

Report title: Transport Services Capital Investment Vehicle Replacement Programme (VRP); an initial £2.5m Proposed Expenditure

Meeting	Cabinet
Date	09th April 2024
Cabinet Member (if applicable)	Cllr Butt
Key Decision Eligible for Call In	Yes Yes
<p>Purpose of Report</p> <p>To seek Cabinet approval to proceed with the authority to spend £2.5m from the agreed Capital Investment VRP, to support critical fleet replacement and transformation models; an invest to save approach to fleet efficiencies.</p>	
<p>Recommendations</p> <ul style="list-style-type: none"> To commence procurement activity for the VRP in line with the Public Contract Regulations 2015 / Council Contract Procedure Rules and approve officer delegation to Service Director Highways and Streetscene; to award contracts for 35 vehicles (Table 1) within the £2.5m allocation. Please note. Cabinet approval has already been sought and granted to forward profile £312k of the £2.5m into 23/24 to purchase x 3 Highways Tippers. Approval was sought as part of the Quarter 2 Corporate Financial Monitoring Report approved by Cabinet on 14th November 2024. <p>Reasons for Recommendations</p> <ul style="list-style-type: none"> To mitigate the risks, both financial and operational, from operating fleet beyond their Useful Economic Life (UEL). To support the Environment Strategy by strengthening our green fleet credentials, replacing all vehicles under this VRP with EURO 6 variants; benefiting local air quality through reduction in pollutants. Procurement of critical fleet replacement only; an immediate, and post services' transformational change, requirement. To ensure that all planned vehicle expenditure can be authorised by the Service Director from now up until the next Cabinet report is raised for the next round of funding requests. The 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. 	
<p>Resource Implication: Implementing the recommendation is to reduce financial and operational effectiveness risk, of operating fleet beyond their optimal replacement timescales.</p>	
<p>Date signed off by <u>Strategic Director</u> & name</p>	<p>David Shepherd - Strategic Director for Growth & Regeneration 25th March 2024</p>
<p>Is it also signed off by the Service Director for Finance?</p>	<p>Isabel Brittain - Service Director Finance 27th March 2024</p>

Is it also signed off by the Service Director for Legal Governance and Commissioning?

Julie Muscroft - Service Director for Legal Governance and Commissioning
27th March 2024

Electoral wards affected: All

Ward councillors consulted: None

Public or private: Public.

Has GDPR been considered? No implications.

1. Executive Summary.

- Transport Services is a Corporate enabling service that manages the Capital Investment Vehicle Replacement Programme (VRP). This is an investment in the Council's fleet of the future, a fleet that is efficient, fit for purpose and provides value for money for the people of Kirklees.
- The Councils fleet are significant assets, vehicular tools to enable service delivery.
- Service transformation challenges will reshape and model the VRP moving forwards (only procure required assets).
- This proposal is to seek approval to procure identified critical fleet, to minimise risk to directorates' service delivery models, from a financial and operational effectiveness perspective.

2. Information required to take a decision.

2.1 Background

- Currently the Council are operating 268 fleet vehicles beyond their Useful Economic Life (UEL), causing significant financial and operational delivery pressures.
- The last approved Transport Services Capital Investment VRP 21/22 - 25/26 (December 2021) of £6.25m was forecasted to replace 73 vehicles, but only 48 vehicles were replaced. This was a result of the volatility within the global vehicle market and subsequent price rises and extended lead-times, still currently at play.
- The VRP baseline capital allocation is £1.25m per annum, but this is not linked to any lifecycle analysis. Due to the condition of the fleet, capital was brought forward from 23/24 – 25/26 for expenditure on the required 48 vehicles in 22/23.
- This report highlights the vehicles which now need to be urgently ordered within the first quarter of 24/25, to factor in the current 12–18 month's vehicle lead-times. Therefore, placing vehicle orders as soon as practicable, is required to assist with mitigating financial and operational risks in operating fleet beyond their UEL.

2.2 Cost breakdown and risks

Replacing vehicles is an exercise in risk management and operating ageing vehicles lead to increased maintenance and hire costs as a result of vehicle downtimes.

2.2.1 Proposed Expenditure. Table 1 details the proposed £2.5m vehicle expenditure. These are all frontline operational vehicles across services, with a utilisation exercise taken place to ensure replacements required.

Table 1. Forecasted Proposed Capital Commitment 24/25 to 25/26.

Vehicle Type	Qty
Highways HGVs	9
Highways Hoists	2
Cleansing vans	7
H&N's vans*	13
Dev & Cons vans	2
Bereavement excavators	2
Total	35

* HRA investment.

2.2.2 Sustainability - Impact on key Environmental indicators. It is still our ambition to transition to a greener fleet and Transport Services are focused on leading the way regarding sustainable fleet options in support of the Councils vision of 'Net Zero and Climate Ready Kirklees by 2038'. Over the recent years, the Council has made some significant improvements. This includes investing £1m in procuring 35 electric vans, bringing the total electric van fleet up to 7.5%, compared to only 1% in 2019. Also, we have recently taken delivery of an Electric Refuse Collection Vehicle, the authorities first fully electric HGV.

- To continue making green fleet improvements, the replacement vehicles under this VRP will be as a minimum EURO 6; which emit 55% less NOx when compared to EURO 5. The EURO 6 engine is a much greener engine variation, this will benefit local air quality through reduction in pollutants such as NOx, SOx, CO2 and PM10's. These new vehicles will also ensure fuel consumption is optimised, because as engines get older, they begin to wear, and this adversely affects MPG.

2.2.3 Maintenance savings and service disruptions. Ageing vehicles are prone to breakdowns leading to increased maintenance downtimes, this puts significant pressures on the Transport Services Workshops in terms of demands on staffing resources and the maintenance budget. The total predicted average maintenance reduction cost regarding replacing the 35 vehicles listed in Table 1 is £360k over the life of the vehicles. This figure represents the difference between the first 3 years of maintenance costs vs the last 3 years, and the subsequent maintenance costs beyond each vehicle's optimum replacement lifespan then added.

2.2.4 Hire costs. As previously stated, to counteract this position, services turn to hiring vehicles in-order to cover vehicles that are off-the-road to ensure operations aren't affected. This results in significant hire costs being incurred. As fleet vehicles go beyond their UEL, this problem is accelerated. The Councils current total weekly hire costs across all services (as of 30 Jan 24) are £44k per week, a mix of breakdown replacement vehicles and additional requested vehicles to meet increased operational demands. Failure to replace fleet will see these figures increase.

- Table 2 below, details the optimal replacement timescales for all vehicle types using fleet datasets. No vehicle will be replaced though without having a review of its current condition and risk. Therefore, some vehicles serviceable life maybe extended beyond their recommended optimal replacement timescales and will only be replaced as/and when required. However, if a decision is made not to replace fleet as per the optimisation timescales after individual vehicle reviews deem replacements are required, then the vehicles due replacement will become unusable in time for services to continue to operate and maintain service delivery.

Table 2. VRP Recommended Optimal Replacement Timeframes.

Category	Optimal Replacement Timeframes
RCV / HGV	8 Years
Small Vans	8 Years
Compact Sweepers	5 Years
Large Sweepers	8 Years
Tipper Vans	9 Years
Pickups	8 Years
Large Vans	7 Years
Minibus	9 Years
4x4's	9 years

2.2.5 Vehicle Optimisation and transformational change. Transport Services are currently carrying out a robust council-wide review of how fleet and plant is being used by Services, highlighting the opportunity for optimisation, a catalyst to transformational change; reduced overall fleet, mileage and fuel. The aim is to ensure that as a Council, we have a fleet that is fit for purpose and utilised to its full potential; identifying financial savings through realigning assets, reducing vehicle hires and fleet reduction where feasible, supporting the Councils vision of 'Net Zero and Climate Ready Kirklees by 2038'. To assist with this focus of optimisation and change, moving forwards, a Transport Operations Assurance Board has been set up and commissioned. This is to provide corporate oversight and to support services with enabling change, a link to service transformation, adopting an invest to save approach model. The board will validate services' transformational changes, approve new fleet replacement, and also challenge significant hire, operational damage and lease costs.

- Optimisation of fleet is key for efficiencies and the board will champion this approach, changing the way we operate to work smarter with our fleet assets, ultimately reducing the need for fleet by operating differently.

2.2.6 Immediate need. The replacement of fleet is a constant rolling programme, meeting the demands of operational usage to ensure efficient service delivery. As previously outlined in this report, operating fleet beyond its UEL adds a degree of risk to the organisation. Delaying replacing fleet compounds the risks further, increasing considerable pressures for services to manage, in some instances nearly to a point of failure. Therefore, investing in a fleet managed and replaced as per optimal replacement timeframes, brings consistent levels of assurance for services; the correct number of fleet and age profiles to meet the operational asks.

2.2.7 Services & agencies involved. All services operating fleet will be consulted on regarding vehicle utilisation, requirements and specifications. Services will be involved in the procurement evaluation phase of all tender submissions, including sign-off and acceptance of individual bids before any formal purchasing contracts are finalised.

- We also have our statutory obligations regarding the Operator's Licence; the Driver and Vehicle Standards Agency (DVSA) and the Office of the Traffic Commissioner. Please see section 3, point iii.

3 Implications for the Council

Road transport is a fundamental requirement of sustaining business needs. Healthy fleet management is a way for the Council to control costs, improve productivity, lower risk and maintain compliance in our vehicle fleet. Road transport is also key to improving business efficiency and growth, investing to grow. Maintaining an older vehicle fleet is counterproductive and provides itself with an array of issues and different degrees of risks. Currently, the Council is operating with an ageing fleet of vehicles due to previous reductions in funding of the Capital Investment VRP.

- The key priorities of maintaining a healthy Capital VRP investment are as follows:
 - i. **To ensure that all the Council services have vehicles and plant fleets that are fit for purpose, therefore minimising valuable vehicle maintenance downtimes to avoid critical service delivery disruptions** – Achieved by replacing vehicles at the end of their serviceable lives and not stretching the assets beyond.
 - ii. **Climate Change and Air Quality** - Having a modern fleet benefits local air quality through reduction in pollutants such as NOx, SOx, CO² and PM10's, this also ensures fuel consumption is optimised.
 - iii. **Maintain and protect the Office of the Traffic Commissioners Operators Licence (O Licence)** – Operating vehicles past their recommended optimal replacement years adds a degree of risk to maintaining legal roadworthiness as older vehicles have a greater risk of component failure compared to their newer counterparts. Not complying to the undertakings of the O Licence, could result in a revocation, suspension or curtailment of our licence (removing or restricting the numbers of HGV's we can operate, be it owned, leased or hired assets). This could have catastrophic effects on the Councils statutory services.
 - iv. **Ensure that our Workshops can focus their priorities on keeping vehicles that are within their optimal lifespan roadworthy** – Not having to undertake expensive and complex repairs on a regular basis on vehicles which have past their optimal timespan, is critically important in maintaining operational effectiveness (therefore minimising frontline service disruptions).
 - v. **Maintain duty of care over employees and authorised passengers (HSE requirements)** – A HSE requirement, is to ensure that vehicles are maintained in a safe and fit condition. Vehicle development and improvements in both construction and technology ensure that driver safety is constantly being advanced through the introduction of safety features such as, automatic braking etc. Also, in the event of a vehicle being involved in a major impact, technological advances through the redesigns of crash protection and crumple zones, result in greater vehicle occupancy and third-party protection. Therefore, this can reduce the likelihood of fatal or serious injuries, in line with Vision Zero's aim.
 - vi. **Save maintenance costs on expensive vehicle end-of-life repairs** – Repairing vehicles which have surpassed their optimal replacement timescale is not cost effective.
 - vii. **Maintain a positive Councils Image** – Ageing vehicles suffer from rust and chassis corrosion. This could affect how the public portray the professionalism of the Council and should be something which we are trying to avoid. It is also extremely costly and time consuming to repair bodywork or a chassis.

3.1 Working with Partners

Transport Services will continue to work with services 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 (this involves a support and challenge approach and ongoing market research to understand all options of fleet availability).

3.2 Place Based Working

The vehicles listed within this report to be replaced have been tailored to the needs of the services which serve all areas of Kirklees. The vehicle specifications will be written using intelligence from the services, ensuring that all vehicles are designed to meet the needs of the areas and communities that they will be operating in.

3.3 Climate Change and Air Quality

Please see *Sustainability - Impact on key Environmental indicators*.

3.3 Improving outcomes for children

There will be no impact.

3.4 Financial Implications

Please see Table 3 below:

Table 3. Forecasted Proposed Capital Commitment 24/25 – first quarter.

No. of vehicles	Summary of type	Current Capital plan expected profile of spend	Forecasted delivery
9	Highways HGVs	£312k - 23/24	25/26 and 26/27 (Dependent on manufacturers forecasted lead-times at point of order)
2	Highways Hoists	£500k - 24/25	
7	Cleansing vans	£1,688k - 25/26	
13	H&N's vans*		
2	Dev & Cons vans		
2	Bereavement excavators		

*HRA Investment

The figures provided above are based on financial and operational modelling. As we move to procurement, we will continue to assess need and value for money, which may create some variance. Prices are also subject to competitive tendering. Identification, procurement, and delivery will be overseen by the Transport Operations Assurance Board.

3.5 Legal Implications

Procurement. Procurement of new vehicles will comply with the Council's Contract Procedure Rules 2023 and the Public Contracts Regulations 2015. The Council has a duty to obtain Best Value under the Local Government Act 1999.

3.6 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)

Health and Safety Oversight Risk Matrix. Operating vehicles beyond their UEL is a risk to the organisations Operators Licence, regarding the following undertaking:

- *'Motor vehicles and trailers, including hired vehicles and trailers, are kept fit and serviceable;'*
- This risk is reiterated in the DVSA's Guide to Maintaining Roadworthiness, the regulators legal document:

'Older vehicles and trailers

National statistics show that as vehicles and trailers age, the average annual MOT failure rate increases and they are more likely to experience in-service roadworthiness defects than newer vehicles'.

- As previously outlined within this report, the risk of not maintaining legal roadworthiness in severe non-compliance terms could result in a revocation, suspension or curtailment of our licence. For example, recently another local authority had to call off its domestic, trade and garden waste collections after its Operator's Licence was revoked regarding not meeting a requirement of the licence.
- **Integrated Impact Assessment (IIA)**
Completed, no impact.

4 Consultation

No requirement for a formal consultation.

5 Engagement

- The Vehicle Replacement Programme (VRP) is a running Capital commitment programme, managed by Transport Services, a Corporate enabling service. The VRP is an investment in the Council's fleet of the future, a fleet that enables and supports Council operations.
- Engagement with services regarding specific fleet requirements is a rolling commitment, to ensure that the fleet procured, is efficient, fit for purpose, the latest emissions standards and provides value for money for the people of Kirklees.

6 Options

6.1 Options Considered

We have undertaken an analysis to see best value regards procuring vehicles:

- Option 1: Capital Purchase: Seek to capital purchase replacement vehicles at the end of their economic life. (Recommended)
- Option 2: Lease hire: Procure long term lease arrangements for replacement vehicles at the end of their economic life.
- Option 3: Spot Hire: Continue to operate the fleet until failure and replace with spot hire arrangements.

It is recommended that Option 1 is taken. This represents the best value for money in terms of whole life costs. Option 2 on average would cost an additional 29% more than capital purchase. Option 3 would be even greater than this, and would also run the risk of service failure, as we would be subject to market availability for any hired replacement as and when they were required.

6.2 Reasons for recommended Option

The capital purchase of assets was the lowest overall cost option and presented best value for money.

7 Next steps and timelines

- Transport Services will continue to manage the VRP and deliver the vehicles necessary to meet service needs working in conjunction with Procurement. They will also report into the Transport Operations Assurance Board, providing metric savings updates on optimisation and ongoing support to services to assist transformation change and delivery models.

8 Contact officer

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9 Background Papers and History of Decisions

- Transport Services Capital Investment Vehicle Replacement Programme (VRP); 21/22 - 25/26 - Proposed Expenditure.
- Transport Services - 3-year Capital Investment Vehicle Replacement Programme 2018 – 2021.

10 Appendices

- None

11 Service Director responsible

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