

**Name of meeting**  
**Date**

**Cabinet**  
**7 March 2017**

**Title of report**

**Transport Services - 1 year Capital Investment  
Vehicle Replacement Programme 2017 - 2018**

**Purpose of report**

The purpose of the report is to ask Cabinet to approve a one year Capital Investment Vehicle Replacement Programme, (VRP). This is to continue the previous replacement programme which was agreed by Cabinet February 9<sup>th</sup> 2016.

Members will be requested to delegate authority to manage the implementation of the Capital Investment Vehicle Replacement Programme within the agreed budget (in accordance with the Council's Financial Procedure Rules 3.9 to 3.14 dated June 2016.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	Yes The overall cost for the programme is £2m
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports)</a>?</b>	<b>Yes</b>
<b>The Decision - Is it eligible for "call in" by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Director &amp; name</b>	Jacqui Gedman - 21.02.17
<b>Is it also signed off by the Assistant Director for Financial Management, IT, Risk and Performance?</b>	Debbie Hogg - 23.02.17
<b>Is it also signed off by the Assistant Director - Legal Governance and Monitoring?</b>	Julie Muscroft - 27.02.17
<b>Cabinet member portfolio</b>	Councillor M Khan - Highways and Neighbourhoods

**Electoral wards affected:** All  
**Ward councillors consulted:** None

**Public or private:** **Public with private Appendix 2**

The Appendix is recommended to be taken in Private because the information contained in it is considered to be exempt information under Part 1 of Schedule 12A of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that it would not be in the public interest to disclose the information contained in the report as disclosure could potentially adversely affect overall value for money and could compromise the commercial confidentiality of the bidding organisations

and may disclose the contractual terms, which is considered to outweigh the public interest in disclosing information including, greater accountability, transparency in spending public money and openness in council decision-making.

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## **1. Summary**

- 1.1 The Transport Services - Capital Investment Vehicle Replacement Programme is an investment in the Council's fleet of the future - a fleet that is efficient, effective and provides Value for Money (VFM) for the people of Kirklees.
- 1.2 The Council vehicle replacement policy is a joint age and "whole life costing" based policy in which evidence based data comprising of vehicle utilisation, maintenance, fuel, service user's needs and overall running costs is used as a bespoke financial and operational process for replacing council vehicles.
- 1.3 The Council Transport Services is a total fleet management operation providing procurement, maintenance, utilisation, intelligence and vehicle disposal facility for all services within the council.
- 1.4 Depreciation, fuel and maintenance are commonly the largest expenses incurred in running fleet vehicles. Depreciation is the single largest measureable expense and can be easily tracked over the lifecycle of a vehicle. Vehicle maintenance costs start out low in the earlier years and increase over time as the vehicle ages. Timely fleet replacement is an essential part of risk management for the council. An aged fleet will increase maintenance costs and vehicle downtime.
- 1.5 Older vehicles are also more at risk of breakdowns resulting in increased downtime and an adverse effect on service delivery plus substantial hire charges being incurred.

## **2. Information required to take a decision**

- 2.1 Prior to a comprehensive spending review and the development of new procurement frameworks there was a reduced level of investment prior to July 2014 in the fleet replacement programme. Consequently there are currently 332 vehicles that are over their replacement age profile which equates to 40% of the vehicle fleet. Following approval of the vehicle replacement plan in February 2016 Transport Services have procured and replaced 62 vehicles, (**Appendix 1**) which has helped to reduce the number of over age vehicles by 12%. Income of £320k has been generated from the sale of vehicles.

It should be noted that the Transport base line capital allocation will reduce from the 16/17 £2.577m to:

2017/18	2018/19	2019/20
£2.0M	£1.5M	£1.25M

This may lead to a review of funding as it may be necessary to consider leasing a number of vehicles to mitigate the impact of reduced capital.

- 2.2 The 2017/18 baseline capital of £2m will fund the replacement of approximately 57 vehicles. The reason for the relatively small number is due to the replacement of several high value assets. **(Appendix 2)**.
- 2.3 All vehicles will be procured and be in operational service by the end of FY 17/18.
- 2.4 The Useful Economic Life (UEL) of a vehicle is the point at which depreciation and maintenance cost per mile meet one another and provides an indication of the theoretically most economical point at which to dispose of a vehicle.

### **Financial Delegations**

- 2.5 In order to aid the implementation of the Vehicle Replacement Programme Members are requested to delegate authority, in accordance with the Council's Financial Procedure Rules 3.9 to 3.14 dated June 2016, to the Director of Economy, Skills and the Environment to manage the procurement and implementation of the programme within the respective agreed total programme budgets.
- 2.6 Delegated powers would include the authority to:
- add new vehicles to the programmes without prior Cabinet approval providing that the total cost of the programmes remain within the approved capital allocations set by Council
  - slip or delete the procurement of vehicles during the course of the financial year to enable the effective management of the programme, there were minor changes to the 16.17 replacement plan, this is identified at **Appendix 1**

All variations, additions and deletions would be reported retrospectively to Cabinet in accordance with Financial Procedure Rule 3.14

### **3. Implications for the Council**

The Council is operating with an ageing fleet of vehicles due to reductions in funding of the Capital Investment Vehicle Replacement Programme. There are peak times in terms of disposals and replacements required and the Council has tried to ensure that all vehicles do not reach the end of their operational use within the same year.

In order to minimise the risks of operating with an ageing fleet Kirklees has adopted a more flexible approach. The Council has been rolling out a phased approach to vehicle replacement over a number of years. This was introduced to ensure that there is an even distribution across the range of vehicle models of the number of vehicles being replaced each year. This safeguards against risk and reduces the level of financial and corporate risk as outlined in the Council's current risk register. This approach ensures a balanced fleet across a number of years to maintain operational delivery and demonstrates value for money performance measures.

There are environmental benefits of newer, cleaner vehicles - the West Yorkshire Low Emission Strategy recognises the role Local Authorities

fleet composition has in helping to improve local air quality. Our older vehicles are often the most polluting. Purchasing newer, cleaner more up to date vehicles with the latest Euro Category engines will reduce emissions and improve our local air quality.

The Combined Authority is introducing a fleet recognition scheme called Eco Stars. This scheme is designed to improve emissions from fleets across all sectors by rating how good a particular fleet operator is in terms of its impact on Local Air Quality. Procuring newer, more update cleaner vehicles will ensure that Kirklees Council scores highly in this recognition scheme.

### **3.1 Legal Implications:**

Although the Driver and Vehicle Standards Agency recognises that operators of heavy goods or passenger carrying vehicles will not get everything right all the time, an ageing fleet makes it increasingly difficult to comply with the required standards and regulations; this will potentially increase the level of corporate risk of non-compliance and associated cost.

Failure to meet with all the necessary requirements of legislation governing fleet operations could lead to the suspension of the Council's Operators Licence (O Licence), resulting in the Council being unable to deliver services.

### **3.2 Financial Implications:**

Older vehicles (aged 6–10 years) can cost up to three times as much to maintain than newer vehicles (aged 1–5 years). They are also more at risk of breakdowns, resulting in increased downtime and an adverse effect on service delivery.

A reduction in maintenance costs, vehicle hire costs and a reduction in downtime will be achieved with the introduction of new vehicles, giving a more reliable fleet and providing improved levels of service to users.

The capital investment of £2.0m is to be funded from prudential borrowing. The average revenue cost of financing this level of borrowing over 9 years is 11.9% per annum, which equates to £238k per annum over the life of the programme.

### **3.3 Human Resources Implications:**

None.

### **3.4 IT Implications/Telematics:**

The Telematics System is a key asset management tool used to support us to achieve improved performance. The Telematics System will be used to assess vehicle deployment, manage vehicle and asset security, reduce fuel consumption, assess driving behaviour and for recording any accidents so that we can defend drivers and the Council against claims. To support improved performance it is crucial that the correct driver behaviours are promoted and that as a Council we actively manage the deployment use and maintenance of our fleet. By adopting good driving practices, this will support reduced fuel

consumption, maintenance costs, reduced downtime and replacement costs, lower the number of accidents and to increase efficiencies through improved vehicle utilisation.

### **3.5 Strategy and Partnership Implications:**

Transport Services will continue to work with Service Managers to understand their current and future needs, by using more controlled methods of fleet replacement and adopting a strategic approach to vehicle replacement for critical service delivery.

The role of Transport Services is to provide a mixture of support and challenge. The market and operational use will be continually reviewed to understand the options available to us and as a result we will be able to identify vehicles and services which offer far better value for money.

Examples of these vehicles and services available are listed below:

- Electric;
- Hybrid (part electric, part conventional);
- Car share schemes;
- Alpha City (Pay as you go car hire scheme);
- Dual purpose vehicles.

### **3.6 Early Intervention and Prevention (EIP)**

There will be no impact

### **3.7 Economic Resilience (ER)**

There will be no impact

### **3.8 Improving Outcomes for Children**

There will be no impact

### **3.9 Reducing demand of services**

There will be no impact

## **4. Consultees and their opinions**

Capital delivery board have been consulted and their comments taken into account.

## **5. Next steps**

Transport Services will continue to manage the Vehicle Replacement Programme and deliver the vehicles necessary to meet service need.

## **6. Officer recommendations and reasons**

It is recommended that:-

- 6.1** Members are requested to approve the continued investment of £2.m in the vehicle replacement programme, for financial year 2017/18 as identified in the capital plan as approved by Council on 15<sup>th</sup> February 2017.
- 6.2** Members are requested to approve the officer delegations outlined in para 2.6 above to manage the implementation of the vehicle replacement programme within the agreed budget and in accordance with the Council's Financial Procedure Rules 3.9 to 3.14 dated June 2016.to the Director of Economy, Skills and the Environment.

Delegated powers would include the authority to ensure that unforeseen issues can be dealt with by exception to respond to timely and urgent fleet replacements.

**7. Cabinet portfolio holder recommendation**

The portfolio holder, Cllr M Khan, agrees with the officer proposals and recommendations and would ask Cabinet to do the same.

**8. Contact officer**

Mick Farmer - Integrated Transport Manager

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**9. Background Papers and History of Decisions**

Transport Services - 1 Year Capital Investment Vehicle Replacement Programme 2016/17 - 1 Year (Item 18)

Cabinet – 9<sup>th</sup> February 2016

<https://democracy.kirklees.gov.uk/documents/g224/Decisions%2009th-Feb-2016%2016.00%20Cabinet.pdf?T=2>

**10. Assistant Director responsible**

Joanne Bartholomew - Assistant Director - Place

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Tel: 01484 221000

## Transport Services – 1 year Capital Investment Vehicle Replacement Programme 2016– 2017.

### Appendix 1

The table below details the number of vehicles by type and capital cost that were planned to be replaced during FY 2016-2017

Vehicle type	FY 2016/17	Total
26T refuse	8	£1,256,002.32
26 Ton refuse	1	£160,000.00
18T refuse	1	£150,000.00
Electric Van	5	£100,000.00
4x4 Vehicles	11	£210,000.00
Gulley Vehicle	2	£160,000.00
Mini Bus	7	£196,000.00
Van	21	£345,000.00
	56	£2,577,002.32

The table below details the actual number of vehicles by type and capital cost that were replaced during FY 2016-2017.

The variance to plan is due to operational reasons this enabled Transport to replace a higher number of vehicles.

Vehicle Type	FY 16-17	Capital Cost
26T 6X2 MLN OL16N Rotary refuse vehicle	6	£785,895.00
18T 4x2 rotary refuse vehicle	3	£424,939.00
Valtra Tractor	1	£50,305.00
Citroen Relay Van	37	£594,064.00
15T Road Sweeper	2	£261,910.00
Caged Tipper	1	£20,443.00
6.5T Caged Tipper	5	£211,650.00
Minibus 8 seat wheelchair accesible	5	£176,000.00
7.5T Tipper	1	£30,305.00
Trailer	1	£3,750.00
	62	£2,559,261.00