

## EXECUTIVE BOARD – 24 OCTOBER 2017

<b>Subject:</b>	Vehicle Replacement Programme – Authority and Scope
<b>Corporate Director(s)/Director(s):</b>	Andy Vaughan, Corporate Director of Commercial and Operations Dave Halstead, Director of Neighbourhood Services
<b>Portfolio Holder(s):</b>	Councillor Graham Chapman, Deputy Leader/Portfolio Holder for Resources and Neighbourhood Regeneration
<b>Report author and contact details:</b>	Jason Gooding, Head of Parking, Fleet & Transport 0115 8764092      jason.gooding@nottinghamcity.gov.uk
<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a) <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision	
<b>and/or</b>	
(b)      Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
<b>Type of expenditure:</b>	<input type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
<b>Total value of the decision:</b> £3.5 million per annum (ongoing delegation sought in this document)	
<b>Wards affected:</b> All	
<b>Date of consultation with Portfolio Holder(s):</b> 11 October 2017	
<b>Relevant Council Plan Key Theme:</b>	
Strategic Regeneration and Development	<input type="checkbox"/>
Schools	<input type="checkbox"/>
Planning and Housing	<input type="checkbox"/>
Community Services	<input checked="" type="checkbox"/>
Energy, Sustainability and Customer	<input checked="" type="checkbox"/>
Jobs, Growth and Transport	<input type="checkbox"/>
Adults, Health and Community Sector	<input type="checkbox"/>
Children, Early Intervention and Early Years	<input type="checkbox"/>
Leisure and Culture	<input type="checkbox"/>
Resources and Neighbourhood Regeneration	<input checked="" type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>	
<p>The Capital Budget currently has approved spend of £3.5 million per annum for the Vehicle Replacement Programme (VRP), and the previous delegated authority to spend the VRP approved by Executive Board on 22 April 2014 has now expired. This has resulted in the need for further approval to procure replacement vehicles for Nottingham City Council's fleet.</p> <p>Previously the VRP was used solely for replacement of vehicles. As part of this decision, Fleet Services are proposing to extend the scope of the VRP fund to also purchase essential plant equipment, ensuring the fleet of vehicles is not only purchased at a high standard but a similar quality of maintenance is provided. Modern equipment will also prolong the lifespan of the fleet and reduce the long-term burden on the VRP.</p> <p>Finally, it is also proposed that all Council vehicles are covered by the VRP to take account of the changing nature of the fleet, appreciate that vehicles are not always a "like for like" replacement and avoid confusion over which vehicles were originally in scope of the VRP.</p>	
<b>Exempt information:</b>	
None	

**Recommendation(s):**

- 1** To provide approval to procure vehicles and plant from the VRP (approved capital spend of £3.5 million per annum).
- 2** To approve the addition of all Council vehicles to the scope of the VRP, resulting in all replacement vehicles being purchased through the VRP.
- 3** To delegate authority to the Director of Neighbourhood Services to award contracts for the purchase of replacement vehicles (Appendix A) and plant on an ongoing basis for as long as the VRP funding is approved as part of the Capital Programme, enabling Fleet Services to maintain Nottingham City Council's continually improving fleet of vehicles. These purchases would be subject to:
  - the VRP budget being agreed as part of the Capital Programme;
  - in accordance with the Council's Financial Regulations and Contract Procedure Rules in respect of any procurement exercises.

**1 REASONS FOR RECOMMENDATIONS**

- 1.1 Delegation of authority to purchase vehicles under the VRP will ensure the ongoing, cost-effective procurement of vehicles to support the Council's front-line services and contribute to the wider low emissions targets being developed for the city.
- 1.2 To enable Fleet Services to continue buying and maintaining the most efficient and suitable vehicles, it is necessary to ensure that the plant equipment within Fleet Services' workshops is fit for purpose and adapts to the changing vehicle specifications and standards. As an example, the street cleansing sweepers Fleet Services previously purchased were 3.5 tonne and therefore were maintained using light vehicle ramps. However the new (Euro 6 compliant) sweepers are 4.5 tonne and Fleet Services therefore need to purchase new ramps for the workshops to meet the demands resulting from the increased weight. The Fleet Services revenue budget cannot sustain such expenditure and the service is therefore left overburdening a small number of ramps or having to contract out the work to more expensive, external suppliers.
- 1.3 Previously all vehicles, regardless of type, have been marked for replacement at seven years. The lifespan of the fleet has been assessed as part of the process of producing this report and Fleet Services are adapting the lifespans to ensure the spend from the VRP is minimised while at the same time controlling maintenance costs, maximising optimum vehicle life span and achieving best value when the vehicle is sold. The proposed new lifespan of the core council vehicles is below:
  - sweepers are going to reduce to four years as maintenance of these vehicles doubles after this point which puts pressure on both Public Realm and Fleet Services as vehicle reliability declines rapidly resulting in detrimental impact on frontline services and increased costs;
  - refuse collection vehicles, gritters and loader cranes will remain at 7 years with option to extend lifespan by refurbishing them for an additional 2/3 years lifespan, but this will depend on a vehicle by vehicle assessment to ensure it is viable and achieves value for money;
  - minibuses, cage tippers and hook lifts will extend to 8 years as vehicle manufacturing techniques and engine designs extend the viable vehicle lifespan;
  - cars, vans and tractors will increase to 9 plus years as the improvements in manufacturing techniques has been mainly focussed on light fleet vehicles over the previous year's resulting in a much improved vehicle lifespan

expectation of these types of vehicle and shift to purchasing Ultra Low Emission Vehicles (ULEV).

- 1.4 Making the above changes to vehicle lifespan will ensure the VRP has sufficient funding to replace all current Council vehicles. It also takes advantage of recent improvements in vehicle manufacture which mean that light vehicles last longer before maintenance costs escalate and resale value reduces.
- 1.5 The changes to lifespan are not definitive. Each vehicle will be assessed on a case by case basis to decide whether replacement is necessary or if it would be financially beneficial to extend the vehicle's life. The professional expertise of the Fleet Services team will be utilised to advise the relevant Heads of Service and the Director of Neighbourhood Services whether replacement is required or the vehicle life can be extended (either in its current function or elsewhere in the Council's fleet).
- 1.6 The Fleet Manager, and therefore the Director of Neighbourhood Services, will be the ultimate decision makers on the Council's entire fleet. This will ensure increased lifespan and best use of vehicles. It is essential that the decision to replace a vehicle is taken by professionals who have a holistic view of the Council's fleet as moving vehicles between service areas with different job functions will extend vehicle life (e.g. a vehicle which has been used for short distance, stop-start, inner city driving may be moved to an area which drives long distances to extend the life of the clutch and brakes while taking advantage of the low mileage on the vehicle).

## **2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 Nottingham City Council operates a fleet of 540 vehicles (see Appendix B). These are engaged in a variety of tasks with the largest operators being Waste Services, Public Realm, Passenger Transport and Highways. The procurement and operation of these vehicles is essential for the delivery of front line services to our citizens and the delivery of service business planning objectives.
- 2.2 Fleet Services maintain the entire fleet of Council vehicles. In 2016-17 the cost of maintaining Nottingham City Council's fleet of vehicles and plant items was £3.653m (including £1.297m fuel costs). Fleet Services are committed to driving down these costs and work closely with service areas to ensure all areas are conscious of the cost of running such a large fleet. Monthly management meetings are held with each area and a Driver Improvement Scheme has been introduced to minimise the amount Nottingham City Council spends each year on avoidable damage to Council vehicles and plant. The cost of maintaining the Council's fleet is partially offset by profit-making activity within Fleet Services, including four commercial contracts and undertaking private work such as MOTs, servicing and repairs, which resulted in an outturn figure of £2.840m last year.
- 2.3 In addition to maintenance, Fleet Services are responsible for purchasing and maintaining these vehicles across its two workshops at Eastcroft and Woolsthorpe depots. Ensuring these vehicles are fit for purpose and on the road is vital for compliance with the council's legal obligations as a fleet operator (O licence) and guaranteeing the delivery of essential council services such as waste collections and street cleansing.
- 2.4 The VRP seeks to replace Nottingham City Council vehicles at an optimum point by using the expertise within Fleet Services to assess a vehicle's reliability and

whole life maintenance costs as well as working with operational areas to assess future vehicle needs. It also provides financial stability for the Council by spreading the acquisition of vehicles so that the same amount is spent each year on purchase and maintenance through effective fleet management.

- 2.5 Over the last five years, Fleet Services have managed the VRP to maintain the spend of £3.5 million per annum while also ensuring that Nottingham City Council's fleet utilizes the latest technology to increase efficiency and reduce emissions. The new vehicles purchased through this programme have helped deliver budget savings across a wide range of business units, both in Neighbourhood Services and beyond. For example, the new Meals at Home vans with inbuilt ovens have allowed the service to half the number of vans in the area and significantly reduce staff costs.
- 2.6 Fleet Services, in partnership with the Procurement Team, have developed a procurement approach which ensures best value is attained for meeting operational needs within agreed budgets. Using consortiums as well as understanding customer needs and market availability results in effective budget management as well as minimal delays in the replacement of new vehicles and reduces the risk of service disruption, vehicle hire or increased vehicle maintenance.
- 2.7 Having a single point of vehicle purchasing reduces Council costs as Fleet Services have an overview of the whole fleet and regularly redeploy under-utilised vehicles to areas with higher demand rather than purchasing new. Although the size of the Council's fleet has expanded in the last five years; this has been driven by commercial activity and improved vehicle utilisation and deployment, reducing the cost of the fleet to Nottingham City Council.
- 2.8 Fleet Services also remain committed to reducing the emissions of the Council's fleet and, where possible, replace diesel-consuming light/medium vehicles with ultra-low emission vehicles (ULEV). Currently 25 of 274 light vehicles are ULEVs and over the next two years these numbers will double so that in excess 20% of the Council's fleet will be ULEV, while still maintaining the VRP budget of £3.5 million by accessing government funding grants and paving the way for the council to be a leading contributor to the successful implementation of the new Air Quality Management project.
- 2.9 In addition to emission improvements, Fleet Services are always looking to modernise the Council's fleet when it is time for replacement. Recent examples can be seen in the new Meals at Home vans with in-built ovens to reduce staff costs, Public Realm's weed spraying quad bikes to improve staff efficiency, Commercial Waste RCVs with bin-weighting systems to increase revenue and the van-built Passenger Transport minibuses which have saved tens of thousands compared to the coach-built versions previously purchased.

### **3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Not procuring vehicles and plant equipment from the VRP was rejected because:
  - (a) not replacing Nottingham City Council's fleet of vehicles would result in a false economy as capital savings realised in the first few years would be outweighed by the negatives. These would include increased services disruption, greater maintenance costs and downtime, higher emissions, non-compliance with operator's licence conditions, lower sale income when the

vehicles are sold and higher vehicle purchase costs when the current vehicles reach the end of life; and

- (b) not updating plant equipment in the workshops would result in Health and Safety issues and increased costs resulting from the need to outsource works or using ineffective practices. This also leads to a reduced service to our customers in terms of downtime, delays and work quality. Using a ramp or piece of equipment not designed for the modern vehicle being worked on increases the chance of process failure which could result in serious injury to the driver or a mechanic undertaking work on the vehicle.

3.2 Not delegating authority to Director of Neighbourhood Services to approve the procurement of vehicles was rejected because it would result in ongoing inefficiencies and delays in providing vehicles and plant. Not streamlining the day to day management of the approved VRP budget to the appropriate level of senior management, risking delays to replacement process, service disruption and incurring additional costs and potential increase in maintenance or external hire costs.

3.3 Updating the plant equipment using Fleet Services' revenue budget was rejected because:

- (a) it would not be appropriate to pay for plant equipment from Fleet Services' revenue budget as these items are long term investments which cannot be sustained from an annual budget. For example, a fuel tank is expected to last 30 years and it would be unsustainable for the cost to come from the 2017-18 budget (estimated £170k capital cost); and
- (b) the effective replacement of vehicles is inextricably linked to ensuring Fleet Services have the appropriate equipment to maintain them and therefore it seems understandable that the VRP would fund both replacement vehicles and the necessary plant and equipment to continue to effectively deliver this key service.

#### **4 FINANCE COLLEAGUE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

4.1 The Vehicle Replacement fund is approved as a rolling project in the Capital Programme and has a 2017/18 budget of £3.500m, which at present is solely used for replacing City Council vehicles. The funding for the rolling programme was last approved at Executive Board – February 2017. Following this approval the terms of reference for the Vehicle Replacement Fund Budget will be extended so that expenditure on related plant / equipment is also allowable along with replacement of vehicles.

4.2 The Capital Programme will still include an annual budget of £3.500m for financial years 2017/18 and 2018/19, it is the responsibility of the Head of Service for Parking, Transport and Fleet to ensure that the expenditure meets the criteria as set out in this decision and that the expenditure is within budget. Should the £3.500m budget be exceeded further approval will be required which identifies appropriate funding.

4.3 A review of the VRP is being undertaken to establish the capital budget requirements from 1 April 2019.

Tom Straw – Senior Accountant (Capital Programmes), 9 October 2017

**5 LEGAL AND PROCUREMENT COLLEAGUE COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 The Procurement Team will assist with any procurement activities that are required and ensure that any purchases made are value for money and in compliance with the Council's Contract Procedure Rules.

Paul Ritchie - Lead Procurement Officer, 14 August 2017.

- 5.2 This report raises no significant legal issues provided the vehicles are purchased in accordance with the Public Contracts Regulations 2015 and the City Council's Financial Regulations.

Andrew James - Team Leader (Contracts & Commercial), 15 September 2017.

**6 STRATEGIC ASSETS & PROPERTY COLLEAGUE COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 N/A

**7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 N/A

**8 REGARD TO THE NHS CONSTITUTION**

- 8.1 N/A

**9 EQUALITY IMPACT ASSESSMENT (EIA)**

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because there is no change to policies, function or services.

Yes



**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

- 10.1 N/A

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

- 11.1 Capital Programme - Executive Board, February 2017

- 11.2 Vehicle Replacement Programme - Executive Board, April 2017