



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REPORT ON THE VEHICLE REPLACEMENT STRATEGY

Report of the Chief Fire Officer

Date: 14 October 2016

Purpose of Report:

To present the Nottinghamshire Fire and Rescue Service Vehicle Replacement Strategy to the Finance and Resources Committee for approval.

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1. BACKGROUND

- 1.1 This report is to seek approval from Members for the Nottinghamshire Fire and Rescue Service Vehicle Replacement Strategy (the Strategy).
- 1.2 The Strategy was presented to the Executive Delivery Team (EDT) and the Strategic Leadership Team (SLT) in September 2016. Both EDT and SLT agreed the Vehicle Replacement Strategy.

2. REPORT

- 2.1 The strategy itself is aimed at providing a flexible framework within which the NFRS vehicle fleet will be replaced in the future; it is intended to provide the foundation and agility to cope with a continuously changing environment.
- 2.2 The NFRS Vehicle Replacement Strategy is at Appendix A to this report and if agreed will be used as the basis on which to develop the medium-term vehicle replacement plan and capital budget.
- 2.3 The strategy addresses all the significant issues including the overarching principles and standards of vehicles, vehicle role and specifications, cost and affordability, fleet utilisation and collaboration opportunities.
- 2.4 Part Two of the strategy addresses the funding of the fleet including the various sources of capital funding and the resultant revenue implications; the current financing plans and ultimately vehicle disposal.
- 2.5 Endorsement of the strategy will provide a framework for officers, and enable transparency of scrutiny through timely reports to Members measured against agreed expectations.

3. FINANCIAL IMPLICATIONS

The high level estimated capital expenditure related to future vehicle replacement is detailed in the Strategy itself however it should be noted that these figures are only estimated and as the planning process proceeds may change.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

There are no known equality implications arising directly from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are a number of risks inherent in the development of the Strategy and management of vehicle replacement projects in general; any such risks will be dealt with through the use of project controls and risk registers dealing with the individual projects.

9. RECOMMENDATIONS

It is recommended that Members agree the Vehicle Replacement Strategy at Appendix A.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

John Buckley
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE
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Vehicle Replacement Strategy

Scope:

This strategy is mandatory.

Summary: This strategy sets out the vehicle fleet replacement aims and objectives of Nottinghamshire Fire and Rescue Service.

Version Control:

<i>Person Responsible:</i>	<i>Version</i>	<i>Date</i>
Head of Procurement & Resources		
First Draft	1	14 Oct 16

Review Date: October 2018

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INTRODUCTION

1. The reasons for the development and the implementation of a vehicle replacement strategy are well established in setting out the long term goals, aims and aspirations for the organisation's future vehicle replacement. The vehicle replacement strategy sets the overall policy for the effective management of Nottinghamshire Fire and Rescue Service's vehicle replacement including the wider organisation's strategic aims and operational objectives concerning vehicles.
2. The vehicle replacement strategy (the strategy) is so written to provide the necessary agility and flexibility to adapt to the changing influences and circumstances impacting on NFRS's operations. The strategy provides an overarching framework and policy to allow the medium-term vehicle replacement plan to be developed, implemented and maintained.
3. The strategy sets out to provide NFRS with a long term, sustainable and affordable vehicle replacement policy in order to maintain the provision of the statutory fire and rescue services throughout Nottinghamshire and the wider national resilience support.
4. This strategy comprises two parts; the first, the overall aims and objectives, the 'what is to be done'. The second part of the strategy is the 'how the strategy is to be financed'.
5. Part Two of this strategy document intends to provide forward looking sustainable planning for the use of the existing vehicles and the rolling replacement of NFRS's vehicle fleet.
6. The NFRS vehicle fleet includes both light vehicles (the white fleet) used for general business and support and the front line operational vehicles (the red fleet) used directly for fire and rescue duties.
7. The light vehicle fleet categories includes:
 - 7.1. Station utility / support vehicles (station vans, pickups and similar vehicles)
 - 7.2. Pool cars
 - 7.3. Specialist support vehicles and large vans (Hydrant Maintenance, load carriers and other specialised functions)
 - 7.4. Service owned Officer's cars
 - 7.5. Vehicles operated by the trading company
8. The front line operational vehicle fleet includes:
 - 8.1. Standard pumping appliances
 - 8.2. Multi role appliances
 - 8.3. Specialist vehicles ('specials') with a front line role (specialist rescue, command support, aerial ladder platforms and the like)
 - 8.4. National resilience vehicles (formerly known as New Dimensions)

PART ONE – THE VEHICLE REPLACEMENT STRATEGY

OVERALL AIMS AND OBJECTIVES OF THE VEHICLE REPLACEMENT STRATEGY

9. The strategic long term planning for the future of NFRS's vehicle fleet is in itself a challenging task. The future vehicles and their function will largely be determined around what is expected to be a dynamic and fluid future operational need. However, the planning process necessary for the development of fire cover will always be influenced, to a greater or lesser degree, on the existing vehicle fleet and to a larger degree on affordability to procure, operate and maintain vehicles.
10. For these reasons operational planning and vehicle replacement planning must be carried out in harmony to ensure that the operational goals and objectives can be realistically achieved through its existing and future vehicle replacement programmes.
11. The overall aims and objectives of this strategy are to define the future development of the vehicle fleet (the fleet will generally include both white and red fleet) and are as follows:
 - 11.1. Ensure operational effectiveness and maintenance through NFRS's vehicle replacement programmes
 - 11.2. Operational and support vehicle resilience as part of business continuity
 - 11.3. The provision of value for money
 - 11.4. Effective use and utilisation of the vehicles (sometimes referred to a 'sweating the assets')
 - 11.5. Vehicle availability through effective fall back arrangements
 - 11.6. The provision of a long term sustainable vehicle fleet
12. It should be noted that the strategy primarily focuses on the future development of the NFRS vehicle fleet and not on the planned maintenance and repair of vehicles in service. The annual maintenance and repair (including manufacturer's recall), because of its nature, is dealt with through the annual budgeting process, the vehicle inspection regime and the vehicle maintenance and repair procedures.
13. The vehicle replacement strategy is to be reviewed at least every two years or as required. This will also include for the requirement for new vehicles in addition to the established vehicle fleet.

THE MEDIUM-TERM VEHICLE REPLACEMENT PLANNING

14. In order to meet the strategy a rolling medium-term plan (up to 10 years) is to be put in place; this plan provides the detail necessary to facilitate and implement the aims and objectives of the vehicle replacement strategy and the expected plan of when vehicles are to be replaced.

15. In developing the vehicle replacement plan and to meet the aims and objectives of the strategy, planning must address the following:
 - 15.1. The balanced assessment of the future vehicle requirements with the primary focus over the medium to long-term
 - 15.2. The review and assessment of the existing vehicle fleet in relationship to operational needs (the red fleet) and business support requirements (the white fleet)
 - 15.3. Other organisational plans and strategies that may have an impact on the replacement of vehicles
 - 15.4. The development of medium-term planning to achieve the overall aims and objectives of NFRS on a rolling basis
 - 15.5. The regular (not less than on an annual basis) review of the medium-term plan in line with the strategy
 - 15.6. The general condition of the existing vehicle fleet and the economical vehicle life expectancy
 - 15.7. Collaborative opportunities with other organisations
 - 15.8. Affordability
16. The medium-term plan for vehicle replacement will be authorised through the Executive Delivery Team (EDT) and the Strategic Leadership Team (SLT) governance process. The plan is to be a contiguous rolling plan reviewed and updated each year or whenever there is a significant change to the strategy, the operational need or any other material influence.
17. In order to achieve the overall aims and objectives of the vehicle replacement strategy and in development of the medium-term plan there are a number of overarching principles and standards that are to be followed.

STRATEGIC PRINCIPLES AND STANDARDS FOR REPLACEMENT VEHICLES

18. The principles and standards to be applied to the procurement and replacement of vehicles within the fleet are set out below. These are based on a set of general standards to provide both consistency and commonality across the vehicle fleet wherever possible. These principles and standards will be the starting point of any proposed vehicle replacement and are described in the following narrative.
19. When establishing and developing the need for replacement vehicles there are a number of principles that are to be considered. These principles are to determine the form and the function of vehicles and in some cases the numbers of vehicle needed, these will include:
 - 19.1. The operational or support role to be fulfilled including the principal drivers and justification for the replacement of vehicles
 - 19.2. The economical working life of the vehicle, affordability and the whole life costs
 - 19.3. The potential of collaboration with other fire services or other agencies in the sharing of vehicles or the provision of an *on-call vehicle with other partners
 - 19.4. Fleet utilisation and rationalisation

- 19.5. Fleet reserves, fall-back and resilience for business continuity management (BCM)
- 19.6. Environmental and sustainability considerations
- 19.7. Training and impact on bringing vehicles into service
- 19.8. Programming and timelines
- 19.9. Garaging and accommodation
- 19.10. Vehicles to support the national resilience requirements
- 19.11. Flexible and mobile working

*This term is applied to a vehicle operated by another agency where NFRS have a formal agreement to call upon when needed. This could equally apply to a vehicle owned by NFRS with a commitment to another agency to be called upon for their use.

THE VEHICLE ROLE AND SPECIFICATION

20. The primary focus for all replacement vehicles will be to ensure the role is fully defined and that there is a sound justification in place to replace, retain or increase the vehicle fleet. This must be linked to the long term strategies of Nottinghamshire Fire and Rescue Service and also be cognisant of the shorter term plans including the integrated risk management plan (IRMP), fire cover reviews and such like.
21. For the white fleet there is a set of generic vehicle types with a broad set of standards to ensure the replacement vehicles are fit for the purpose for the roles they are to be used. The majority of these vehicles are expected to be commercially available vehicles with industry standard specifications ('off the shelf'). Selecting this type of vehicles provides a number of advantages including short procurement lead-in times, vehicle availability, competitive purchase price and known whole life costs.
22. The standard requirements for the NFRS white fleet vehicles is at Appendix A.
23. As the red fleet vehicles are generally of a specialist nature, high value, built to order and with long lead-in times the decision to invest capital into the replacement each vehicle will require an individual business case justifying the need to replace or procure a new vehicle. This business case must be agreed by SLT.

COST AND AFFORDABILITY

24. The costs and affordability will be a major determining factor in the procurement of all replacement vehicles, not only within the vehicle fleet budget but across the whole of the revenue and capital funding provision. This must always be balanced with the operational need for the replacement of vehicles (all types) and the other competing demands for funding for non-vehicle related procurement.
25. In order to gain the best possible value when committing public funding in the replacement or procurement of vehicles whole-life costing must be applied whilst being mindful of the affordability. The whole-life costs must strike a

balance between the costs to buy, the costs to run and maintain and the cost of disposal through the practical working life of the vehicle. The practical working life of each vehicle must be determined as part of any business case.

26. The impact of the capital cost for the vehicle replacement programme is covered in Part Two of the strategy.

COLLABORATION AND PARTNERS

27. Wherever opportunities exist NFRS are to actively seek to share with other partners whenever practicable. In practice this may require that the short and medium-term planning be changed at relatively short notice. This may entail plans to be either pushed back or brought forward to facilitate any collaborative projects in order to harmonise programming with potential partners.
28. Collaboration may extend to the on-call use or operation of vehicles operated by another agency where NFRS would have a formal agreement to call upon when needed. This could equally apply to a vehicle owned by NFRS with a commitment to provide support to another agency when needed.
29. Proposed collaboration opportunities are to be carefully considered as to the merit and mutual benefits of any such opportunity; however any proposed collaboration should not put NFRS at either a financial nor operational disadvantage.

FLEET UTILISATION AND RATIONALISATION

30. When developing a business case for a replacement vehicle(s) the planning process is to include consideration to any existing or future potential for vehicle rationalisation and for maximising the use of any existing vehicle fleet before replacing with new. This is to say that when the need arises for the replacement of vehicles, all efforts are to be made to ensure that the planning process takes into account the existing vehicle fleet in order to ensure its full utilisation wherever practicable.
31. Maximising the utilisation of vehicles across the white fleet is to be a major consideration when considering the replacement of any vehicle or group of vehicles. When planning for the replacement of white fleet vehicles the estimation of the minimum annual mileage should be considered in relation to the use, utilisation and the capital cost of the vehicle. This must consider the whole life cost of the asset and gaining the best possible value within the business case process.

FLEET RESERVES RESILIENCE AND BUSINESS CONTINUITY

32. The numbers and types of vehicles held on the establishment must balance the need to provide sufficient vehicles to provide an appropriate level of resilience against the cost of owning, operating and maintaining a vehicle reserve.

33. The establishment and maintenance of a vehicle reserve (the reserve fleet) must be factored into any planning for the future replacement of the red fleet vehicles. The reserve fleet must provide an immediate short-term capacity in the event of the loss of front line appliances, routine maintenance and repair requirements.
34. General planning assumptions in the event where there is a need for vehicles through the attrition of pumping appliances or other specialist vehicles (primarily red fleet) will be from the use of other vehicles across the county within the front line vehicle fleet where available or the use of the reserve vehicles.
35. The need for resilience within the white fleet through a business crisis is probably less of an issue due to the non-specialist nature of the vehicles used. Short-term capacity for these vehicles can be achieved through Business Continuity Management.

ENVIRONMENTAL AND SUSTAINABILITY

36. Whenever available NFRS should always consider the use of Government sponsored green and sustainable initiatives regarding the procurement of vehicles. These initiatives should be used where there is a suitably strong financial case for the use of alternative or hybrid energy sources for vehicles. This is to be balanced with the whole-life cost and the potential reduction of the environmental impact when using these technologies.
37. Notwithstanding any Government sponsored initiatives, any plan for the replacement of vehicles should consider the principles in reducing raw material usage, vehicle emissions, waste and behaviours. The following must be considered:
 - 37.1. Ensure as reasonably practicable that NFRS only operate the appropriate number of vehicles to meet the organisational requirements without over-supply
 - 37.2. Bring into service the appropriately sized vehicle for the intended purpose
 - 37.3. Wherever possible replace the oldest and most polluting vehicles first
 - 37.4. Ensure all vehicles are effectively maintained and repaired
 - 37.5. Procure vehicles that meet or are better (cleaner) than the UK's emission standards where possible
 - 37.6. Where the opportunity exists as part of the procurement process ensure the selection criteria is proportional for the inclusion of efficient fuel consumption and the use of other fuel saving technologies
 - 37.7. Give balanced consideration to the use of alternative fuel and power sources in particular with Government incentives
 - 37.8. Apply, when appropriate to do so, the waste hierarchy; reduce, reuse, recycle vehicles
 - 37.9. Dispose of end-of-life vehicles in accordance with relevant legislation
 - 37.10. Wherever possible reduce the need for vehicular travel through working practices

37.11. Ensure staff are suitably trained or are made aware of fuel efficient driving practices

TRAINING

38. The Services training needs are to be included within the overall strategy and vehicle replacement planning to ensure that time and resources are factored into the replacement of vehicles prior to becoming operational or brought into service.

PROGRAMMING AND TIMELINES

39. It must be acknowledged that the very nature of replacing operational vehicles (primarily the red fleet but also some specialist white fleet vehicles) usually have prolonged timelines sometimes measured in years. The design, development and the securing of a production slot for pumping appliances and specialist vehicles can take up to two years from start to finish.
40. In practice, especially if working with other agencies / partners or when collaborating, these timescales can extend out to three to five years subject to the basis of the collaborative funding and ultimate use of a vehicle. Planning must be cognisant of these time and programming horizons and should include these factors into the planning for vehicle development and their replacement.

FLEXIBLE AND MOBILE WORKING

41. In the development of the medium-term plan and vehicle provision, the aims and objectives of the flexible and mobile working policies are to be considered. These policies will influence the future need for, and the number of vehicles required to sustain the operational and support functions across the Service.

THE TRADING COMPANY VEHICLES

42. NFRS will provide the necessary support for the replacement and maintenance of the vehicles needed by the Trading Company (the company) through an agreed service level agreement (SLA). The SLA is to follow all applicable legislation regarding the provision of services to arm's length companies including the services to be provided to the company and the charges for this provision.

THE SUPPORT TO NATIONAL RESILIENCE

43. The special appliances provided as part of the overall support to national resilience, also previously known as the New Dimensions Vehicles programme transferred ownership to NFRS April 2010. These vehicles are held in the NFRS vehicle fleet to provide specific and specialist functions in support of the Fire and Rescue Service national resilience.

44. These vehicles are included on the red fleet capital replacement programme with an estimated working life expectancy of at least 20 years. Once these vehicles reach 15 years old, their replacement or the extension of their working life beyond the 20 year point will be reviewed through a business case.

PART TWO – THE FUNDING OF THE VEHICLE REPLACEMENT STRATEGY

FUNDING BACKGROUND

45. The vehicle replacement strategy is by its nature a long-term view. It sets out the standards to which vehicle replacement will be procured but does not specifically address the detail of individual vehicles. This is an issue for the medium-term plan. Nevertheless it is important that the vehicle replacement strategy is aligned with the capital resources of the organisation such that the strategy is actually achievable rather than aspirational.
46. The introduction of the Prudential Code in 2003 creates the freedom for the Authority to properly plan and control the use of capital resources and essentially allows the Authority to spend on capital assets but only as much as it can afford. In reality the Authority must continue to assess its capital needs against the backdrop of tightening revenue resources.
47. The Authority has determined that the revenue cost of capital (debt servicing, interest payments and Minimum Revenue Provision) should not exceed 8% of the revenue resources of the organisation. This is a measure of prudence and affordability but is essentially self-imposed and could be varied if required.

SOURCES OF CAPITAL FUNDING

48. In the past the Authority has used four methods of capital funding:
 - 48.1. Directly from Revenue (single annual charge RCCO)
 - 48.2. Loan from Public Works Loan Board or external lender
 - 48.3. Government Grant
 - 48.4. Capital receipts from the sale of vehicles
49. The Authority makes little use of other methods such as operational or finance leasing although these may again play a role in the future, and may be considered for vehicle replacement funding.
50. The Private Finance Initiative and other similar forms of funding are suitable for major infrastructure projects but not for the financing of vehicles.

REVENUE IMPACT OF CAPITAL FUNDING

51. The use of Government Grant to finance vehicles will result in short-term revenue savings, however in the long-term it may create a problem. Whilst government funding for assets may seem an attractive option in the short-

term these assets will inevitably require replacement and will place an immediate burden on both capital and revenue budgets in the future.

52. The same is true of Revenue funded capital expenditure and funding from capital receipts. When vehicles funded in this way need replacing in future additional revenue budget will need to be found.
53. Financing from a loan has some advantages in this respect but of course requires revenue support from the beginning. It must also be remembered that low cost loans now may become expensive loans when they need to be replaced.
54. The issue of Minimum Revenue Provision (MRP) must also not be overlooked when considering loan finance.
55. MRP is a charge that is required to be made to the revenue account in respect of the financing of capital expenditure. MRP is calculated based on the asset purchase cost and the expected life of that asset.
56. Vehicle replacement assets are long term and the financial consequences of vehicle replacement decisions can have long term effects on the revenue budget. Vehicle replacement decisions therefore need to be taken carefully and with the long-term in mind, including taking account of the Medium-term Financial Strategy and known financial constraints at the time of the decision.
57. The 8% MRP limit applies to all of the Authorities capital assets including vehicle replacement, equipment, fleet, property and ICT which is why it is essential that strategy documents are produced.

CURRENT FINANCING PLANS

58. A general guide the financial plans for vehicle replacement currently under consideration and for which budget has either been set aside or will be required are as follows:
 - 58.1. FY's 16/17 – £273k
 - 58.2. FY's 17/18 – Up to £1.07m
 - 58.3. FY 18/19 – Up to £258k
 - 58.4. FY 19/20 – Up to £2.5m
59. The above figures are indicative and based on estimated vehicle replacement costs taken at late 2016 and will be subject to the vehicle requirement.
60. As stated above however, these plans are only a general guide and more work is required on the detailed medium-term plan to consider the actual capital requirements of the entire asset base before the final schedule can be drawn up. It is also likely that whilst the overall capital requirements may be set out, the actual detail will become less precise as the plan stretches out into the future.

61. This is primarily because the impacts of future IRMP's and fire cover reviews are unknown at present and the overall capital financing requirement (including for property, ICT and equipment assets) will need to be assessed to contain capital expectations within affordable limits.

VEHICLE DISPOSAL

62. The disposal of any vehicle from the fleet is to be in accordance with the Scheme of Financial Management, asset disposal policy and subject to an agreed business case through the EDT and SLT governance process.

THE STANDARD REQUIREMENTS OF WHITE FLEET VEHICLES

Station utility / support vehicles (station vans, pickups and similar vehicles):

- Seating for five adults
- Load area for work equipment / PPE / load carriage
- Diesel fuel engine
- Manual
- Livery
- Visual / audible warning equipment fitted
- All-Wheel-Drive

Pool cars:

HQ Pool:

- Seating for minimum four adults
- Minimum four passenger doors
- Rear folding seats
- Minimum boot capacity 200 litres (seats up)
- Diesel fuel
- Manual
- Up to five liveried vehicles with audible and light warning (fitted for blue light) with all-wheel drive capability

South and North Group Pools:

- Seating for minimum four adults
- Minimum four passenger doors
- Rear folding seats
- Minimum boot capacity 200 litres (seats up)
- Diesel fuel
- Manual
- Non-liveried

Specialist support vehicles and large vans (Hydrant Maintenance, load carriers and other specialised functions):

The specification for specialist support vehicles and large vans is to be determined on a case by case basis within a business case through the EDT / SLT governance process.

Service owned Officer's cars:

The financial limit and specification is to be based on the terms and conditions of the officers' employment contract and guidelines set by the Fire Authority.

Vehicles operated by the trading company:

When facilitating or providing vehicles for the Trading Company the financial limits and specification are to be determined by the Trading Company through the Service Level Agreement (SLA).