

BARNSELY METROPOLITAN BOROUGH COUNCIL

This matter is a Key Decision within the Council's definition and has been included in the relevant Forward Plan

REPORT OF THE EXECUTIVE DIRECTOR PLACE TO CABINET ON 21 APRIL 2021

VEHICLE REPLACEMENTS 2021 TO 2022

1. PURPOSE OF REPORT

- 1.1 To request approval for the 2021/22 Vehicle Replacement Programme which proposes the procurement of 66 vehicles, plant items and equipment in line with the Vehicle Replacement Strategy 2019 to 2025, previously approved by Cabinet (Cab.20.2.2019/10 refers).
- 1.2 To request further support to continue to reduce the emissions of the Council's fleet by replacing 100% of the fully diesel or petrol fuelled vehicles in this replacement batch with Ultra Low Emission Vehicles (ULEVs) in support of the Government's 'Road to Zero' strategy and the Council's own Clean Air Action Plan and Zero 40 strategy.
- 1.3 To request approval to upgrade at least 9 vehicles supplied to Berneslai Homes to ULEVs, subject to their operational requirements.

2. RECOMMENDATIONS

Cabinet is asked to:-

- 2.1 **Authorise the procurement of 66 vehicles, in the 2021/22 financial year, to be used by council departments and partner organisations, with a total value of up to £1.807M (including the additional cost of ULEVs as referred to at 2.2) by way of purchase followed by a sale and lease back arrangement as outlined in section 7.9 or whichever method of funding is deemed appropriate following full financial appraisal.**
- 2.2 **Agree the upgrading of 30% (100% for Council departments and 16% for partner organisations) of the petrol and diesel fuelled vehicles highlighted for replacement in this report to ULEVs at an additional estimated expense of £0.221M included in the total amount stated in 2.1. £0.135M of this relates to Council departments and £0.086M for partner organisations.**
- 2.3 **Approve the additional capital spend of £0.524M for the purchase of 20 vehicles for use by the Home to School Transport service. The vehicles will again be purchased followed by a sale and lease back arrangement funded by the Home to School Transport Service.**

3. INTRODUCTION

- 3.1 The Vehicle Replacement Strategy 2019 – 2025 was approved by Cabinet (Cab.20.2.2019/10 refers). It was noted in this report that it would be followed by a capital plan in accordance with the strategy. This report is the second capital request since the approval of the strategy and will set out the capital request for financial year 2021/22 and the forecast requirement for 2022/23 to 2025/26.
- 3.2 Since the introduction of the Vehicle Replacement Strategy 2019-2025 the council has made commitments in the annual capital request reports to upgrade a % of the replacements to ULEVs. So far, 41% of the replacements to be used by the council are ULEVS. Surpassing the target of 37% set in the 2020/21 report.
- 3.3 There are still a total of 60 vehicles remaining to procure from previous reports, these have been held back to wait for suitable ULEVs to come onto the market or as a result of complex/changing requirements. There have also been delays in delivery of new vehicles as a result of COVID 19 and Brexit.
- 3.4 The Council's fleet is made up of 426 vehicles and plant items and equipment with a total capital value of approximately £15M and is also supplemented by hire vehicles. These vehicles are essential for front line services to deliver both statutory and income generating services.
- 3.5 Every vehicle has a lifespan based on the type of vehicle, the role it carries out and its usage profile. Once a vehicle reaches the end of this lifespan there is an increase in maintenance cost and vehicle downtime. Therefore, it is imperative that vehicles are replaced once they reach this point to ensure that excess downtime doesn't adversely affect the department's ability to deliver their services and the council does not incur additional costs associated with maintenance on vehicles at the end of their lives. A decision on whether the vehicles will be replaced at the end of their scheduled useful life will be made towards the end of the initial lease period. Appendix B shows vehicles that are considerably over their initial lease period. With such a diverse fleet with varied uses we cannot determine the exact life of a vehicle; it is dealt with on a case by case basis after the initial review period.
- 3.6 This report seeks approval to implement a replacement programme for 2021/22, to replace 11 vehicles, plant and equipment operated by council departments – the vehicles will be utilised by 4 departments. 100% of these replacement vehicles will swap diesel or petrol vehicles for ULEVs. In order to replace vehicles with ULEVs we are reliant on suitable vehicles being available in the market, due the type of vehicle being replaced in this batch we are able to replace 100% with ULEVs. In future years we may not be able to commit to 100% however aspire to continue to ambitiously replace the fleet with ULEVs.
- 3.7 The report also seeks approval to replace 31 vehicles operated by Berneslai Homes, with 7 of them to ULEVs subject to operational requirements and procure 24 additional vehicles.
- 3.8 A ULEV is defined as a vehicle that emits less than 75g of Carbon Dioxide (CO₂) per kilometre travelled and is capable of at least 10 miles of zero emission driving between recharging. They include:

- Fully Electric Vehicles (EVs) (this would be the preference for us at this point in time and additional capital would be used to support this type of vehicle).
- Plug-in Hybrid Electric Vehicles (PHEVs).
- Extended-Range Electric Vehicles (E-REVs).

3.9 The Council continues to monitor the ULEV market, currently the ULEV commercial vehicle area of the market is growing but not as quickly as the car market. Due to the type and complexity of some of the vehicles we operate, this means that for some of the vehicles we use it is not yet possible to replace diesel vehicles with ULEVs, while the market is developing opportunities will be sought to trial new technology so that when it is readily available the council is in a position to adopt it. If the council is required to opt for diesel or petrol before suitable ULEVs are available, it will always ensure that new vehicles meet the latest emissions standards and look at available technology to reduce the carbon emissions of the vehicles (such as Mild Hybrid Technology).

3.10 Tables 1a and 1b below show a breakdown of the capital request by department and external partners.

Table 1a – Planned replacements for council departments 21/22

User/ Department/ Customer	Number of vehicles (ULEV)	Average age (years)	Capital cost	Extra cost for ULEV	Total capital cost
Highways	1 (1)	8	£17,000	£15,000	£32,000
Mayoral Support	1 (1)	8	£45,000	£30,000	£75,000
Transport Services (workshop)	1 (1)	8	£35,000	£10,000	£45,000
Facilities Management (formerly NPS)	8 (8)	4	£184,000	£80,000	£264,000
Sub-total – council departments	11 (11)	5.1	£281,000	£135,000	£416,000

Table 1b – Planned replacements for partner organisations 21/22

User Department/ Customer	Number of vehicles (ULEV)	Average age (years)	Capital cost	Extra cost for ULEV	Total capital cost
Berneslai Homes (Replacements)	31 (7)	5	£753,000	£86,000	£839,000
Berneslai Homes (New)	24 (0)	N/A	£552,000	£0	£552,000
Sub-total – partner organisations	55 (7)	5	£1,305,000	£86,000	£1,391,000

Total	66 (18)	5	£1,586,000	£221,000	£1,807,000
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3.11 This report also includes the request for capital funding to procure vehicles for use by Berneslai Homes. Berneslai Homes are motivated to reduce their carbon footprint however they recognise difficulties which may restrict the speed at which they can move their fleet to ULEVs, these include:

- Suitability of vehicles currently on the market, while the ULEV market is accelerating quickly for cars the commercial vehicles sector is not moving in tandem. This may suggest that Berneslai Homes would not be able to move

into the ULEV market with like for like vehicles which could cause operational difficulties. Improvements in Commercial Vehicle technology may change this view.

- The timeline in developing a wider charging infrastructure throughout Barnsley MBC will dictate the ability to charge up vehicles throughout the day. This would challenge operational resilience until a full infrastructure is established.
- Berneslai Homes operating model involves operatives taking their vehicles home, additional work will need to be done to ensure operatives can charge their vehicles at home, along with reimbursement for operatives to cover the cost of charging. NB. There is also the challenge that not all operatives have access to off road parking.
- There are capacity issues at the Carlton Depot, due to a new tenant moving in around 50% of the space has now been lost. There are now restrictions on space to park and charge vehicles inside the depot.

Berneslai homes are working to overcome these challenges to introduce more ULEVs into their fleet in the future these include:

- Working across the sector to keep up with what is happening in the ULEV and Vehicle charging markets, via networks and conferences.
- Applying for planning to convert the front space at their Carlton Depot to a car park so Vehicle Charging Points can be installed for the vans that do return to base.
- Work has been undertaken with the Energy Saving Trust and Berneslai Homes are awaiting a report that will give them a transition plan and strategy to move to ULEVs.

4. PROPOSAL AND JUSTIFICATION

2021/22 Requirements

- 4.1 A total of 42 vehicles will be procured to replace existing vehicles as detailed in Appendix B and Tables 1a and 1b above and an additional 24 procured to increase the size of Berneslai Homes' fleet.
- 4.2 The council vehicles that are planned for replacement in this batch have been in service for on average 5 years and are an average of 0.1 years over their initial predicted lifespan.
- 4.3 The vehicles for Berneslai Homes are an average of 5 years old and have reached the end of their lease period and predicted lifespan. Details of all ages are available in Appendix B.
- 4.4 Some vehicles included in the request have not yet reached their expected lifespan, however by the time replacements are ordered and delivered they will have exceeded their lifespan
- 4.5 100% of the diesel or petrol vehicles operated by council departments will be upgraded to ULEVs; this percentage could be restricted by the current market for ULEVs however the vehicles due for replacement are all suitable for upgrade to ULEVs.

- 4.6 It is planned that 7 of the vehicles supplied to partner organisations will be upgraded to ULEVs in this batch of replacements. N.B. This is subject to the partner organisations supporting this change and accepting the increased price of ULEVs.
- 4.7 The number of ULEVs for partner organisations and the council may increase should the price and availability for larger ULEV vans become more favourable. It is currently projected that this is not the case however, if so then additional funding would be required to facilitate this increase.
- 4.8 Replacing vehicles at the end of their life is beneficial to the council for the following reasons:
- **Reduction in carbon emissions** – replacing vehicles enables us to move onto new technology such as ULEVs, however even if a diesel or petrol vehicle is replaced with another, new engines are much cleaner and it will still result in a reduction in emissions. Studies show that the emissions of an electric vehicle are up to 2 tonnes less than a Diesel when travelling 10,000 miles in a year. New emissions standards have dramatically decreased the emissions of vehicles, for example, a medium sized panel van in 2014 emitted 0.359 grams of CO₂ per km a new one would emit 0.192g/km, a reduction of almost 50%.
 - **New safety technology** – new vehicles have features to make them safer to the occupants and public, reducing the risk of accidents. Some examples are detailed at 19.2.
 - **Reduction in maintenance** - as vehicles age their maintenance requirements increase, meaning that they spend more time off the road and potentially incur extra costs.
 - **Reduction in running costs** – new vehicles are much more efficient, meaning that fuel and other associated running costs would be lower.
 - **Increase in vehicle availability** – due to the additional maintenance requirements of older vehicles, they inevitably spend more time off road, which potentially increases the requirement on hire vehicles in order to maintain service delivery.
 - **More efficient working** – new vehicles can be tailored to suit operational requirements, meaning that operatives can use them in a more efficient manner than the ones they are replacing.
- 4.9 Using the information available on the vehicles V5C document we can calculate that the current total CO₂ emissions measured in grams per kilometre for the 42 vehicles (not including the additional vans for Berneslai Homes) proposed for replacement is 9.6g/km. The replacement vehicles are estimated to generate a total of 1.3g/km. This is a predicted reduction of over 75% in CO₂ exhaust emissions.

	CO ₂ g/km
Existing vehicles	9.6
New vehicles	1.3

- 4.10 Vehicle replacements will be scrutinised before any procurement takes place to ensure that the fleet is utilised as much as possible and unnecessary vehicles are not replaced. Within the programme, there is provision to replace 8 Facilities Management (formerly NPS) vehicles. However, it is unclear at this stage whether

these vehicles will be required in the future when the service is brought back in house. The procurement of these vehicles will not take place unless it is identified that they are actually required to meet the needs of the service.

- 4.11 Procurement of replacement vehicles will take into account the predicted whole life cost of vehicles – purchases will not be made based solely on the initial price. As well as our own calculations we will utilise external research that is freely available to us as an aid.
- 4.12 A final decision will be made on whether to replace the vehicles we have identified with ULEVs during the procurement process. The usage profile will be scrutinised and estimated fuel and maintenance cost reduction will be evaluated against the additional purchase price and leasing cost. The infrastructure available to charge the vehicles will also be a determining factor.
- 4.13 Facilitating the take-up of ULEVs is an important action within the Council's Air Quality Action Plan (<https://www.barnsley.gov.uk/media/5738/barnsley-abc-air-quality-action-plan-2017.pdf>), along with a commitment to improving the Council's fleet. Procurement of ULEVs will demonstrate commitment to the Air Quality Action Plan and can act as an exemplar to other private and public fleet operators in the Borough of the environmental and operational benefits of such vehicles.
- 4.14 In 2019, the Council declared a Climate Emergency with a commitment for the Council to be zero carbon in its operations by 2040 (Zero40), and for the wider Borough to be zero carbon by 2045 (Zero45). Transport currently accounts for 12% of total BMBC carbon emissions and contributes to the overall Borough's transport carbon emissions of 27%. Converting from diesel and petrol vehicles to electric vehicles will reduce emissions from transport by around 40%.
- 4.15 The Government's Road to Zero - In 2018, the UK Government launched the Road to Zero Strategy to decarbonise transport. The Government ambition is for 40% of all new vans sold to be EV by 2030, and for the sale of new diesel and petrol cars and vans to end by 2040.
- 4.16 Based on industry data, a benefit of ULEVs, as well as their lower emissions, is that the day to day running costs are typically much lower than their diesel or petrol powered counterparts so it is likely that the whole life costs of them will be lower. The council does not yet have enough data from its own fleet to determine the optimum usage profile for ULEVs in Barnsley.
- 4.17 We estimate that the fuel cost of using Full Electric Vehicles are around 30% of the price of Diesel equivalent vehicles – this gives a saving of 70% on fuel costs. The maintenance requirements of electric vehicles are also less than diesel vehicles meaning that servicing and maintenance costs are lower over the lifetime of the vehicle.
- 4.18 At the end of a battery's life they can be reused as power storage batteries before being recycled.

Future Funding Requirements

- 4.19 The Vehicle Replacement Strategy 2019 - 2025 stated that the capital expenditure forecast and the revenue impact of this for the following five years would be presented as part of the annual capital requirement report to provide a longer term view of the capital funding requirement. These projections are generated from a spreadsheet model designed for this purpose. The requirements for years 2022/23 to 2026/27 are set out in Table 2. Unless there is a change in financing policy, resulting from changes in accounting standards (see section 7) or otherwise, future purchases will also be followed by sale and leaseback arrangements following the initial purchase.

Table 2

Financial Year	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Number of vehicle to procure						
BMBC services	11	19	27	6	24	87
Partners	55	0	22	0	0	77
Total number	66	19	49	6	24	164
Projected Capital Expenditure						
BMBC services	£ 416,000	£ 311,000	£ 1,299,300	£ 155,656	£ 2,552,598	£ 4,734,554
Partners	£ 1,391,000	£ -	£ 455,223	£ -	£ -	£ 1,846,223
Total spend	£ 1,807,000	£ 311,000	£ 1,754,523	£ 155,656	£ 2,552,598	£ 6,580,777
Impact on revenue (leasing cost budget)						
Opening leasing cost	£ 1,425,776	£ 1,684,709	£ 1,699,684	£ 1,774,820	£ 1,775,077	
Extension Rentals	£ 50,000					
Increase due to vehicle replacements	£ 207,075	£ 51,315	£ 289,496	£ 25,683	£ 421,179	
Increase due to additional vehicles	£ 82,800	£ -	£ -	£ -	£ -	
Decrease from vehicles returned	-£ 80,942	-£ 36,340	-£ 214,360	-£ 25,427	-£ 294,138	
Reduction in maintenance costs	£ -	£ -	£ -	£ -	£ -	
Savings from ULEVs	£ -	£ -	£ -	£ -	£ -	
Closing leasing cost	£ 1,684,709	£ 1,699,684	£ 1,774,820	£ 1,775,077	£ 1,902,117	
Leasing cost budget	£ 1,707,955	£ 1,904,936	£ 1,904,936	£ 1,912,748	£ 1,912,748	
Increased Partner Fees	£ 148,145		£ 7,812	£ -	£ -	
Budget Transfer Required from User Depts	£ 48,836	£ -	£ -	£ -	£ -	
Savings From ULEVS	£ -		£ -	£ -	£ -	
Reduction in maintenance costs	£ -	£ -	£ -	£ -	£ -	
	£ 1,904,936	£ 1,904,936	£ 1,912,748	£ 1,912,748	£ 1,912,748	
-Under/overspend	-£220,227	-£205,252	-£137,928	-£137,671	-£10,631	

- 4.20 The figures in Table 2 include a replacement cost for the purchase of replacement vehicles procured within the time period shown that also reach the end of their life within the time period shown. For instance, if the life of the vehicle is 5 years, it will be included in 2021/22 and in 2025/26.
- 4.21 The financial projections in Table 2 assume like for like replacements and are calculated by adding inflation of 3% per year to the initial vehicle purchase price. The actual amount that will be requested will be based on current estimated purchase prices.
- 4.22 The figures also assume that vehicles will be replaced when they come to the end of their existing initial lease period/life of the vehicle. However, this may not be the case. The need for the replacement will be evaluated towards the end of the lease period. If replacement is not deemed necessary at that point then the lease will be extended and this profile amended.

4.23 Table 2 shows that if the additional income from partners to reflect the increased value of the replacement vehicles is included in the calculations and there is sufficient headroom in the Fleet revenue budget for the next five years (2021/22 to 2025/26) to pay the higher leasing costs of the vehicles in the proposed vehicle replacement programme. Savings in other areas will need to be found if the costs of vehicles are more than currently projected. There are a number of risks (e.g. change in accounting treatment following the implementation of a new accounting standard for leasing (see section 7 below), the actual cost of vehicles post Brexit, borrowing rates, the effect of residuals on leased vehicles) and opportunities (e.g. lower repairs and maintenance costs when running a relatively newer fleet) which will impact on the capital and revenue budgets going forward. Therefore, the programme should be refreshed each year.

4.24 The projections in Table 2 (except those for 2021/22) do not include the additional capital cost that will be required for ULEV upgrades to the fleet for the following reasons:

- Due to the fast development of ULEVs we are unable to predict what suitable vehicles will be available to us in years to come.
- It is predicted that the cost of ULEVs will drop in the coming years – meaning that additional funding may not be required.

4.25 If we continue with the strategy adopted in 2019/20 to buy 25% of replacement vehicles as ULEVs and make the same assumptions about the incremental cost of ULEVs (the price difference is dependent on the type of vehicle, however based on the predicted costs in appendix B, they are an average of £11,050 more expensive than the equivalent petrol or diesel versions), then £930,963 of additional capital expenditure will be required in the next 5 years as shown in Table 3. This will result in an increase in the annual leasing charge of £134,688 per year by 2026/27. The table also shows the additional funding requirement should 50% of the replacements be ULEVs.

Table 3

Financial Year	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Total Vehicles to be Replaced	19	49	6	24	239	337
25% ULEVS	5	12	2	6	60	84
Additional Capital Requirement	£52,487.50	£135,362.50	£16,575.00	£66,300.00	£660,237.50	£930,962.50
Additional Leasing Cost	£10,707.45	£27,613.95	£3,381.30	£13,525.20	£134,688.45	£189,916.35
50% ULEVS	10	25	3	12	120	168.5
Additional Capital Requirement	£104,975.00	£270,725.00	£33,150.00	£132,600.00	£1,320,475.00	£1,861,925.00
Additional Leasing Cost	£16,796.00	£43,316.00	£5,304.00	£21,216.00	£211,276.00	£297,908.00

4.26 Additional capital expenditure will also be required for more charging points to support these additional vehicles. A separate piece of work is ongoing looking at the redevelopment of Smithies Lane Depot, where the majority of the Council's vehicles

operate from, this will consider the requirement for additional charging points and be presented in a separate report.

- 4.27 The leasing charge figures in Table 3 assume that we will be able to secure similar lease terms for ULEVs to those for petrol and diesel vehicles. If funders assume that ULEVs to be higher risk (e.g. uncertainty about demand and battery life) then the leasing charge could be higher.
- 4.28 Where the ULEVs are for Council services, there will be savings in fuel, road fund licence and maintenance costs. Where they are purchased for partner organisations, there will be an increase in the service level agreement income. Based on current estimates these should be at least equivalent to the additional lease charges and so there should be no increase in the overall revenue costs as a result of moving to more ULEVs.
- 4.29 The introduction of Electric Vehicles to the council's fleet may bring the requirement for investment to be made into the vehicle maintenance workshop and the upskilling of Technicians. The requirement is currently under assessment and any funding identified will be brought forward in a separate report.

Home to School Transport

- 4.30 A review of the Home to School Transport services and the current routes undertaken by contractors on behalf of the Council has been conducted. For each route, a calculation has been completed on the potential cost to the Council if the service were to be provided in house. Out of the 149 routes reviewed, it was identified that there are potentially 63 routes which could be considered viable for bringing back in house.
- 4.31 Due to timescales and other considerations (such as garaging facilities, other uses for the vehicles yet to be identified), it is proposed to bring back in house 20 routes from the 1st September 2021 to coincide with the new school year. The routes identified for bringing in house during this first phase considers not only the potential savings for that route but also considers the current provider in terms of financial impact and current standard of service being provided.
- 4.32 In order to bring the proposed 20 routes back in house, there will be a requirement to purchase the vehicles with an estimated capital cost of £0.524M as shown in the table below:

Vehicles	No	Estimated Unit Cost	Total
VW Crafter 9 Seats	3	£37,100	£111,300
VW Transporter Shuttle	11	£25,300	£278,300
VW Golf	2	£15,000	£30,000
VW Golf - Elec	4	£26,100	£104,400
			£524,000

5. CONSIDERATION OF ALTERNATIVE APPROACHES

- 5.1 Option 1: Do Nothing. Retain the vehicles detailed in Appendix B and extend them beyond their planned lifespan. This option is not recommended as it would lead to

increases in maintenance costs, vehicle downtime and supplementary hire vehicles due to more complex repairs becoming necessary. This would adversely affect user departments' ability to provide front-line services and also prevent the council benefiting from newer safety technology, the number of ULEVs in the fleet will not increase and the council will be operating vehicles with older Euro rated engines that do not meet the same emission standards as newer equivalent vehicles. It will also not demonstrate commitments in the Councils Air Quality Action Plan and the Governments 'Road to Zero' strategy.

- 5.2 Option 2: Replace the vehicles detailed in Appendix B but not procure ULEVs and not procure electric charging points. This option is not recommended as the borough would not benefit from the increase in air quality that lower/zero emission vehicles bring, the council would also fail to show a good public image in helping to encourage others to take up this technology. It will also not show support to the commitments given in the Council's Air Quality Action Plan and the Government's 'Road to Zero' strategy.

6. IMPLICATIONS FOR LOCAL PEOPLE/SERVICE USERS

- 6.1 Emissions from council vehicles will be lower with the increase in ULEVs replacement of older, lower Euro rated vehicles with vehicles that meet the latest Euro emissions rating, thus improving air quality in Barnsley for local people and visitors. This will therefore assist in the Council meeting legal air quality standards for the Borough, and contribute to reducing exposure to road traffic emissions for local stakeholders.
- 6.2 Service users will benefit from increased vehicle availability for council departments due to newer vehicles which require less maintenance. Enabling front line services to continue to provide a reliable service.

7. FINANCIAL IMPLICATIONS

- 7.1 Consultations on the financial implications have taken place with representatives of the Service Director – Finance (S151 Officer)

Capital Programme / Capital Funding Implications

- 7.2 This report outlines the proposal to purchase 66 vehicles and items of equipment during 2021/22. The total capital cost is estimated to be in the region of £1.807M (Table 1a and 1b).
- 7.3 The financing options currently available to the Council are shown in the table below, together with a brief description of the implications on both the Council's revenue budget and capital programme respectively.

Financing Method	Revenue Implications	Capital Implications
Borrowing	Cost of repayment of debt / servicing debt (interest) charged annually	The Council's indebtedness increases
Operating Lease	Lease rentals charged annually	None

Financing Method	Revenue Implications	Capital Implications
Finance Lease	Lease rentals split between interest and principal and charged annually	The Council's indebtedness increases

- 7.4 To ensure that the Council finances the vehicles in the most cost effective way and attains value for money, at the time of replacement, a financial appraisal is undertaken comparing the cost of each. The classification of a lease is based on whether the risks / rewards reside with the lessee (the Council) or the lessor (the leasing company and includes an assessment.
- 7.5 From the 2022/23, CIPFA is adopting the new accounting standard IFRS 16 which means a significant change to how local authorities account for leases, particularly where the authority is the lessee. The fundamental change as a result of this new standard is that the distinction of operating or finance leases will be removed and all leases will be recognised in the Council's capital programme [akin to the current finance lease treatment], except low value (<£10k) and short term (< 12 months) leases which will be expensed to revenue [akin to the current operating lease treatment].
- 7.6 Therefore, notwithstanding the value for money aspect and decision in respect of the financing arrangements as outlined in 7.2 above, there are potential capital implications as a result of this proposal.
- 7.7 Table 2 in paragraph 4.19 above provides indicative capital requirements for future years. The amounts are based on like for like replacement at the end of normal useful life at last purchase price plus inflation. The capital requirements may increase depending on the ULEVs market as in indicated in 4.24 above.

Revenue Implications

- 7.8 In respect the affordability and funding implications, the revenue budget is where that assessment is made, in conjunction with the capital approval from within the capital programme, irrespective of whether the financing decision is to borrow for or lease the vehicles.
- 7.9 Where we opt to go down the lease purchase route (most purchases in the past have been on this basis), following physical delivery, the vehicles will be financed over a period of between 4 and 8 years reflecting the useful life of the assets. It is estimated that the annual revenue leasing cost of financing the £1.807m expenditure above will be £0.290m. This assumes that we will be able to secure similar lease terms for ULEVs to those for petrol and diesel vehicles. If funders assume that ULEVs to be higher risk (e.g. uncertainty about demand and battery life) then the leasing charge for these vehicles could be higher.
- 7.10 £0.081m of annual leasing commitments will be released when the leases for the replaced vehicles are terminated so this batch of vehicle replacements will increase the revenue leasing cost by £0.209m per year (£0.290 increase from additions less £0.081 saving from leases terminated). Due to the timing of replacement vehicles arriving being uncertain, an allowance of £0.050m has been allocated for the extension of leases on the old vehicles being replaced so that services can continue to operate should a delay in replacement occur.

- 7.11 This will be offset by a transfer of budget from other departments who have requested additional vehicles as part of the 2020/21 replacement programme of £0.049m and increases in SLA income from partner organisations of £0.148m. The net increase in revenue costs of £0.062m can be funded from the existing fleet leasing budget of £1.708m.
- 7.12 The 2021/22 replacement programme will replace circa 18 (11 Council and 7 partners) existing petrol/diesel cars and small/medium sized vans with ULEVs. Savings for the partner vehicles will flow to them and be reflected in the hire rates. For Council vehicles, these savings will flow to Fleet or user departments. Based on industry data, these have lower excise duty, maintenance and fuel costs but it is difficult to quantify until exact vehicles are known.
- 7.13 Within the replacement programme, provision is being made to replace 8 Facilities Management vehicles (Formerly NPS). However, it is unclear at this stage whether these vehicles will be required longer term. No procurement will take place until a full assessment of the need for these vehicles has been undertaken as they may not be required.
- 7.14 Full details are set out in Appendix A.
- 7.15 Table 2 above shows the impact on the revenue budget of the projected capital expenditure for the next five years. This shows that, if we are able to secure similar lease terms for ULEVs to those for petrol and diesel vehicles and we are able to continue to pass on the increases in leasing costs for partner organisations to them through the SLA arrangements, then there is sufficient revenue budget up to 2025/26. Further savings in other areas of the Fleet budget, e.g. repairs and maintenance will be required if vehicle costs are higher than projected due to Brexit or other factors.
- 7.16 Table 3 shows the additional capital and revenue cost if 25% of the replacement vehicles in future years are ULEVs. The figures assume that ULEVs will cost, on average, £11,050 more than the equivalent petrol or diesel versions. The projections show that £931,000 of additional capital expenditure will be required in the next 5 years. This will mean £190,000 additional revenue expenditure (to figures in Table 2). This will be offset by savings in operating costs or additional income from partners and the appropriate amount of budgets will be transferred from service budgets to the Fleet leasing budget so there should be no additional pressure on the revenue budget.
- 7.17 Additional capital expenditure may also be needed in future years to increase the number of charging points for electric vehicles to support the increasing size of the electric fleet.
- 7.18 Due to uncertainties around the profile of replacements in general and the changing position on ULEVs an update report should be presented annually to support the vehicle replacement plans for that and future years.

Home to School Transport

7.19 Vehicles purchased by the Council are usually followed by sale and leaseback arrangements and in assessing the viability of bringing the Home to School Transport routes back in house, the cost of leasing back the vehicles have been built into the revenue costs.

7.20 The revenue costs of running the routes in house are shown in the table below:

	2021/22	2022/23
	£	£
Staffing Costs	152,933	269,400
Vehicle Costs	153,477	168,287
New Costs	306,410	437,687
Previous contractor costs	345,271	517,906
Saving	38,860	80,219
One off IT costs	30,000	

7.21 The table shows that there is a potential saving to the Council of £80,219 per annum. The 20 new vehicles can currently be kept at the Depot and therefore there are no additional costs associated with electric charging points or storage of vehicles during the day.

7.22 In order to bring more routes in house, an alternative site will need to be found to house the vehicles. Currently no suitable place has been identified and therefore costs associated with this have are not yet known. It is proposed to review the potential for bringing more routes in house in 2022/23, once these additional costs are known and can be included. A current projection (excluding these costs) is that there is a potential further saving of £125,000 if the other 43 routes were to be brought back in house.

7.23 Alternative uses for the vehicles is also still being explored which may allow the Council to reduce costs further in future years. Uses being considered include utilising the vehicles as taxi fleet/airport runs.

8. EMPLOYEE IMPLICATIONS

8.1 Employees from user departments will be consulted along with management throughout the procurement process to assist in drawing up new vehicle specifications and assessing the suitability of vehicles. Demonstrator vehicles will be sourced to assist them where possible.

8.2 Training for new vehicles will be requested as part of the procurement process for operators and technicians. The new vehicles will have significantly different technology to those they are replacing and to ensure that employees can use and maintain them safely and efficiently sufficient familiarisation and training will be provided.

- 8.3 Older vehicles increase the pressure on drivers as there are less driver safety aids and they are more difficult to drive; this increases the chance of a collision. Collisions in council vehicles not only have an adverse effect on the drivers mental health as they are potentially subject to investigation and disciplinary action but also affects their personal vehicle insurance premiums as they have to, by law be declared. The risk of injury in collisions also has an impact on the absence rate of our employees, in turn impacting on service delivery.
- 8.4 Newer vehicles and ULEVs produce less carbon and particulate emissions – meaning that there is a reduction in risk to the operative’s health.

9. LEGAL IMPLICATIONS

- 9.1 Operating older vehicles could have an adverse effect on the Council’s Operators Risk Compliance Score (OCRS) due to the higher risk of them developing defects on the road and increased maintenance requirements. Barnsley Council could see action against the Operator Licence up to total revocation, meaning that the council would not be able to operate a large quantity of its fleet, impacting on the services that can be delivered.
- 9.2 If drivers are found to be using a defective vehicle they could also face personal including fines, penalty points and loss of license.

10. CUSTOMER AND DIGITAL IMPLICATIONS

- 10.1 The council’s livery is very distinctive in Barnsley and the vehicles are visible all over the borough, some of these vehicles drive down every street in the borough at least once a week. Greater consideration should be afforded to using vehicle sides to market the council’s key messages and priorities. It will be recommended that council departments routinely use this opportunity to promote the wider work of the council. The space could also be used to promote electric vehicles.

11. COMMUNICATIONS IMPLICATIONS

- 11.1 Communications are aware of the Vehicle Replacement Strategy and this report and will communicate as required. The further increase in ULEVs could be used as a positive marketing message for the council.

12. CONSULTATIONS

Position	Section(s) contributed to
Head of Commercial & Operational Service Support	All
Service Director – Environment and Transport	All
Procurement and Compliance Officer	App B & 1
Health, Safety and Emergency Resilience Advisor	19
Position	Section(s) contributed to
Communications and Marketing Manager	10 & 11
Technical Officer (Pollution Control)	4 & 16
HR Business Partner	8
Financial Analyst	4
Strategic Finance Manager	7
Transport and Depot Manager (Berneslai Homes)	

13. THE CORPORATE PLAN AND THE COUNCIL'S PERFORMANCE MANAGEMENT FRAMEWORK

13.1 No Implications

14. PROMOTING EQUALITY, DIVERSITY AND SOCIAL INCLUSION

14.1 No Implications

15. TACKLING THE IMPACT OF POVERTY

15.1 No Implications

16. TACKLING HEALTH INEQUALITIES

16.1 In its recently published Clean Air Strategy, the Government recognises that air pollution is the top environmental risk to human health in the UK, and the fourth greatest threat to public health after cancer, heart disease and obesity. Locally, in 2017, Public Health England estimated that 3.8% of all deaths in Barnsley in those aged 30+ were attributable to fine particulate air pollution.

16.2 Health can be affected both by short-term, high-pollution episodes and by long-term exposure to lower levels of pollution.

16.3 Emissions from road transport have been acknowledged as a significant source of poor air quality in the Borough. Improving air quality is therefore important in addressing local health inequalities, and replacement of older vehicles with newer less polluting ones will assist in reducing emissions, whilst also contributing to reducing air pollution concentrations within the Borough's air quality management areas, all declared due to the impact of traffic emissions.

17. REDUCTION OF CRIME AND DISORDER

17.1 No Implications

18. RISK MANAGEMENT ISSUES

18.1 All new vehicles will be insured by the council on the existing fleet policy.

18.2 Features will be included in the specifications of new vehicles where possible that will significantly reduce the chance of an avoidable collision, some of which are detailed in paragraph 19.2.

18.3 The new vehicles will also feature anti-theft technology such as immobilisers, alarms and drive lock systems where possible and necessary.

18.4 New vehicles will also all be fitted with telematics devices with the ability to track the location of the vehicle when it is driving, recording the last location it was parked and detect movement when the vehicle is not turned on should it be removed on a recovery vehicle.

18.5 Issues regarding the management of the Council's Operators licence and broader fleet risks are logged in the Operational Risk Register for Business Unit 6. The approval of this report and the subsequent investment in improvement vehicles will act as a significant mitigation against these risks.

19. HEALTH, SAFETY AND EMERGENCY RESILIENCE ISSUES

19.1 New vehicles bring modern safety standards such as increased protection for occupants in the event of a collision and are designed to be friendlier for pedestrians in the event they are involved in an altercation with the vehicle. The current fleet of vehicles are of an age where they are not of the same safety standard as the replacement vehicles

19.2 The new vehicle specifications will include all relevant safety features. The following are examples of safety features that would be included and are intended to keep the council employees that will be the vehicles safe, prevent collisions and protect other people that encounter our vehicles:

- Visual and Audible seatbelt warning
- White sound reversing alarm
- Front radar detection systems with driver warning and auto braking
- Lane Departure warning
- Rear radar detection systems with driver warning and auto braking
- Colour 360 degree cameras, with recording capability and driver monitor
- Reversing sensors
- Front and rear beacons
- ABS
- Traction control systems
- Emergency stop buttons
- Work area lights
- On board weighing
- Manual handling aids
- Load securing devices

19.3 Before vehicles are procured the Fleet team will liaise with the user departments to establish their needs and ensure that the specification will fulfil them safely. Demonstrator vehicles will be sourced if possible before purchasing when required.

20. COMPATIBILITY WITH THE EUROPEAN CONVENTION ON HUMAN RIGHTS

20.1 No Implications

21. CONSERVATION OF BIODIVERSITY

21.1 No Implications

22. LIST OF APPENDICES

Appendix A: Financial Implications

Appendix B: List of vehicles to be replaced

23. BACKGROUND PAPERS

Fleet Vehicle Replacement Report (Cab.13.6.2018/14)

Vehicle Replacement Strategy (Cab.20.2.2019/10)

Vehicle Replacement Report 2019/20 (Cab.21.8.2019/7)

If you would like to inspect background papers for this report, please email governance@barnsley.gov.uk so that appropriate arrangements can be made

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