were battery electric vehicles (BEV) with a further 5% being plug-in hybrid electric vehicles (PHEV). However, most cars on the road in the UK are fuelled by petrol and diesel. At the end of September 2022, 2.5% of all licensed road vehicles in the UK were plug in vehicles, although this did represent an increase from 1.6% in September 2021.

EVs improve local air quality and reduce point-of-use emissions; however, they are not net-zero when considering the whole life cycle of a vehicle and its sub-components, as well as the particulate matter emitted on-street.

Dudley as an authority declared a Climate Emergency in July 2020, to address the impact of temperature increases in the borough. Published Carbon Neutral Council by 2030 and a Carbon Neutral Borough by 2041.

Regionally the West Midlands Mayoral target is making the West Midlands a Net Zero region by 2041.

The Combined Authority policy position is for 100% of LGV's to be electric by 2026.

The transition to EVs is a cost-effective way for fleet operators to electrify their fleets and reduce their reliance on petrol and diesel cars. By investing in charging infrastructure, fleet operators can ensure a smooth and seamless transition from internal combustion engines to EVs. The long-term benefits of fleet electrification include reduced operating costs, lower carbon emissions, and increased efficiency. Fleet operators can play a crucial role in advancing the adoption of EVs and lead the way.

Future Energy Options

New vehicle technologies are rapidly developing primarily in the form of electric powered vehicles.

According to Fleet Consultants Cenex, a number of Councils are now introducing sizeable EV infrastructures and vehicles into their fleets. Leeds, Hackney, Dundee and Islington are leading the way with Nottingham boasting 51% of its fleets is currently EV with a commitment to

be fully electrified by 2028. This authority currently has no Electric vehicles on its fleet nor on order.

There is an increasing pressure to electrify, as well as significant business and reputational benefits to be unlocked through electrification. Fleets that don't start moving today will find themselves caught in a supply chain crunch later in the decade as other fleets rush for vehicles and chargers to reduce carbon emissions.

As part of our decarbonisation and energy strategy we will be exploring the potential to use private wire from the EFW plant at Lister Road, this will provide electricity for EV charging points and solar canopies that will form the basis of the capital cost estimates. An implementation timetable will be produced at a later date.

Infrastructure can take anything from 6 months to 2 years depending on location and quantities.

Hydrogen vehicles however have not been assessed, currently hydrogen powered vehicles are not yet market ready and it is not possible to purchase or reasonably fuel the wide variety of vehicles in this type. Early trials of such vehicles are underway, but as such no costs or verified test data is available and the technology cannot be assessed to the same standard as the others. Although they offer extended range compared to a battery vehicle, they are very expensive to purchase 4 times the price of a diesel and twice the price of an EV and nationally there is a limited amount hydrogen filling stations, only around 20 to date. Moving to a hydrogen fleet will be considered further once products become readily available.

Fleet Replacement Programme

With the previous 7–10 year replacement programme causing increased running costs, increased downtime and having a detrimental effect of the front-line services.

Therefore, developing a clear Fleet Strategy will allow us to focus on the core requirements of our customers. As each of our service users are different, we understand that we need a fleet strategy to meet all the organisation's specific needs, and no one size fits all.

With an effective fleet strategy, we will understand.

- What is the purpose of the fleet, and how it aligns to the overall business objectives both now and in the future?

- How to better size, utilise and scope out cross department working and operate the fleet more effectively and safely?
- How we fund the fleet and operate it cost-effectively?
- What the risks are associated with the fleet, and how we effectively control them?
- How we ensure the fleet is fit for covering operational requirements
- How we can maintain vehicles effectively to minimise downtime.
- Effective risk management reducing costs by damage, insurance claims and personal injury.
- Joining of services to reduce repetition.
- Reviewing the service operations to look at alternative ways of working to reduce fleet numbers

Historically Dudley has always purchased the fleet and maintained all aspects of it in house enjoying the benefits of customer discounts allowing us to be competitive against external competition. Realising the current climate and how technologies have changed, pricing now varies according to different assumptions relating to forecasting residual values and maintenance requirements.

A dynamic process to identify alternative options and suppliers where gaps in capabilities are identified will need to be used when procuring the future fleet, looking into different ways of funding such as outright purchase, contract hire, contract purchase, finance lease and considering internal and external repair and maintenance options ensuring we consider costs against benefits that best suit the organisation financially and that are sustainable and fit for the future. Therefore, continually allowing us to streamline our operations strengthening the councils position and reducing the financial risk.

Operational Changes

Phase 2 of the Environment Directorate service review will see a new post of Fleet Strategy and Decarbonisation Manager who would be responsible for issuing and awarding contracts, reviewing, and setting up administration systems as well as business development.

The role will develop a clear fleet decarbonisation plan that aligns with the corporate strategy and have a clear understanding of the technological and operational considerations involved.

Finance

4. Financial modelling will be undertaken on the different operating models alongside infrastructure costs and alternative fuel options.

Law

5. Section 111 of the Local Government Act 1972 empowers the Council to do anything that is incidental to or conducive to the discharge of its functions.

The Council is required to make contract standing orders under section 135 of the Local Government Act 1972.

The Council's Contract Standing Orders specify the requirements for Directors to obtain demonstrable value-for-money from procurement activities.

The Council are required to comply with The Public Contracts Regulations 2015 and Social Value Act 2012 as applicable.

Risk Management

6. There are no direct risk management implications arising from this report. Any changes in the operating model will be carried out in accordance with approved operational risk assessments.

Equality Impact

7. There are no special considerations to be made with regard to equality and diversity in noting and receiving this report.

No proposals have been carried out.

No proposals have been made, therefore does not impact on children and young people.

Human Resources/Organisational Development

8. There are no specific direct human resources issues in this report.

Commercial/Procurement

9. There are no direct commercial or procurement implications at this stage arising from this report.

Environment/Climate Change

10. This report refers to multiple council priorities including the Climate Change and sustainability pledge for decarbonisation and will inform the

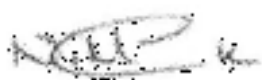
Council's action on Climate Emergency in-line with the Council's ambition to be Carbon Neutral by 2030.

It builds on Dudley's 'Forging a Future for All' objectives:

1. Climate commitment, creating a sustainable borough on its way to net zero carbon emissions, improved air quality, reduced fuel poverty.

Council Priorities and Projects

11. The report refers to multiple Council priorities.



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Appendices

None.