

Executive Report

Ward(s) affected: All

Report of Joint Strategic Director for Community & Wellbeing

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## Vehicle Replacement Programme for 2023/24

### Executive Summary

This report sets out the anticipated vehicle replacements for 2023/24 and includes a key decision in relation to 4 dustcarts as to whether these vehicles should be purchased with Electric or Diesel drivetrains.

### Recommendation to Executive

That the Executive approves

- 1) the programme of replacements for 2023/24 and approves the moving of £2.9m from the provisional capital programme to the approved capital programme and
- 2) for the Executive Head of Environmental Services to carry out appropriate tender exercises and award contracts in line with the Constitution and related delegated authority
- 3) That the Executive authorises the Executive Head of Environmental Services, to select and award a contract to the highest scoring tender for four EV dustcarts, for the Garden Waste service and one 18t food pod diesel vehicle for the general waste and recycling service, in consultation with the lead Member for Environment.
- 4) That the costs associated with provision of an EV fleet for the garden waste service are reflected in the garden waste service charge for the 2024/25 financial year in addition to any other costs increases.

Reason(s) for Recommendation:

To allow for the replacement of the council's garden waste fleet and purchase of other vehicles replacements required in the 2023/24 financial year.

In relation to 4, to follow the producer pays principle in relation to waste management costs.

**Is the report (or part of it) exempt from publication? No**

## 1. Purpose of Report

- 1.1 To set out the vehicle replacements for the 2023/24 year, to consider the merits of selecting EV versus diesel for four dustcarts and to bring forward £2.9 million from the provisional capital programme to the approved capital programme to enable the purchase of vehicles in line with the decision of the Executive.

## 2. Strategic Priorities

- 2.1 The purchase of vehicles is to support core operational delivery of services, including on waste, parking, street cleaning and grounds maintenance. Having a modern, reliable and well-maintained fleet is critical to high quality service delivery. In support of the key strategic priority of Protecting the Environment, our approach to vehicle drive trains is an Electric Vehicle first approach unless the electric approach is not viable either financially or operationally.

## 3. Background

- 3.1 The following vehicles are scheduled for replacement in 2023/24

Service Unit	Vehicle/Equipment (replacement)	Fuel Type EV/ Diesel
Parks	Forest trailered chipper	Petrol
waste ops	link round vehicles x3	Diesel
waste ops	garden waste 7.5t (rr19)	Diesel
waste ops	18t food pod	Diesel
waste ops	Commercial van (EV200)	EV
Street scene	2 Gluttons sweepers	EV
Street scene	max winds / sweepers x3	EV
Street scene	Scrubber dryer x4	EV
Street scene	Town vehicle (tipper) x2	EV
Street scene	Toilet vehicles x2	EV
Street scene	Water Bowser Trailered	Diesel
Millmead	pool cars Nissan Leaf x2	EV

Borough Housing	Cherry Picker	EV or Diesel
Car Parks	Warden Van to replace V110	EV
Hive	Meals on wheels x3	EV or Diesel

- 3.2 In addition to the above we have gone out to tender on 4 further dustcarts, these are for the garden waste service and we have received tender response for both Electric and Diesel dustcarts and received three bids for each drivetrain.
- 3.3 The strength of bidding demonstrates that EV dustcarts have moved to main build and there is high and growing confidence in their manufacture and operational viability.
- 3.4 We have undertaken an operational trial of EV and are satisfied that they can meet our needs in relation to Garden Waste at this time.
- 3.5 We have also assessed our limited power availability at the depot and are satisfied that sufficient power is available to power four vehicles, and we have been offered grant funding of £75,000 from Surrey County Council towards charging units should we choose to move forward with EV dustcarts at this time.
- 3.6 In total we have £2.9 million in the provisional programme and an estimated carry forward into 2023/24 of £149,000. Of this around £1.4 million had been allocated for these 4 dustcarts. Even though the tender pricing for EV has come in higher, the projected spend on the above replacements (3.1) and the four further dustcarts is expected to be within the planned capital provisional budget and carry over, to a total of £3.05 million.
- 3.7 These vehicles currently use in the region of 12,000 litres of diesel each per year, at a cost of around £60,000. Not using diesel will reduce the amount of emitted carbon by around 2.7 kilos per litre. This equates to an annual carbon reduction of 125,000 kilos. Over an 8-year period this means 384,000 less litres of diesel used, saving £500,000 and 1,000,000 kilos of carbon reduced. The equivalent cost of electricity to fuel the vehicles is approximately £250,000 so a net saving of approximately £30,000 per year.
- 3.8 Based on a 125 tonne per year reduction in carbon, there will be a 13% carbon reduction across the GBC fleet, a 3.7% reduction in GBC's Scope 1 emissions, and a 2% reduction in total council emissions (Please note that these figures may be lower due to use of emissions data 20/21 which is considered a non-standard year due to Covid). The savings in carbon emitted will continue to grow with grid decarbonisation, as electricity sources become more sustainable with the move away from fossil fuels.

- 3.9 In addition, this commences a journey into EV use for heavy vehicles on a non-statutory part of the service which will inform our operational plans as we seek to further decarbonise our fleet over the coming years.

#### **4. Key Risks**

- 4.1 The key risks are related to viability of the vehicles in operation. We have carried out an on road trial of an electric dustcart and sought assurances and minimum performance capabilities within the tender process that will provide a recourse. Operationally, we carry a number of spare vehicles to cover maintenance and breakdowns, these are diesel and can provide a backup.
- 4.2 The cost of electricity has increased substantially in the last 18 months, increasing the net cost of a shift to EV vehicles. There continues to be risks around both cost and reliability of electricity supply that are difficult to mitigate without reverting back to diesel use.
- 4.3 Should we seek to recover the costs of higher capital expenditure through higher pricing from April 2024 there is a risk that price rises result in customer loss. Garden waste customers can choose alternatives including home composting and taking garden waste to the tip for free. Should significant numbers respond to a price rise by not renewing, the revenue expected from a price rise might be partly or even fully eroded by customer loss.

#### **5. Financial Implications**

- 5.1 The available approved and provisional capital programme sits at £3.05 million. This did allow for the possibility of four EV dustcarts at a cost of around £1.4 million. The planned programme is sufficient to cover the higher cost and the wider programme, set out in 3.1.
- 5.2 The key consideration is the financial difference between the purchase price of Diesel and Electric dustcarts.
- 5.2 The approximate price of a Diesel vehicle is £210,000 whereas depending on the successful bid the premium for an electric vehicle will be in the region of £230,000 more per vehicle, coming in at around £440,000.
- 5.3 The revenue impact of the higher level of capital will be approximately £120,000 per year (8-year MRP and 5% interest). Against this we would expect to make savings as even though electricity prices have increased, we would still expect to save approximately £30,000 per year in diesel, net of electricity costs. We also expect some savings in maintenance, but this is difficult to quantify at this stage and is not expected to be significant.
- 5.4 In summary a decision to move to EV for four dustcarts will result in a capital need of around £900,000 more than if we chose a diesel option. In

other words, our future capital need will be reduced by this amount should diesel be the route that is dictated by financial considerations.

- 5.5 In order to mitigate the net additional costs of EV dustcarts, the council should consider the producer pays principle in relation to garden waste. On the basis that customers could choose other approaches to garden waste, including composting or taking garden waste to tips, where it is a free service, then reflecting the additional cost of EV provision on this service is justifiable and mitigates the additional costs over traditional diesel vehicles.

Financial advice provided by Vicky Worsfold, Lead Specialist Finance.

## **6. Legal Implications**

- 6.1 The proposed procurement process will need to comply with relevant legislation and the Council's Procurement Procedure Rules.

Legal advice provided by Stephen Rix, Joint Monitoring Officer.

## **7. Human Resource Implications**

- 7.1 No HR implications identified.

## **8. Equality and Diversity Implications**

- 8.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report.

## **9. Climate Change/Sustainability Implications**

- 9.1 A choice to move forward with an Electric Vehicle option would result in carbon savings as identified in the report and support the Climate Change objectives of the Council.

## **10. Summary of Options**

- 10.1 Select Electric as replacements for the four garden waste dustcarts.
- 10.2 Select Diesel as a replacement for the four garden waste dustcarts, we would risk forgoing the grant funding for charging infrastructure we have been offered. We would not make carbon savings at an early point and risk reputational harm from this. However, we would make some significant revenue savings over an electric fleet.
- 10.3 Seek alternatives, such as refurbishment, purchase of suitable but newer second-hand diesel vehicles, with a view to extending the life of the current fleet to see if prices for EV dustcarts reduce further and become more affordable in two to three years' time. We would risk forgoing the

grant funding for charging infrastructure we have been offered. There would be increased risk of service failure, especially in the event suitable and reliable newer vehicles were not swiftly obtained.

## **11. Conclusion**

- 11.1 Waste and recycling collection vehicles are large, heavy and high fuel using vehicles. They require large amounts of diesel and deliver around 3.5 miles to the gallon. As such a move to electric drive trains represents a significant opportunity to reduce the amount of carbon we emit as an organisation.
- 11.2 EV dustcarts are now more mainstream, although still low in terms of volume and as such come at a price premium. We have undertaken a trial of these vehicles and have carefully considered them in our operation. We have identified that the garden waste service is well suited to the operating dynamics of electric vehicles and are also lower risk than other aspects of the service, should an interruption occur. We can relatively easily mitigate against operational issues.
- 11.3 The key debate point is, given the wider council financial position, are they affordable at this time and if not do we want to commit to a further seven plus years of pure diesel use, or seek to eke out the fleet for a few more years whilst we wait for improvements in the market leading to a narrowing of the price differential.
- 11.4 Ultimately though the decision is about whether in our financial situation a saving of £90,000 per year from deploying less capital than planned overrides our wider aim of reducing carbon emissions for now. We should also consider if a view that a sum of £90,000 a year for the next 8 years in return for reducing fuel used by nearly 400,000 litres and carbon by around 1000 tonnes represents a position that is good enough.

## **12. Background Papers**

None

## **13. Appendices**

None.