

Name of meeting **Cabinet**
Date

Title of report **Transport Services - 3 year Capital Investment Vehicle Replacement Programme 2018 - 2021**

Purpose of report

The purpose of the report is to ask Cabinet to approve a three year Capital Investment Vehicle Replacement Programme, (VRP). This is to continue the previous replacement programme which was agreed by Cabinet March 7th 2017.

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 2018).

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?	Yes The overall cost for the programme is £4m spread over 3 years
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports)?	Yes
The Decision - Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Strategic Director & name	Karl Battersby - 21.11.2018
Is it also signed off by the Service Director - Finance (S151 Officer)?	Eamonn Croston - 23.11.2018
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Julie Muscroft - 21.11.2018
Cabinet member portfolio	Councillor N Mather - Communities & Environment

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.

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.
- 1.6 There are significant 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. Leasing/purchasing newer, cleaner more up to date vehicles utilising latest technologies such as electric/hybrid and the latest Euro Category engines will reduce emissions and improve our local air quality.
- 1.7 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, operating newer, more updated, cleaner vehicles will ensure that Kirklees Council scores highly in this recognition scheme.
- 1.8 A petrol or diesel engine is a complex machine, requiring many additional components to operate correctly such as exhaust systems, starter motors, fuel injection systems, oil, radiators and gears. Pure electric vans on the other hand, have just three main components – the on-board charger, inverter and motor which is fewer moving parts than vans with an internal combustion engine - (ICE). This means there are

less things requiring maintenance and servicing is simpler. All of which could save money.

Plug-in Hybrid Electric Vehicles (PHEVs) can also be cheaper to maintain than 'traditional' petrol or diesel-powered alternatives. Whilst these have a petrol engine that needs regular servicing, the electrical motor requires little maintenance due to far fewer moving parts, which leads to less wear and tear of the petrol engine component.

- 1.9 Pure electric vans have no tailpipe emissions; in fact, they don't even have an exhaust. Plug-in hybrids have significantly lower average emissions than traditional petrol or diesel vehicles too. This can help improve air quality, particularly in urban areas and at the roadside where air quality can be worst. Even when taking into account the impact of generating the electricity used (the 'well-to-wheel' emissions), pure electric vans can still produce substantially lower greenhouse gases than petrol or diesel ones. These emissions will be reduced further as the UK switches to more renewable and nuclear electricity generation.

Over their whole lifecycle, electric vans have lower greenhouse gas emissions than ICE vehicles. Battery manufacture can be than offset by increased efficiency and emissions savings over the life of the van.

2. Information required to take a decision

- 2.1 There are currently 365 vehicles that are over their replacement age profile which equates to 45.84% of the vehicle fleet. Following approval of the vehicle replacement plan in March 2017 Transport Services have procured and replaced 47 vehicles, **(Appendix 1)** - Income of £187k has been generated from the sale of vehicles.

The table below details the number of vehicles due for replacement in the next 3 years.

FY 18/19	FY19/20	FY20/21
365	38	46
44.84%	4.67%	5.65%

- 2.2 The 2018 - 21 baseline capital of £4m will fund the replacement of approximately 62 vehicles. It should be noted that 24 (over a third) of these vehicles will be Electric Ultra Low Emission Vehicles (ULEV) vans. As technology advances we will look to procure full electric power refuse vehicles.
- 2.3 The reason for the relatively small number of replacements is due to the replacement of several high value assets such as refuse vehicles. **(Appendix 2).**
- 2.4 All vehicles will be procured and phased into operational service by the end of FY 2021.
- 2.5 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

- 2.6 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 2018 to the Service Director for Commercial, Regulatory & Operational to manage the procurement and implementation of the programme within the respective agreed total programme budgets.
- 2.7 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 period to enable the effective management of the programme, there were minor changes to the 17/18 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 dated June 2018.

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.

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.

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.

Procurement of new vehicles will comply with the Council's Contract Procedure Rules and the Public Contracts Regulations 2015.

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 £4m 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 £476k 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

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 £4m in the vehicle replacement programme, for financial years 2018 - 2021.

- 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 2018 to the Service Director of Commercial, Regulatory & Operational services.

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 N Mather, agrees with the officer proposals and recommendations and would ask Cabinet to do the same.

8. Contact officer

Mick Farmer - Integrated Transport Manager
Email: mick.farmer@kirklees.gov.uk
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9. Background Papers and History of Decisions

Transport Services - 1 Year Capital Investment Vehicle Replacement Programme 2017/18 - 1 Year (Item 18)
Cabinet – 9th February 2016
<https://democracy.kirklees.gov.uk/documents/g224/Decisions%2009th-Feb-2016%2016.00%20Cabinet.pdf?T=2>

10. Service Director responsible

Joanne Bartholomew - Service Director - Commercial, Operational & Regulatory Service.
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