

Name of meeting **Cabinet**
Date **9 February 2016**

Title of report **Transport Services - 1 year Capital Investment**
Vehicle Replacement Programme 2016 - 2017

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 £2.577m
Is it in the Council's Forward Plan?	Yes
Is it eligible for "call in" by Scrutiny?	Yes
Date signed off by Director & name	Jacqui Gedman - 29.01.16
Is it signed off by the Director of Resources?	David Smith - 28.01.16
Is it signed off by the Assistant Director - Legal Governance and Monitoring	Julie Muscroft - 29.01.16
Cabinet member portfolio	Councillor S Hall - Planning, Highways and Open Spaces

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. Purpose of report

- 1.1 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 July 29th 2014 and expires (31st March 2016).
- 1.2 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 3.10 to 3.12 dated April 2015)

2. Key points

- 2.1 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.
- 2.2 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.
- 2.3 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.

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.

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.

- 2.4 Pending the outcome of the Council's Comprehensive spending review and the development of new procurement frameworks there has been a reduced level of investment prior to July 2014 in the fleet replacement programme. There are currently 394 vehicles that are over their replacement age profile which equates to 52% of the vehicle fleet. Following approval of the vehicle replacement plan in July 2014 Transport Services have procured and replaced 199 vehicles, (**Appendix 1**) which has helped to reduce the number of over age vehicles by 27% this now leaves 185 vehicles that are over their replacement age profile, this equates to 24.4% of the Council's operational vehicles and plant which have now exceeded their original Useful Economic Life (UEL). Income of £279k has been generated from the sale of vehicles.

The 2016/17 baseline capital of £2.577m will fund the replacement of approximately 56 vehicles (out of 185 that have exceeded their UEL). The

reason for the relatively small number is due to the replacement of several high value assets. **(Appendix 2)**.

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 3.10 to 3.12 dated April 2015, 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.

All variations, additions and deletions would be reported retrospectively to Cabinet in accordance with Financial Procedure Rule 3.14 to 3.16.

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 up to date 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 £2.577m is to be funded from prudential borrowing. The average revenue cost of financing this level of borrowing is 12.7% per annum, which equates to £287k per annum over the life of the programme.

This effectively means that over the life of the programme capital investment will cost a total of £2,868k, made up of the £2,577k principal and £291k interest cost. The figures are only indicative and we are actually using a 10 year borrowing rate for the 9 year vehicles because we do not have a 9 year borrowing rate available.

3.3 Human Resources Implications:

None.

3.4 IT Implications:

The use of on-board technology combined with use of vehicle tracking devices, vehicle weighing systems and other in-cab systems will require IT support from within and external to the council.

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.

4. Consultees and their opinions

- David Smith, Director of Resources and the Capital Delivery Board have been consulted and are in agreement with the contents of this report.
- Capital Delivery Board has been consulted on the proposals and supports the officer recommendations - (18 January 2016).

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 £2.577m in the vehicle replacement programme, for financial year 2016/17 as identified in the capital plan subject to approval by Council on 17th February 2016.
- 6.2** Members are requested to approve the officer delegations outlined at paras 2.6 and 2.7 above to manage the implementation of the vehicle replacement programme within the agreed budget and in accordance with the Council's Financial Procedure Rules 3.10 to 3.12 dated April 2015 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. **See Appendix 1.**

7. Cabinet portfolio holder recommendation

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

8. Contact officer and relevant papers

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(01484) 221000

9. Assistant Director responsible

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

Appendix 1

The tables below detail the number of vehicles by type and capital cost that have been replaced form 2014-2016

Replacement Summary 2014 - 2016		
Vehicle type	FY 2014/15	Total
3.5T welfare unit	2	£48,667.00
2.5T dog van	2	£33,512.00
4x4 pick up	9	£156,130.00
Wheelchair minibus	6	£314,823.72
16T white lining	1	£116,458.00
12T tipper gritter	3	£290,910.00
7.5T tipper gritter	4	£387,740.00
Loading shovel	2	£159,440.00
Excavator	2	£79,352.00
18T Unibody gritter	4	£401,069.33
18TGritter with crane	2	£262,962.46
18T 4x4 gritter	3	£323,337.00
3.5T Tipper	4	£75,980.00
18T street lighting	1	£133,431.00
Small panel vans	24	£241,700.56
Medium panel vans	32	£427,541.77
Large panel vans	13	£200,216.12
Ride on mower	1	£15,500.00
7.5T tipper	1	£80,000.00
Totals	116	£3,748,770.96

Vehicle type	FY 2015/16	Total
3.5T Tipper	11	£209,000.00
Small panel vans	13	£115,202.76
Medium panel vans	2	£13,522.00
Large panel vans	4	£46,501.00
18T Unibody gritter	2	£100,267.33
18T Gritter with crane	1	£131,481.23
Tower vehicle	1	£79,000.00
Wheelchair minibus	4	£101,595.86
7.5T refuse	1	£79,000.00
Luton Van	5	£20,000.00
Flatbed pickup	3	£48,000.69
4x4 pickup	8	£156,000.00
Trailers	14	£63,000.00
Ride on mowers	9	£216,000.00
26T refuse	3	£468,002.79
18T refuse	2	£300,000.00
Totals	83	£2,146,573.66