

ABERDEEN CITY COUNCIL

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| COMMITTEE | Finance and Resources |
| DATE | 5 November 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Fleet Replacement Programme 2024/2025 (Annual Report) |
| REPORT NUMBER | CR&E/24/306 |
| DIRECTOR | Gale Beattie |
| CHIEF OFFICER | Mark Reilly |
| REPORT AUTHOR | John Weir |
| TERMS OF REFERENCE | 1.1.5 ; 1.1.8 |

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the Committee with the progress of the Fleet Vehicles and Assets replacement programme. The report also resets the Fleet Asset Management Plan (Appendix A), which identifies age and replacement plans for all vehicles and plant to provide assurance on effective identification of assets to populate the Phase 5 Fleet Replacement Programme Projected Spend for 2024/25 (Appendix B) and future Fleet Replacement requests.
- 1.2 The report also provides an updated position on the interdependencies of the provision of alternative fuel technology on the Fleet Replacement Programme.

2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Notes the refreshed Fleet Asset Management Plan and approves the use of the Plan to identify future replacement requests;
- 2.2 Approves the Phase 5 Fleet Replacement Programme for 2024/25 (as detailed in Appendix B); and
- 2.3 Delegates authority to the Chief Officer – Operations, following consultation with the Chief Officer - Commercial and Procurement Services and Chief Officer – Finance:-
- (a) to consider and approve any additional procurement business cases for vehicles and plant for the purposes of Procurement Regulation 4.1.1.2;
 - (b) then consult with the Convener and Vice Convener, Finance and Resources Committee and thereafter to procure appropriate works, supplies and services, and

- (c) to enter into any contracts necessary for the vehicles and plant without the need for further approval from any other Committee of the Council, within the current Capital budget.

3. BACKGROUND

- 3.1 The phase 1 Fleet Replacement Programme for 2021/22 was presented to Committee on 11 May 2021, with Phases 2, 3 and 4 being presented annually, the most recent being to Finance and Resources Committee on 22 November 2023.
- 3.2 Since these dates, Fleet Services have been, where appropriate, procuring alternative fuelled vehicles. Since 2021/2022, Fleet Services have been slowly recovering from previous delayed procurement activity due to consideration of the emerging new fuel technologies and the associated supply chains entering the market. Fleet Services have been balancing the procurement of the new technologies whilst the sector has encountered instability of the supply chain including increased costs, reduced material and resource availability.
- 3.3 Fleet Services continue to support a more carbon friendly environment. These impacts have increased uncertainty of product specification and availability and whilst Fleet continue to engage with the marketplace and strive to reach Net Zero figures, there has been lower carbon net zero procurement activity than forecast. However, it is important that Fleet maintain replacement from currently available budget otherwise an ageing Fleet brings increased risk and costs to the provision of all Council services.
- 3.4 The purpose of the Fleet Replacement Programme is to ensure the Council maintains an optimum operating age profile of the Fleet to a maximum 7-year profile for Heavy Goods Vehicles and vans to 5-year profile which aligns with Operator Licence requirements to reduce risk. The programme also provides for the replacement of an assortment of other vehicles, mobile plant and small hand-held plant which is, generally, 3-years. This ongoing practice aims to minimise expensive repair costs and give an enhanced residual value of the asset on replacement.
- 3.5 The Fleet Asset Management Plan (FAMP) continues to be refreshed to better identify the replacement programme and includes carbon use data to reflect the Council's Net Zero ambition to work towards de-carbonising its in-house Fleet and introduce new vehicles with the latest technology with reduced emissions.
- 3.6 Whilst the FAMP reflects current asset type, the market availability and continuing development of vehicles and plant together with the challenge of available infrastructure to support the increasing number of assets utilising the new technologies they will be some like-for-like replacement. The Fleet Manager is actively scanning industry opportunities to identify best value and best asset replacement. As such Appendix B may require changes to the pricing options; which will be captured in any additionally required business cases.
- 3.7 The Current procurement processes are being actively supported by the Commercial and Procurement Shared Services (CPSS) team, to allow

engagement with potential suppliers and negotiate procurement efficiencies where possible. The introduction of new fuel technologies is manifesting in the market as a wider range of purchase options, including variations of traditional contract hire / lease models. Fleet is actively reviewing these options in conjunction with Finance and CPSS with a view to identifying cost saving opportunities for the Council.

- 3.8 The current procurement intentions given in Appendix B may be influenced by activities introducing enhanced Net Zero opportunities.

FLEET INTERDEPENDENCIES / NEW TECHNOLOGY

Development of alternative fuel infrastructure.

- 3.9 **Aberdeen City Council – Council Climate Change Plan 2021 – 2025**

The Council's Climate Plan identifies Mobility (including fleet) as the Council's third highest carbon producing activity, after Street Lighting and Buildings, with buildings being overwhelmingly the highest emitter. While both Street Lighting and Building emissions have fallen greatly since 2015, mobility remains difficult to reduce. In 2015/16 the emissions from fleet stood at 3774(tCO₂e) but in 2023/24 it had actually increased to 3799(tCO₂e). The increase is mainly due to information becoming available from DVLA as they update their data bases. This data is given in the vehicles V5 documentation, and the data is reviewed periodically by Fleet Service. It is clear that switching to alternative fuel vehicles will be crucial to reverse this trend.

- 3.10 **Alternative Fuels.**

There are two options for moving away from petrol and diesel vehicles, those being Hydrogen and Electric power. Hydrogen is a newer technology with a more limited level of market saturation, while electric vehicles are now considerably more main stream. Hydrogen nevertheless remains more suitable to a number of functions which the council undertakes. Heavy goods vehicles, such as waste and gritting vehicles are more suited to hydrogen, and hydrogen does present opportunities in other operational areas. Electric Vehicles on the other hand are much more main stream and the technology is more suited to lighter vehicles such as cars and vans. It should be noted however that both technologies are improving at pace.

As such it is important that the Council continues to invest in both technologies where it feels they are the better suited fuelling option.

- 3.10.1 **Hydrogen** – At present the Council has a number of hydrogen vehicles and a number of adapted vehicles which can run on diesel or hydrogen. Aberdeen has also been at the vanguard of commercial vehicles powered by hydrogen, supporting First Bus to procure and operate a fleet of Hydrogen busses in the City. The Council is also a partner in the Aberdeen Hydrogen Hub, a joint venture with bp. This project aims to deliver a reliable ongoing supply of Hydrogen to the region, and Aberdeen City Council has agreed an ongoing

offtake of hydrogen for the Councils fleet. It is expected that the Hydrogen Hub will start to deliver hydrogen in Q3 2026.

- 3.10.2 **Electric Vehicles** – The second option for fleet decarbonisation is electric vehicles. The Council currently operates a number of electric vehicles but to roll this out further will require additional charging and maintenance infrastructure.

Similarly options around current working practices will have to be considered including where vehicles are stored and charged. At present there is a lack of infrastructure to support a significant increase in Electric Vehicles however work is underway to explore options to address this. Included in these options will be the current procurement exercise to find a regional partner to expand charging infrastructure across the north of Scotland, with the procurement exercise nearing completion in early 2025.

3.11 **Immediate Steps for Fleet Infrastructure**

In terms of Electric Vehicle charging infrastructure the Council has just over £600k remaining in its budget allocation for 24/25. Officers are currently working through locations for these charge points to support fleet expansion. As noted above longer term options will be considered through officer working groups.

In relation to Hydrogen, at present there are difficulties with the two Hydrogen fuelling stations. Both of these were pilot projects very much designed as technology demonstrators. In that role they have been very successful and have allowed the current hydrogen fleet, including First's bus fleet, to operate for the last number of years. Nevertheless these stations are beyond their design life and have caused a number of challenges recently. Work is ongoing to maintain hydrogen production for the period up to the point when the Hydrogen Hub starts production. More recently the focus of maintaining production has been to support the bus fleet, but again work is ongoing with the officers to explore how supply can be increased to support fleet.

Vehicle and Plant Utilisation

- 3.12 Fleet are engaging with all Services to improve Fleet utilisation and to try and reduce the number of assets and use of hire vehicles. This may result with initial increase of Fleet assets to reduce revenue spending.

LEZ Compliance

- 3.13 The Fleet Replacement Programme will assist service delivery within the Low Emission Zone (LEZ). However, not all vehicles or plant will be required to operate within the LEZ. Services have been reminded to review their fleet utilisation within the LEZ and consider appropriate deployment of assets and/or seek exemption in respect of any specialist vehicles. The majority of the Fleet is LEZ compliant (96%). It is planned that all remaining vehicles, likely to be required to enter the LEZ, are due to be replaced in this financial year.

4. **FINANCIAL IMPLICATIONS**

4.1 The proposed Fleet Replacement Programme can be funded from within the budget profile for the Fleet Replacement Programme for financial years 2024/25 through to 2028/29 approved by Council on 6 March 2024.

4.2 All vehicles have a planned replacement date. The longer vehicles are operated beyond their expected operating life the greater the risk of defects arising in these vehicles. If these vehicles continue to be operated beyond this point, they will require additional maintenance which in turn will see an increased vehicle downtime and revenue costs. This may impact on the Council's Operator's Licence.

5. LEGAL IMPLICATIONS

5.1 The Council holds an Operator's Licence for the Council's fleet which is a statutory requirement, in terms of the Goods Vehicles (Licensing of Operators) Act 1995.

6. ENVIRONMENTAL IMPLICATIONS

6.1 The recommendations of this report will lead to low emission diesel replacements and overall improve the carbon footprint of the Fleet.

7. RISK

| Category | Risks | Primary Controls/Control Actions to achieve Target Risk Level | *Target Risk Level (L, M or H) *taking into account controls/control actions | *Does Target Risk Level Match Appetite Set? |
|-----------------------|---|---|---|---|
| Strategic Risk | Inability to meet Carbon Net Zero - Vehicles Inability to meet Carbon Net Zero - Workshop | Escalation of issue to Net Zero and Transport Committee. Continued working with Services to manage issue. | H | No |
| Compliance | Failure to deliver the programme resulting in a failure to balance the budget | Robust governance arrangements and programme of work are in place to ensure delivery of the transformation programme. | L | Yes |
| Operational | Failure to deliver the replacement programme will increase the age of the Fleet and may impact on service delivery. | Robust measures in place to ensure timely replacement of vehicles. | L | Yes |

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| Financial | Fleet Services purchase vehicles and plant to support delivery of services by other functions. In addition the service is investing in vehicles and plant which use non-carbon fuel and have lower emissions. The cost of new technologies is more expensive than carbon fuelled vehicles and plant. are putting pressure on the funding. If funding was not provided there may be a risk that services and projects would no longer be delivered or would become unsustainable as maintenance schedules would need to be more frequent as assets age. . | Engagement in MTFP to ensure the necessary investment to enable the delivery of the replacement programme and associated infrastructure. Seek grant funding to off-set additional costs of replacement assets that use new alternative fuels. | H | Yes |
| Reputational | An ageing fleet that impacts on service delivery may expose the Council to reputational damage. | Robust measures in place to ensure timely replacement of vehicles. | M | Yes |
| Environment / Climate | Failure to deliver the programme in a Net Zero way resulting in a failure to meet Council Climate requirements. | Climate risks are embedded into service planning and decision making. | M | Yes |

8. OUTCOMES

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| <u>Council Delivery Plan 2024</u> | |
| | Impact of Report |
| Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u> | The proposals in the report will have a positive impact by developing the Fleet Replacement Programme with a focus on alternative fuel vehicles and associated infrastructure. |
| <u>Local Outcome Improvement Plan</u> | |

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| Economy | The proposals in the report have no impact on the Local Outcome Improvement Plan |
| People | The proposals in the report have no impact on the Local Outcome Improvement Plan |
| Place | The proposals in the report support the Local Outcome Improvement Plan stretch outcome 13 – Addressing Climate Change by reducing Aberdeen’s carbon emissions by at least 61% by 2026 and adapting to the impacts of changing climate. |
| Community Empowerment | The proposals in the report have no impact on the Local Outcome Improvement Plan |
| Regional and City Strategies | <p>The proposals within this report support the Regional Economic Strategy & Action Plan, Energy Transition Vision, Strategic Infrastructure Plan, draft Regional Transport Strategy 2020, Local Transport Strategy, Hydrogen Strategy & Action Plan and Air Quality Action Plan by proposing procurement of appropriate net zero emission vehicles.</p> <p>The proposals support the Council Climate Change Plan 2021 – 2025 but highlight issues in not meeting identified targets.</p> |

9. IMPACT ASSESSMENTS

| Assessment | Outcome |
|-----------------------------------|--|
| Impact Assessment | It is confirmed by Chief Officer Mark Reilly that no Integrated Impact Assessment is required. |
| Data Protection Impact Assessment | Not required |

10. BACKGROUND PAPERS

Fleet Replacement Programme – 22 November 2023

11. APPENDICES (if applicable)

Appendix A: Fleet Asset Management Plan (FAMP)

Appendix B: Phase 4 Fleet Replacement Programme Projected Spend for 2024/25

12. REPORT AUTHOR CONTACT DETAILS

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