

TRANSPORT FLEET VEHICLE RENEWAL

Head of Service:	Ian Dyer, Head of Operational Services
Report Author	Jon Sharpe
Wards affected:	(All Wards);
Urgent Decision? (yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Exempt Appendix 1 – Key Details of existing contract with detail on proposed changes over the new terms. Exempt Appendix 2 – Submission by current supplier as to the proposed extension

Summary

The Council's vehicle fleet will require replacement starting mid-2027. A decision to extend the existing contract is recommended.

Recommendation (s)

The Committee is asked to:

- (1) Authorise that the extension of the existing transport fleet contract be awarded to Specialist Fleet Services Limited, on the basis of lease with full maintenance, as now at an annual cost detailed within Exempt Appendix 1.
- (2) Nominate and authorise the Head of Operational Services, following consultation with the Chairman and Vice-Chairman of the Strategy and Resources Committee, the Director of Corporate Resources and Head of Legal, to take all necessary steps to finalise the extension in accordance with the existing agreement terms so as to bring into effect the recommendations resolved by this Committee.
- (3) Nominate and authorise the Deputy Chief Executive and Head of Housing, Environment and Regeneration, to take all necessary steps to enter into and approve all individual Contract Hire Schedules – including extensions, if vehicles are kept for longer than the originally intended term - in accordance with the existing agreement terms so as to bring into effect the recommendations resolved by this Committee.

1 Reason for Recommendation

- 1.1 The Council's current vehicles reach the end of their operational lives from mid-2027.
- 1.2 Very long lead times prevalent in the motor industry mean that, to ensure delivery of replacements at that time, new refuse & recycling vehicles need to be ordered by September 2025, and other vehicles by early 2026.
- 1.3 In the context of Local Government Reorganisation, the Procurement Board has advised that it is prudent to do this via an extension of the current Transport contract (see section 2 – The Transport Contract).

2 Background

The Transport contract:

- 2.1 Specialist Fleet Services Ltd (SFS) is the UK's largest provider of municipal vehicles. It has fulfilled the Council's Transport contract since 2005, convincingly winning all tenders in that time.
- 2.2 The current Transport contract was approved by the Committee on 22 November 2016 on a 10 year basis, with a primary period 2017 – 2027 and the option to extend for up to a further 10 years thereafter 2027 – 2037.
- 2.3 Mindful of LGR, the Council's Procurement Board (an officer group which oversees and provides advice on key procurements) was invited to consider the options available to the Council. Having considered the critical nature of this service, it has advised that it is prudent to exercise the option of an extension of the Transport contract from 2027, as is permissible under the current agreement. In coming to that position officers took into account the following:
 - 2.3.1 SFS' 20-year partnership with the Council; its good performance under the current agreement; its proven expertise and its ability as the UK's largest provider of municipal vehicles to negotiate best value new vehicles.
 - 2.3.2 This route would avoid significant re-tendering costs and ending / starting of a new contract.
 - 2.3.3 Excellent working arrangements and contract management of the existing contract, meaning that SFS is a company this Council or any successor unitary is likely to wish to work with.
 - 2.3.4 The crucial need to re-order vehicles in a timely manner so that services are supported from mid-2027:

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2.3.4.1 Extraordinarily long, never before experienced, current delivery times for refuse & recycling collection vehicles mean they must be ordered no later than September 2025 to ensure delivery in mid-2027 when the current vehicles are due to reach the end of their expected operational lives/use.

2.3.4.2 Other vehicles must be ordered by early 2026.

- 2.4 It is therefore recommended that this Committee accept the recommendation by way of approving and authorising the exercise of the contract extension; the current requirement is that this Council is obliged to give written notice to SFS not less than 6 months prior to the last day of initial contract period should it wish to extend the contract period – this is said to be on or before 1 January 2026.
- 2.5 Mindful of the advice provided in paragraph 2.3.4 above, it is recommended that notice to extend be provided as soon as practicable and prior to September 2025, should this Committee approve and authorise the recommended extension to the existing agreement.
- 2.6 In order to assist Member reach their decision, a note of the information provided to the Procurement Board is attached as Exempt Appendix 1, which details the relevant financial and commercial details of both the existing agreement and the proposed extension.

The Council's vehicles

- 2.7 The Council's transport fleet comprises 70 vehicles of various types, supporting a range of services: bin collections, streetcare, downskeepers, grounds maintenance and verges, community services (minibuses, meals at home, community alarm), cemetery, parking and countryside management.
- 2.8 Most vehicles were leased for 10 years and reach the end of their operational lives in mid-2027.

How much will new vehicles cost?

- 2.9 The pandemic and the cost-of-living crisis have dramatically increased vehicle costs. For example, our refuse & recycling vehicles had a capital cost of £206k each in 2017 but replacements will be at least 50% more.
- 2.10 Overall, new vehicles seem likely to increase the Council's annual lease costs by 30% – 40% or even more. This would see our current annual lease costs of c.£990k pa rising to £1.3 million pa or more.
- 2.11 Actual costs cannot be confirmed until 'live' quotes are obtained closer to order time.

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- 2.12 It may be noted that short-term lease periods of, say, 2 or 3 years, that might better align with Local Government Reorganisation timescales, would increase lease rentals significantly, even beyond those expected to arise from general vehicle price rises. However, officers will seek the most appropriate lease period to balance affordability and other factors such as LGR (see section 6.6).

What are our potential LGR partners considering?

2.13 Elmbridge and Mole Valley:

2.13.1 Both councils are part of the 4-district Joint Waste Solutions (JWS) waste & streetcare contract that expires in mid-2027. JWS has recently published a tender for a new contract thereafter on a 7+7+7 basis (i.e. minimum to 2034, maximum to 2048). JWS accepts this cuts into LGR timescales but states it is urgently required for continuity of services in 2027.

2.14 Tandridge:

2.14.1 Refuse & recycling is contracted out to Biffa, which also provides the vehicles. The current 8-year contract ends in 2029. As yet there is no decision about what happens thereafter.

2.14.2 Tandridge operates its other services in-house, for which it buys its vehicles. Tandridge is currently rolling its vehicles forward year-by-year, although its Streetcare vehicles are close to the end of their projected lives.

2.15 Reigate & Banstead (R&B):

2.15.1 R&B operates its services in-house but buys its vehicles. Refuse & recycling vehicles will be due for replacement in 2028. No changes to services or vehicle types are currently planned.

3 Risk Assessment

Legal or other duties

3.1 Equality Impact Assessment

3.1.1 No impacts.

3.2 Crime & Disorder

3.2.1 No impacts.

3.3 Safeguarding

3.3.1 No impacts

3.4 Dependencies

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3.4.1 As per Appendix 1, the Procurement Board has advised that extension of the current SFS contract is the most appropriate way to acquire the replacement vehicles that the Council will need in mid-2027.

3.5 Other

3.5.1 Our current vehicles will be 10 years old by mid-2027 and will have reached the end of their operational lives so must be replaced.

3.5.2 The current contract 2017 – 2027 is the first time the Council has ever operated vehicles to 10 years, that term having been chosen for affordability when we entered the contract in 2017. Prior to that, we had not operated vehicles beyond 8 years. Our experience has shown that older vehicles present significant reliability and cost challenges.

3.5.3 We cannot operate our current vehicles beyond 10 years:

3.5.3.1 SFS will not permit us to do so, due to the high likelihood of vehicle unreliability, negative impact on vehicle availability for services, and high costs.

3.5.3.2 Even if SFS were to allow it, officers would not recommend doing so for the same reasons.

3.5.4 It is imperative that the Council acts swiftly to order replacement vehicles if they are to arrive by mid-2027:

3.5.4.1 Extraordinarily long, never-before experienced current delivery times for refuse & recycling collection vehicles mean they must be ordered no later than September this year.

3.5.4.2 Other vehicles must be ordered by early 2026.

3.5.5 This can be expedited through the extension of the Transport contract.

3.5.6 Failure to order replacement vehicles on a timely basis in this way would seriously risk key services, such as refuse & recycling collections, being heavily compromised by lack of vehicle resources.

4 Financial Implications

4.1 Most vehicles will reach end-of-life by mid-2027 and must be replaced at that point. Even a simple like-for-like replacement is likely to increase the Council's costs by a minimum of **£300k per annum** (see section 2.10). This increase will be monitored and any potential further increase in costs will be discussed with the Finance team to assist with financial planning.

4.2 Actual new vehicles costs cannot be confirmed until 'live' quotes are obtained closer to order time.

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- 4.3 **Section 151 Officer's comments:** The 2026/27 Strategic Financial Planning report also on this agenda, which considers the Council's financial position for the next 3 years. £300,000 has been included from 2027/28 to recognise an increase in the annual cost of leased vehicles when the new contract comes into effect.
- 4.4 This report highlights a current budget gap for 2026/27 of £1.928 million rising to £5.063 million by 2028/29. Any further increase in fleet contract will add further to this gap.

5 Legal Implications

- 5.1 The existing agreement provides for the Council to give notice on or before 1 January 2026 to extend the agreement to last "up to" a further 10 years. Members are invited to consider the detail within Exempt Appendix 1 that sets out why the full 10-year extension period is proposed.
- 5.2 **Legal Officer's comments:** Relevant legal comments have been added to the body of this report.

6 Policies, Plans & Partnerships

- 6.1 **Council's Key Priorities:** The following Key Priorities are engaged:
- 6.1.1 Effective Council: Replacement of vehicles in 2027 is crucial to the delivery of a range of services.
- 6.2 **Service Plans:** While the matter does not form part of our various service plans, vehicle replacement is always required at the end of our vehicles' operational lives in order to sustain affected services. Consequently, replacement of current vehicles is required by mid-2027.
- 6.3 **Climate & Environmental Impact of recommendations:** A separate report to the Environment Committee reviews the potential for the Council to acquire some electric vehicles as part of its vehicle replacement programme. Should the Environment Committee instruct officers to progress electric vehicles, a further report would need to come to this Committee to review the funding implications, which would be in addition to those included herein.
- 6.4 **Sustainability Policy & Community Safety Implications:** As section 6.4, a separate report to the Environment Committee reviews the potential for the Council to acquire some electric vehicles as part of its vehicle replacement programme.
- 6.5 **Partnerships:** SFS is a key Council partner, having supplied and maintained our vehicle fleet since 2005. SFS is keen to work with the Council to achieve best value outcomes through the extension of its current contract.
- 6.6 **Local Government Reorganisation Implications:**

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- 6.6.1 We must order new vehicles irrespective of which Authority is in place mid-2027. Our current vehicles will reach the end of their operational lives at that time and services cannot be sustained if replacement vehicles are not available by mid-2027.
- 6.6.2 In consideration of currently long delivery times in the motor industry (especially for refuse & recycling vehicles) we must act quickly to research, specify, price and order new vehicles.
- 6.6.3 Consequently, our replacement vehicles – if ordered by September 2025 - will arrive in mid-2027 just after the Unitary vesting day. However, it may be noted that:
- As summarised above, Elmbridge and Mole Valley are part of a very large procurement of long-term waste & streetcare services, including replacement vehicles, starting mid-2027.
 - There may be only limited changes to key services after LGR. For example, refuse & recycling collections are fairly homogenous across Surrey, so it seems likely our vehicles would remain entirely valid within the new Authority's collections strategy, even if it were to move away from weekly collections and/or change to contractor-operated collections.
 - In any event, SFS confirms it will be happy to novate leases to the new unitary authority. This includes, subject to some checks and agreements, if the vehicles were to be operated by a contractor rather than directly by the new unitary Council.
- 6.6.4 Failing to carry out these actions, with or without LGR, would present a serious risk to services from mid-2027, irrespective of which Authority is carrying them out. It is therefore imperative that we act to arrange new vehicles as this report describes, including necessary arrangements for any EVs.

7 Background papers

- 7.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Strategy & Resources Committee approval of current Transport contract, 22/11/2016

Other papers:

- None.