



**Authority name: Fife Council      Service Area: Transport/Fleet**

**Benefits: Long term stability of fleet provision to meet the Authority's needs.**

### **Introduction**

Apse were commissioned to carry out a Review of Fife Councils Capital Replacement of Transport/Fleet Service Vehicles to ensure that service provision remains affordable, manageable, and consistently attainable while meeting the necessary vehicle requirements.

This was a unique brief in that a budget had been agreed 10 years ago with the provision to cover all Transport within Fife for that set period. The challenge was to look at current services, actual cost, and service provision versus a sustainable, realistic cost of fleet, with additional options relating to the purchase of a greener fleet.

As requested by Fife these options were not only for the immediate future but also if the cost of said greener replacement was pushed back. Therefore, several solutions were required to be identified.

Fife Council encompasses a diverse terrain, with large parts of rural landscape and some urban towns and villages. This may require services to travel significant distances to meet the needs and expectations of citizens. This leads to logistics and transport playing a crucial role in service delivery.

Following a consultation in 2014 a 10-year plan for Fife fleet was formulated. The decision was made to increase the use of vehicle assets and implement changes to the development of their transport and vehicle portfolio. The Council's Capital Plan for 2013 – 2023 saw a significant reduction in funding, dropping from £7 million historically to £3.3 million annually from 2013/14. By April 2014, a new vehicle life strategy was implemented, extending the lifespan of most vehicles from 5 to 7 years and beyond. Nevertheless, it was acknowledged that a budget deficit would emerge in 2018/19.

A budget of £33 million was allocated for a 10-year period, effectively providing £3.3 million as the total annual replacement cost for the entire fleet. With the ring-fenced replacement of waste vehicles every 5 years, accounting for 10 vehicles per year at an approximate cost of £2.25 million, this leaves only £1.05 million per year for the replacement of all other fleet vehicles.

The current plan is to revert to a single shift and introduce 13 additional waste collection vehicles. This change eliminates the need for a ring fence, enabling a waste replacement cycle averaging around 10 years, with potential body refurbishments at 7 years if necessary. However, after further deliberation, it was collectively decided, based on financial considerations such as repair and

maintenance costs, to adopt a maximum replacement period of 7 years for refuse vehicles. This 7-year replacement cycle is the basis for our cost.

- **Objectives:**
  - Review of Fife Councils fleet Capital Replacement
  - Develop fleet Replacement programme.
  - Establish capacity to meet the Councils current and future fleet requirements.
  - Make recommendations for changes to the programme.
  
- **Outputs:**
  - Review Fleet and establish base fleet requirement.
  - Analyse vehicle Maintenance costs
  - Review Hire vehicles and associated costs.
  - Explore Greening the fleet options.
  
- **Benefits:**
  - Less pressure on fleet maintenance capacity.
  - Reduced ongoing fleet maintenance costs.
  - Less vehicle down time due to increased reliability
  - Savings in hire vehicle provision for vehicles in workshops

### Project summary:

#### Current Fleet

- Information was gathered extensively from the data provided by the Fleet Service
- There are three workshops located across Fife, including the primary depot at the headquarters in Bankhead, as well as depots in Cupar and Dunfermline.
- As of May 2023, the council fleet comprised of **1,543** vehicles, including plant and trailers.
- The Fleet at the time of the review had **873 (56.85% of the Fleet)** over the optimised fleet life expectancy. This resulted in expensive and often extensive repairs, with significant downtime and service provision impacts for the council.

#### Fleet Maintenance

- The maintenance of the fleet is related to the age of the vehicles.
- Fleet maintenance costs were split into two basic areas of work, 'fair wear and tear' (servicing and routine maintenance) and 'unfair wear and tear' (accident damage and misuse).
- The maintenance over the last five years reflects the increasing costs associated with an aging fleet.

Maintenance Year	Fair Ware and Tare	Non-Fair Ware and Tare	Total Maintenance
2018 2019	£2,059,439	£1,356,525	<b>£3,415,964</b>
2019 2020	£2,330,327	£1,281,003	<b>£3,611,330</b>
2020 2021	£2,161,626	£1,035,633	<b>£3,197,259</b>
2021 2022	£2,768,624	£1,351,141	<b>£4,119,764</b>
2022 2023	£2,727,652	£1,436,284	<b>£4,163,936</b>

- The cost of routine maintenance increases as the vehicle ages and retaining vehicles beyond their optimum life is not financially sustainable.
- Older vehicles in the workshops for longer periods had a negative impact on service delivery.

## Hire Fleet

- In addition to the existing fleet, during the 2022-2023 fiscal year, Fife Council hired a total of **457** (FTE) vehicles, which is the equivalent an extra **83.16** (FTE) vehicles. Out of these, **56.66** were additional vehicles, and **26.51** were hired to cover existing fleet vehicles, whether for repair or due to being out of service because of excessive corrosion and age.
- Furthermore, there were **97** vehicles on hire that were brought in before 2019, indicating the need for a comprehensive fleet replacement strategy. The last few years have seen a move from short-term hires to an increasing number of long-term hires, this is a consequence of the previous decision to reduce the fleet and extend the operational life of vehicles.
- The financial benefit of purchasing fleet vehicles instead of hiring additional vehicles would be financed through capital rather than revenue.

Row Labels	Hire over 7 Years	Vehicle	Fleet Purchase Price Inc Grants	7 years + 5%	RFL	Annual Maint	Annual Price	Saving Per Annum
Tipper 3.5T (Diesel)	£7,800	Fleet Equivelant (Diesel)	£30,000	£4,500	£220	£750	£5,470	£2,330
Tipper 3.5T (Diesel)	£8,000	Vauxhall ELECTRIC VIVARO-E	£38,834	£5,825	£0	£750	£6,575	£1,425

- Replacement with electric fleet equivalents at a cost of **£1,425** (£9,975 over 7 years), saves the Council money but also aligns with the climate change agenda.
- The cost of hired vehicles is **£3,045,530** during 22/23. This figure is expected to increase in the short term as more core fleet vehicles are put off the road when they become uneconomical to repair.
- Hires attract additional charges for a variety of reasons, extra charges incurred in 2022/2023 were **£156,884**.
- These additional charges that are not included in the daily hire rate. Many are vehicle running costs e.g. fuel, puncture repair, lubricant top up. Other charges that vary between Suppliers e.g. delivery/collection. Processes are in place to ensure damage charges are challenged and not excessive.

## Fleet Replacement – Capital Profile

- Procurement of fleet vehicles is undertaken by Fleet Services with the assistance of Procurement Services. All vehicles are purchased via the Scotland Excel framework which utilises the Crown Commercial Services framework for smaller vehicles thus ensuring the best value for the Council.
- The purchase of new fleet vehicles in the early years of a new replacement programme will reduce downtime and the high repair costs currently being experienced. This will free up capacity in the vehicles used as service replacements and improve maintenance scheduling. However, this improvement will diminish over time, and without an optimal cyclical replacement program. It is important to note that the mileage and maintenance needs between years 7 and 8 are significantly higher and are expected to increase further as the assets age.
- The Capital replacement profile has been projected until 2050/2051 and is based on the current fleet requirement.
- Three scenarios are presented to demonstrate the future impact of transitioning to alternative fuel vehicles.
  - 1. Like-for-like replacement, disregarding climate change directives. This illustrates the capital replacement cost on a linear basis.
  - 2. Like-for-like replacement until 2030, transitioning to alternative fuel vehicles from 2030 in accordance with directives.
  - 3. Transitioning to alternative fuel vehicles from 2024. This represents the most expensive option available to the Council, but it may be necessary to consider preventing a potential bottleneck in procuring alternative-fuelled vehicles in 2030 (which could also lead to price inflation around the 2030 period).

This following table outlines the various costs associated with each scenario, allowing for a comprehensive comparison of expenses and considerations related to transitioning to alternative fuel vehicles.

Capital Requirement	Scenario 1	Scenario 2	Scenario 3
<b>Annual Average</b>	<b>£8.7m</b>	<b>£14</b>	<b>£15.6</b>

- Some of the alternative fuel vehicle prices were not readily available, in those instances we averaged the cost by vehicle type and applied uplifts between 30 and 40 percent, based on similar vehicle variants.

## Conclusion

- Evidence strongly indicated that it is appropriate to re-evaluate the fleet replacement programme considering the current repair and hire costs.
- There were no incentives for the Fleet Team to oversee budgets or act as gatekeepers in the fleet landscape.
- Fife Council needed to contemplate the implementation of a system that provides control and accountability, returning a transparent and accurate representation of actual expenditures.
- Eliminate instances where certain costs remain concealed, i.e. services were individually responsible for additional hire expenses within their respective budgets.
- Recommended a necessary but financially significant alternative to ensure the development of an optimal replacement programme aligned with future service delivery needs.
- Substantial investment was required as expenses associated with repairs and temporary replacements would continually increase, eventually surpassing the costs of procuring new vehicles.
- The green fleet mandate from 2026 must be addressed, the need for forward planning and extra cost to fully transfer to alternative fuels must be realised in the future planning and provision of budgets. This is not an easy decision but one that cannot be avoided. If it is not considered at the current time it will result in the need for a huge increase in budgets in 2026 and beyond.
- Fife's opportunity to apply for government grants will help to build new alternative fuelling infrastructure for their communities. It would also provide an incentive to explore alternative-fuelled vehicles, as additional infrastructure expenses did not necessarily have to be entirely covered by local budgets.
- This commission focused solely on the replacement programme, evidence indicated conducting a more comprehensive review, would return substantial savings. These savings would potentially offset some of the additional funding required for the proposed fleet replacement programme.

## Recommendations

- There were two realistic options (scenario 2 & 3) at differing cost. By 2026 the council by law needs to move towards a green fleet which would inevitably come with further additional cost. There were no longer government grants available for the purchase of green vehicles, funds were available to help with the infrastructure for alternative fuel vehicles. This recommendation highlighted the increased maintenance costs of older vehicles and additional cost of external hires. The recommendation was that the Council makes early significant investment in new vehicles and increases the annual capital replacement programme to support a reduced replacement cycle to ensure sustainable best value in fleet provision.
- Further analysis to reduce/replace long-term hire vehicles with permanent fleet vehicles will return significant savings.
- Services did request additional hired vehicles, with the costs being drawn from their respective budgets. That practice effectively conceals the genuine cost of fleet provision and expansion.

- Our recommendation is to ensure all vehicles would be under the management of the Fleet Team. This empowers them to efficiently manage the allocation of resources.
- Additionally, it would enable the Fleet Team to act as gatekeepers, evaluating the optimal times for fleet expansion and making informed decisions about when to commission hired vehicles. This approach did offer control over the allocation of additional vehicles and ensures that decisions are made based on strategic considerations rather than fragmented budget management practices.
- Fleet Services to collaborate with the Climate Change Team to create a Green Fleet Transition Strategy.
- The Council were operating a large fleet which was supplemented with hire vehicles; therefore, it was highly recommended that an updated base fleet requirement is established by all Departments to ensure Transport can optimise the fleet.