



AUDIT COMMITTEE 18 OCTOBER 2023

Subject Heading:

Impact of impending ULEZ changes to the Council's fleet assets

SLT Lead:

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Policy context:

To consider the financial impact of the ULEZ enforcement which was brought forward by the Mayor of London and comes into force on the 29th August 2023, impacting across a wide range of council vehicles and departments.

SUMMARY

The report provides the Audit Committee with the current position of the council's vehicles and other assets.

RECOMMENDATIONS

Members to note the current position of the council vehicles.

REPORT DETAIL

1. Introduction

- 1.1 The Mayor of London has brought forward the introduction of a pan wide Ultra-Low Emission Zone across London, impacting on outer boroughs outside the north and south circular to the boundary of the M25. In effect all petrol cars & vans below 3500kg registered from January 2006 (Euro 4) and diesel cars registered after September 2015 and vans registered from Sept 2016 (Euro 6) will be compliant. Vehicles registered before these dates will be subject to a charge of £12.50 per day.

- 1.2 Large commercial trucks above 3500kg registered from January 2014 (Euro 6) will not be subject to any charges. Vehicles registered before this date will be subject to a charge £100 per day. Buses or van conversions manufactured from September 2015 under 5000kg are (Euro 6) and meet Euro 6 emission standards. Non-compliant small buses will be subject to a daily charge of £12.50 per day and large buses £100 per day.

2. Fleet profile and exposure to fines

The Council operates a fleet of c. 177 vehicles across its various functions and the ULEZ compliance status is summarised below, by service

- 2.1. **Highways** – operate vehicles 7500kg > 18,000kg and all are compliant for the up and coming ULEZ changes. The Highways vehicles are manufactured from 2014 > 2018 and the Highways contract is due for procurement in April 2024 at which point it is likely that the remaining in-house activities will be outsourced. As a consequence, there is a freeze on replacing these operational vehicles which all have an operating life of 7 years. As these vehicles are all Euro 6 they are not subject to daily ULEZ charges.
- 2.2 **Passenger Transport Services (PTS)** – operate 62 vehicles ranging from 3500kg > 12000kg (15 seats to 73 seats). PTS had intended to replace 27 'out of life', non-compliant buses last year and were at the award stage in November 2022 when they were asked to defer most of the replacements pending a review of Home to School Transport policy. As a consequence, PTS were given approval to replace only the 8 oldest vehicles and were asked to defer the remaining 19. It was agreed at the time that PTS would apply to TfL for Community Grace Period Certificates, which allow a temporary exemption period up to October 2025. This has now been completed. The current PTS fleet which is a mixture of Euro 5 and Euro 6 Vehicles are currently ALL exempt from ULEZ daily charges.
- 2.3 **Grounds Maintenance and Environment/Neighbourhoods** – both of these services have been the subject of deferred fleet replacement due to potential inclusion within procurement of larger contracts.

The Environment/Neighbourhoods function (mechanised sweepers) is now within scope of the new waste contract commencing with Urbaser in Autumn 2023.

However the decision was recently taken, when scoping the forthcoming Highways contract, to retain the grounds maintenance function in-house. A Non-Key ED has been submitted seeking permission to replace these vehicles and a procurement Gateway 1 has been completed with agreed route to tender. A mini competition is now currently active via the TPPL framework to replace these vehicles and once completed a Gateway 2 report seeking approval will be submitted along with a Key Decision to award. However, pending delivery of the new grounds maintenance fleet

assets, up to 32 vehicles will be subject to the ULEZ charge of £12.50 per day.

- 2.4 **Housing** – Most of the housing fleet is hired and ULEZ-compliant (Euro 6). However there are 8 x 3.5 tonne vehicles that are due for replacement and they will be subject to the daily ULEZ charge of £12.50 up to the point where replacement vehicles are available. Specifications are being agreed with the Housing service and a business case is being prepared to replace them.
- 2.5 **Bereavement Services** – There fleet are currently linked to the procurement of the grounds maintenance vehicles and all 4 vehicles are ULEZ non-complaint and are subject to the daily fine of £12.50. All are due to be replaced this financial year.
- 2.6 **Pool Cars** – Pool fleet usage is monitored over time relative to demand, as a result of which the number of pool cars has been reduced since its introduction from 20 to 10 remaining vehicles. It is proposed replace the remaining ‘owned’ fleet with electric vehicles once the charging infrastructure is in place. In the meantime, the current diesel vehicles are being sold and temporary (Euro 6) hired vehicles are replacing them.
- 2.7 **Car Parks and Parking Enforcement** – Both sections have been under review including their facilities operational base Angel Way car park. On-going discussions are taking place regarding their fleet requirements including the possible provision of e-bikes. Parking Services did have 6 vehicles subject to the ULEZ daily charge of £12.50 but have now released these vehicles to be sold off at auction. A hired compliant mini bus has temporary replaced these vehicles while the service is under review.

3. **Projected Cost of replacing non-compliant vehicles**

- 3.1 The two attached appendix’s identify the fleet and the following costs:
 - The daily, monthly and yearly costs of ULEZ fines per vehicle.
 - The ULEZ cost for this current year from 1st September 2023
 - The estimated cost of replacing non-compliant fleet assets in 2023/24
 - The estimated cost of replacing all vehicles including the buses with TFL community grace period application certificates from 2024/25 & 2025/26
 - Identifies 204 vehicles with 40 ULEZ non-compliant.
- 3.2 The schedule identifies a worst-case scenario, that in the unlikely event of no further fleet replacements being achieved during the current financial year, and all non-compliant vehicles being used daily, the Council’s potential exposure to ULEZ fines would be approximately £75k in 2023/4.

4. Residual Values, Covid and Manufacturing.

- 4.1 **Manufacturing & Covid 19** caused the complete shutdown of vehicle manufacturing from 2020 and 2021 with incidents affecting semi-conductors throughout including 2022 due to the continuous outbreaks in China. This caused major disruptions to the car, van, bus, truck and plant industries.

Most dealers, due to the last financial crisis, stopped holding stock, as dealers are subject to interest charges once a vehicle has been held in stock more than 60 days.

This has now created a back log with demand for vehicles outstripping supply chains. Currently it can take up to 12 -15 months to procure vehicles with specialist bodies (Tippers, Cage Tippers, Tipper Tail Lift, Coach Built Buses) etc.

- 4.2 **Residual Values** – Due to the shortage of vehicle supplies the second hand market outside London is buoyant with vehicle auction houses seeing CAP (Clean Cap, Cap Average - meaning the vehicle is in reasonable condition) exceeding reserves between 7 & 9%. There is no knock on effect on residual values from ULEZ outside of London.

IMPLICATIONS AND RISKS

Financial implications and risks:

The council's fleet currently includes a mixture of compliant and non-compliant vehicles as well as some non-compliant vehicles which are covered by a community grace period certificate.

For the period covering 1st September 2023 to 31st of March 2024, in the event of no further fleet replacements taking place during that period, it was originally estimated that the council could incur fines of up to £103k due to those vehicles which are non-compliant (and not covered by the grace period) rising to £177k in a full financial year. However the fines have now been reduced to £75k due to departments disposing of vehicles, whilst preparations to replace them are underway. The revised figures for a full financial year is now £129k, a reduction of £48k.

Replacement of non-compliant vehicles is in progress with service managers which should reduce exposure to ULEZ fines, however, it should be noted that these replacements are subject to potential delay in terms of supply chains and procurement complexities.

Havering now has a TFL account to cover automatic charges for all non compliant fleet vehicles, reducing the risk of heavy non complaint fines.

Legal implications and risks:

There was a legal challenge to the imposition of the ULEZ expansion brought by a group of Local Authorities not including Havering. However this was unsuccessful at the courts. Currently complaints from the public and the constant media coverage are applying pressure to the current government linked to the cost of living crisis. This constant growing pressure could possibly cause the current government to have a full review and potentially suspend or defer the ULEZ.

Otherwise there are no apparent legal implications of noting the content of this report

Human Resources implications and risks:

There are no HR implications resulting from this report

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

- i. The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. The need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. Foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

An EqHIA (Equality and Health Impact Assessment) is usually carried out when a current or planned service/policy/activity is likely to affect staff, service users, or other residents.

There are no equality implications arising with this report

Environmental and Climate Change implications and risks:

There are no specific environmental implications arising from the recommendations within this report.

Following an earlier trial, the Council's fleet has run for the past 3 years on a Gas to Liquid (GTL) fuel product that reduces nitrogen oxide by 37% and particulate matter by 38% in comparison with conventional fuels. The fuel aids cleaner air and

helps reduce lung disease and respiratory illnesses, such as asthma, for borough residents.

BACKGROUND PAPERS

None