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Council name	**COTSWOLD DISTRICT COUNCIL**
Name and date of Committee	**OVERVIEW & SCRUTINY – 5 JANUARY 2026** **CABINET – 8 JANUARY 2026**
Subject	**FLEET REPLACEMENT PROGRAMME**
Wards affected	All
Accountable member	Councillor Andrea Pellegram, Cabinet Member for Environment & Regulatory Services Email: Andrea.Pellegram@cotswold.gov.uk
Accountable officer	Helen Martin, Director of Communities & Place Email: Helen.Martin@cotswold.gov.uk
Report author	Peta Johnson, Head of Waste & Environment Email: Peta.Johnson@cotswold.gov.uk
Summary/Purpose	• To review the Capital Fleet Replacement Programme and identify the vehicles for replacement in 2026/27. • To agree the next steps towards the decarbonisation of the waste services.
Annexes	Annex A – Risk Assessment, Fleet Replacement
Recommendation(s)	That Cabinet resolves to: 1. Approve the replacement of vehicles in line with the updated Capital Fleet Replacement Programme (Paragraph 5.3) up to a total of thirty-one vehicles. 2. Approve steps towards the decarbonisation of waste services through the purchase of one electric kerbside-sort vehicle (one of the thirty-one vehicles identified above) and a shift to using Hydrotreated Vegetable Oil (HVO) as a replacement to diesel. 3. Include the reprofiled capital expenditure for 2026/27 in the Capital Programme that will be considered by Cabinet and Council in February 2026.

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Corporate priorities	• Delivering Good Services • Responding to the Climate Emergency
Key Decision	YES
Exempt	NO
Consultees/ Consultation	• Cabinet Member for Environment and Regulatory Services • Corporate Leadership Team

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1. EXECUTIVE SUMMARY

1.1 This report reviews the Capital Fleet Replacement Programme and sets out the vehicles scheduled for replacement in 2026/27. The kerbside-sort system will continue, supporting compliance with Simpler Recycling and the future collection of plastic film.

1.2 Extending vehicle life was considered but rejected due to risks of service disruption and higher maintenance costs.

1.3 The waste and environment services account for 43% of Council emissions, making decarbonisation critical to achieving the Council's target of 80% carbon reduction by 2030.

1.4 The updated programme increases the forecast of capital expenditure in 2026/27 by £0.350m reflecting the additional cost of one electric vehicle and the early replacement of a 7.5t Refuse Collection Vehicle due to reliability issues.

1.5 The capital expenditure estimate for 2026/27 is £6.0m reflecting planned slippage from 2025/26 and bringing forward planned expenditure from 2027/28.

1.6 A further planned measure is the use of Hydrotreated Vegetable Oil (HVO) this is a diesel replacement that lowers emissions. Market prices currently reflect a higher HVO cost against diesel. Should this differential remain, other things being equal there will be an increased revenue cost in 2026/27. This will be included in the 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Plan report to Cabinet in February 2026.

1.7 These measures balance operational reliability, legislative compliance and climate objectives, while providing a framework to monitor costs and carbon savings for future planning.

2. BACKGROUND

2.1 The Council has a Capital Fleet Replacement Programme that describes the lifecycle replacement of vehicles used for the delivery of household waste collection, street cleansing services and grounds maintenance services. The Programme covers the years 2025/26 through to 2032/33.

2.2 The Programme assumes that like-for-like replacements are planned when an asset has reached the end of its operational life, with the operational life of an asset being determined at the point of purchase (e.g. seven years for a Refuse Collection Vehicle or RCV).

2.3 Each year the condition of the assets is reviewed and the Programme is refreshed. Replacement may be brought forward or delayed depending on factors such as vehicle reliability.

2.4 This report:

- Considers waste collection service design in the context of wider industry changes.
- Describes the carbon emissions of the waste and environment services and what steps can be taken at this point to reduce carbon emissions.
- Describes the vehicles scheduled for replacement in 2026/27.

2.5 The Capital Programme, as approved by Council on 24 February 2025, includes capital budget provision for the Fleet Replacement Programme. For the period 2025/26 to 2028/29, a total of £7.818m was included in the capital expenditure plans with the expenditure profile indicating £5.171m for 2026/27.

2.6 This report provides members with an updated expenditure profile for 2026/27 which includes slippage from 2025/26 and brings forward planned expenditure from 2027/28. This report will not consider the capital financing implications as this will be included in later reports to:

- Audit and Governance Committee (27 January 2026) – Annual Capital Strategy 2026/27.
- Overview and Scrutiny Committee (02 February 2026) and Cabinet (05 February 2026) – 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Strategy.

3. WASTE COLLECTION SERVICE DESIGN

3.1 The vehicles under consideration largely relate to the delivery of recycling and food waste collections to residents. The planned replacement of these vehicles drives us to consider the design of these services.

3.2 Three main classifications of recycling systems are generally used in England:

- **Commingled**, where recyclables are presented in a wheeled bin and collected mixed.
- **Twin-stream**, where materials are typically presented in a wheeled bin plus a box or sack and collected as two separate groups of recyclables (paper/card and cans/plastic/glass).

- **Kerbside-sort**, where materials are presented in a range of boxes and sacks and sorted at the kerbside by operatives into a multi-compartment vehicle.

3.3 All systems are in operation across the six Waste Collection Authorities of Gloucestershire (one commingled, one twin-stream, four kerbside-sort). The Council provides a kerbside-sort system of collection to residents.

3.4 There is no one right way to provide recycling services; each has its positives and negatives. Kerbside-sort allows the collection of an extensive range of materials, including textiles and small Waste Electronic and Electrical Equipment (sWEEE) and produces high-quality materials. It is also associated with low costs relating to the processing of recyclables in preparation for sale. The cost of collection is relatively high compared to other systems of collection.

3.5 Twin-stream and commingled collections are often associated with cheaper costs of collection but higher processing costs. On balance, the costs of operating all three systems are similar. However, twin-stream and commingled collections may not support the collection of a wide range of materials. The collection of textiles and sWEEE can be more challenging. This system may also represent a barrier to the collection of additional material streams.

3.6 A change in the system of collection would come with significant mobilisation costs, a re-routing exercise and significant capital investment in containers. It could limit the Council's ability to add additional materials to the collection services.

3.7 A range of legislation and policy changes are happening in the waste sector including Simpler Recycling. Simpler Recycling places an obligation on councils to collect a specific range of recyclables from residents. The Council is compliant with the requirements of Simpler Recycling that need to be in place by 31 March 2026. By 31 March 2027, we will need to add plastic film to our collection services to remain compliant with Simpler Recycling. Continuation of the kerbside-sort system and the replacement of vehicles support the additional collection of plastic film. Vehicles will be designed to accommodate this updated range of recyclables.

3.8 The kerbside-sort system will therefore be continued.

4. CARBON EMISSIONS OF WASTE AND ENVIRONMENT SERVICES

4.1 The Council declared a climate emergency in July 2019 and has committed to making our activities net-zero carbon as soon as possible, aiming for an 80% reduction

against a 1990 baseline by 2030 and a 100% reduction by 2045, with no reliance on offsetting or the trading of carbon credits.

4.2 The waste and environment services contribute a high proportion of our emissions (43%) and therefore options for decarbonisation have been considered.

4.3 Alternatively powered vehicles can be considered at the point of lifecycle replacement (e.g. electric vehicles) or an alternative fuel can be considered at any point (e.g. Hydrotreated Vegetable Oil or HVO).

4.4 Manufacturer produced electric kerbside-sort vehicles have been available since 2023. The standard vehicles have a limited range (up to one hundred miles on a single charge) which is not sufficient to provide services across the Council area, with an appropriate buffer that considers the operation of vehicles in all weather conditions.

4.5 A vehicle with an increased battery size has been assessed (from 210 kWh to 280 kWh) and is believed to provide the necessary range.

4.6 The Capital Fleet Replacement Programme has been updated to reflect that one of the kerbside-sort vehicles will be replaced with an electric rather than diesel powered version. This increases the capital expenditure estimate by £0.200m.

4.7 The electric vehicle will be used as a proof of concept to understand the operation of this vehicle type in our area and plan for future fleet replacements. This will include building an understanding of the total cost of vehicle ownership including expected savings in fuel costs and maintenance.

4.8 One electric vehicle will assist in reducing carbon emissions but not significantly so an additional measure has been considered.

4.9 The fleet can be transitioned to operating using Hydrotreated Vegetable Oil (HVO) rather than diesel.

4.10 HVO is a drop in fuel, i.e. can be used in diesel vehicles with no alterations to the engine. It is estimated to provide an 80% to 90% reduction in net CO_2 emissions. Ubico has experience of using HVO in other areas of Gloucestershire.

4.11 However, it cannot be purchased from forecourts, so needs to be ordered in bulk and stored in a tank at the depot which would require the installation of a fuel tank at the depot. The Capital Programme includes an estimate of £0.060m and this will be

reviewed to ensure adequate budget provision is made. The installation of a fuel tank may be subject to a planning application where this consent is not already in place.

4.12 The fuel price fluctuates but is typically more than forecourt prices. Market prices currently reflect a higher HVO cost against diesel. Should this differential remain, other things being equal there will be an increased revenue cost in 2026/27. This will be included in the 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Plan report to Cabinet in February 2026.

4.13 HVO is produced using cooking oil or palm oil and we would need to ensure that the fuel is not made from palm oil as this is linked to deforestation. As more fleets transition to HVO, supply may become more limited, however, if supply did become limited, we would be able to move back to using diesel with no implications to the operation of the fleet.

4.14 In any case, it may be prudent to consider a mechanism that balances the need to reduce carbon emissions by 2030, against the affordability envelope of the services. Fuel usage will be monitored on a monthly basis against both HVO and diesel prices. The Council will need to develop an appropriate mechanism for monitoring the financial and climate implications for the move to HVO to ensure the costs and environmental benefits are considered in the round. This would mitigate the risk that the decision to transition to HVO is not reviewed and the Council incurs significant and ongoing revenue costs.

4.15 The additional costs incurred will be summarised, together with the carbon savings, to provide a cost per tonne of carbon saved. This measure can be used to plan for future budgets or to evaluate alternative means to reduce carbon emissions.

5. VEHICLES SCHEDULED FOR REPLACEMENT IN 2026/27

5.1 The majority of spend has been previously identified in the Capital Programme. This includes funding to replace two kerbside-sort vehicles and one cage vehicle originally scheduled for replacement in 2025/26, which are now planned for replacement in 2026/27.

5.2 There are however, two further changes:

1. The additional cost of one electric kerbside-sort vehicle (this electric vehicle will be in place of, rather than being in addition to, a diesel kerbside-sort vehicle)

2. The replacement of one 7.5t RCV has been brought forward from 2027/28 and will now be replaced in 2026/27. This is due to ongoing issues with the reliability of the current vehicle, which has led to service disruption to residents.

5.3 Therefore, the updated Capital Fleet Replacement Programme (CFRP) for 2026/27 is as follows:

Previous CFRP Replacement Year	Vehicle Type	Number of Vehicles	Updated Position – Replacement in 2026/27
2025/26	Kerbside-sort Vehicle (diesel) Cage Vehicle	2 1	Costs are in line with previous CFRP
2026/27	Kerbside-sort Vehicle (diesel) Kerbside-sort Vehicle (EV) Food Waste Vehicle Refuse Collection Vehicles (RCV) Mechanical Sweeper	15 1 5 3 3	+£200k (additional cost as one vehicle will be electric powered, not fuelled by diesel)
2027/28	Refuse Collection Vehicle (7.5t)	1	+£150k (spend brought forward from 2026/27)

Fleet Replacement Capital Expenditure Plans	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	2028/29 Budget (£'000)	TOTAL Budget (£'000)
As per February 2025 Capital Programme	771	5,171	1,740	117	7,799
Current forecast	292	6,000	1,590	117	7,999
Change	**(479)**	**829**	**(150)**	**0**	**200**

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6. ALTERNATIVE OPTION – EXTEND THE OPERATIONAL LIFE OF VEHICLES

6.1 Rather than replace the identified vehicles, a decision could be made to extend their operational life.

6.2 Extending the operational life of these vehicles is not recommended as it will increase maintenance costs and reduce the reliability of these vehicles. This may lead to increased hire costs where vehicles are brought in on a temporary basis to support service delivery.

6.3 Where the reliability of these vehicles is reduced, this could lead to service disruption and could impact residents directly through increased missed collections and service failures.

6.4 Although not recommended for this fleet replacement, the option to extend the operational life of vehicles will be considered for future fleet replacements.

7. CONCLUSIONS

7.1 The updated Capital Fleet Replacement Programme for 2026/27 ensures the Council maintains a reliable fleet to deliver waste and environmental services while meeting legislative requirements and advancing climate objectives. The proposed measures of replacing up to thirty-one vehicles, introducing one electric kerbside-sort vehicle and transitioning to HVO, represent a balanced approach that prioritises service continuity, compliance with Simpler Recycling and significant carbon reduction.

7.2 The additional capital investment of £0.200m for the electric vehicle and revenue implications for HVO (to be considered in the 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report) are necessary to evaluate alternative technologies and fuels, providing valuable insight into operational performance and cost implications. These steps will support the Council's commitment to achieving an 80% reduction in carbon emissions by 2030.

7.3 Extending the operational life of vehicles was considered but rejected due to risks of increased maintenance costs, service disruption and reduced reliability. The recommended approach offers a clear pathway to decarbonisation while maintaining high-quality services for residents.

8. FINANCIAL IMPLICATIONS

8.1 This report provides an updated Fleet Replacement schedule for 2026/27 with an increase in expenditure from £5.171m to £6.000m as set out in Section 5 of the report.

8.2 The Capital Programme, as approved by Council in February 2025, included total expenditure estimates of £7.818m over the period 2025/26 to 2028/29. As noted in paragraph 8.1 above, the forecast for 2026/27 increases by £0.829m. This should be seen in the context of the wider programme as the increase reflects planned slippage from 2025/26 and planned expenditure from 2027/28. The additional cost in 2026/27 should be viewed as £0.200m on that basis.

8.3 This report does not consider the capital financing implications. These will be included in the Annual Capital Strategy 2026/27 report and the 2026/27 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report.

8.4 Further work is needed to finalise the wider revenue and capital expenditure plans to understand the Treasury Management and capital financing options. However, members should note that the intention is to reduce or remove the need to undertake prudential borrowing to finance the capital programme.

9. LEGAL IMPLICATIONS

9.1 The Council has a statutory duty to collect household waste including the separate collection of recyclables under the Environmental Protection Act 1990.

9.2 Procurement of any new vehicles will need to be undertaken in accordance with the Council's Contract Rules.

10. RISK ASSESSMENT

10.1 A risk assessment is provided in Annex A. This describes risks related to:

- Vehicles reaching the end of their economic life.
- Ongoing reliability issues of a 7.5 tonne RCV
- The climate change emergency.
- Simpler Recycling requirement to roll out plastic film collections to residents.
- Legislation changes and potential impact on services.

11. EQUALITIES IMPACT

11.1 Continuation of an existing service to residents. No equality impacts are identified.

12. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

12.1 To understand the implications on the Council's carbon emissions of fuelling the waste fleet using HVO, two scenarios are described:

<u>Scenario One: 100% of fuel use is HVO</u>.

12.2 Estimated to remove 42% of council carbon emissions. This assumes council waste fleet emissions remain 43% of the Council's total carbon emissions. Whilst the exact

proportion of carbon emissions the waste fleet makes up is expected to fluctuate, it is not expected to deviate wildly away from 43%. The 42% savings figure assumes the litres of fuel consumed remains the same as 2024/25 and that carbon emission factors of fuels (both diesel and HVO) remain the same as 2024. We are not aware of any significant planned changes to carbon emission factors of fuels.

Scenario Two: 50% of fuel use is HVO.

12.3 Estimated to remove 21% of council carbon emissions based on the assumptions described above.

Contribution to Carbon Reduction Against 1990 Baseline

12.4 As previously indicated, the Council is aiming for an 80% reduction in carbon emissions against a 1990 baseline by 2030 and a 100% reduction by 2045.

12.5 To date the Council has achieved a 41% reduction against the 1990 baseline. Using the above assumptions, fuelling the waste fleet with 100% HVO would move the Council to a 66% carbon emission reduction against the 1990 baseline (fuelling the waste fleet with 50% HVO would equate to a 54% reduction against the 1990 baseline).

The Use of HVO Should Be Kept Under Review

12.6 Whilst these figures are attractive, caution needs to be adopted with regards HVO. Although Ubico complies with all the current sustainability regulations when sourcing it, it is having to continually seek assurances when placing HVO fuel orders with suppliers whilst an EU and UK Government-wide sustainability fraud investigation is underway. Therefore, the use of HVO will have to be kept under review.

12.7 In addition, there is a limit to the amount of genuine waste material that can be turned into HVO and as demand increases, so does the risk of more unsustainable sources entering the market. Therefore, it is unlikely that it will be a sustainable solution in the long-term but offers a potential interim solution whilst longer-term decarbonisation solutions become practicable i.e. EVs.

13. BACKGROUND PAPERS

13.1 [none]

(END)