

Report to CABINET

Fleet Replacement Programme (NEI-08-18)

Portfolio Holder:

Councillor A Shah, Cabinet Member for Neighbourhoods

Officer Contact: Helen Lockwood, Deputy Chief Executive –
People and Place

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Ext. 1563

25th February 2019

Reason for Decision

Executive Summary

To seek approval for the purchase of new vehicles in financial years 2019/20, 2020/21, 2021/22, 2022/23, 2023/24 as part of the Councils existing Fleet Replacement Programme. These vehicles are required to replace existing vehicles as they come to the end of their economic life.

Recommendations

That Cabinet approve this report so that new vehicles can be purchased from 2019/20 onwards.

Fleet Replacement Programme

1 Background

- 1.1 Oldham Council introduced the Fleet Replacement Programme (FRP) in 2012/13 in accordance with the strategy approved by cabinet on 6th February 2012. The objective was to replace leased and hired vehicles gradually with purchased vehicles that would have a useful economical life ranging from 3 to 7 years. Since then Fleet Management has carried out this policy whenever a vehicle is due to be replaced.
- 1.2 The programme is now in its seventh year of operation and the purpose of acquiring vehicles by purchasing rather than leasing has been fully realized. A requirement for hired vehicles still exists but this is restricted to shorter term vehicle needs i.e. normally of six months duration or less. This gives flexibility to the programme of vehicle usage and allows the service to meet business needs in a dynamic, supportive manner.
- 1.3 A report was submitted to the Capital Investment Programme Board (CIPB) in March 2016 outlining a proposed 5 year vehicle programme and associated funding requirement. The report highlighted the need for increased capital investment from 2019/20 onwards and the CIPB noted the identified funding requirement at that time.
- 1.4 The point has now been reached where a significant number of Fleet vehicles need to be replaced because they have reached the end of their economic useful lives. Replacement is due to begin in 2019/20.

2 Current Position

- 2.1 Since the FRP was introduced (and by the end of the current financial year), the Council will have acquired 121 Fleet assets at a combined cost of £5,541k. The details are summarized in the table below (also see Appendix 1 for a more detailed schedule analysed by asset type).

Total Fleet Spending & Number of Vehicles Acquired 2012/13 to 2018/19

Financial Year	Spend £'000	No. Acquired
2012/13	2,573	40
2013/14	1,011	18
2014/15	609	18
2015/16	523	21
2016/17	107	8
2017/18	349	8
2018/19 (forecast for year)	369	8
Total	5,541	121

- 2.2 The unused balance of funding remaining from the original FRP and still available to purchase new vehicles is forecast to be £456K by year end 2018/19.

- 2.3 A review has taken place of the Fleet spending requirement for the next 5 years commencing 2019/20. The cost of purchasing these vehicles is estimated at £5,570K. A summarised annual breakdown of this is shown in the table below and a more detailed analysis by vehicle type is included at Appendix 2.

Projected Spend Summary and Funding Position

Financial Years 2019/20 to 2023/24

Financial Year	Projected Spend £'000	Available Funding £'000	Cumulative Shortfall £'000
2019/20	4,165	456	(3,709)
2020/21	1,019	-	(4,728)
2021/22	42	-	(4,770)
2022/23	302	-	(5,072)
2023/24	42	-	(5,114)
Total	5,570	456	

The above table shows that planned spending over the next five years exceeds the available capital resource by £5,114k.

- 2.4 The first tranche of spending is the planned replacement of 18 refuse collection vehicles at an estimated cost of £3,186k in Autumn 2019.
- 2.5 The estimated economic life of the assets to be acquired ranges from four to seven years. The required investment analysed by economic life is shown in the following table:

Asset Cost Analysed by Economic Life Expectancy

Financial Year	Economic Life (Years)			Total
	4	5	7	
	£'000	£'000	£'000	
2019/20		260	3,905	4,165
2020/21	270		749	1,019
2021/22			42	42
2022/23	260		42	302
2023/24			42	42
Total	530	260	4,780	5,570

The shorter life assets (4 & 5 Years) are all Sweepers that have a shortened lifespan due to highly intense usage. All other assets such as Refuse Collection vehicles, Vans etc have seven year life expectancies.

3 Options/Alternatives

- 3.1 Option 1 – approval to commence procurement of vehicles in 2019/20, 2020/21, 2021/22, 2022/23, 2023/24 in line with the vehicle replacement programme.
- 3.2 Option 2 – Do not approve the report and delay the procurement of vehicles which would mean no other option than to continue with the current Fleet and to hire in vehicles to cover breakdowns/ downtime at a premium cost to the Council.

4 Preferred Option

- 4.1 Option 1

5 Consultation

- 5.1 N/A

6 Financial Implications

- 6.1 An alternative to purchasing using prudential borrowing as a funding mechanism would be to hire the vehicles on long term contracts. This type of arrangement, however, tends to be an expensive alternative. For example, the annual cost of borrowing to purchase a Refuse Collection vehicle costing £177k over 7 years would be £28.4k p.a. If a similar vehicle were hired, the equivalent cost would be approximately £40k p.a. (based on current hire rates experienced in the market place). Clearly, the purchasing policy demonstrates good value for money.

Capital

- 6.2 The additional capital investment requirement is shown in Section 2.3 and Appendix 2 and summarised below:

Capital Investment Requirement

Financial Year	Capital Spend			
	Life of asset - Years			
	4	5	7	Total
	£'000	£'000	£'000	£'000
2019/20	-	260	3,905	4,165
2020/21	270	-	749	1,019
2021/22	-	-	42	42
2022/23	260	-	42	302
2023/24	-	-	42	42
Total Planned Spend 2019/20 to 2024/25	530	260	4,780	5,570
Less: Balance of Unspent Resource B/Fwd				(456)
Additional Capital Resource Requested to Fund Capital Programme				5,114

- 6.3 The additional capital resource requested to fund the Fleet Capital Programme is £5,114k (net). The table shows the total capital spend of £5,570k and the use of funds from the previous fleet replacement programme of £456k (based on a forecast end of year 2018/19 balance).

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- 6.4 The total funding cost including principal and interest will be £6,217k. This is based on a current prudential borrowing rate of 3.05% p.a. Repayment commences in the year following investment and the length of borrowing is geared to the economic life of the underlying assets.
 - 6.5 The additional call on capital will be included within the future years' capital strategy and the profiling requirements are outlined in the above table.
 - 6.6 Surplus used vehicles are normally sent to auction for disposal. Each sale will generate a capital receipt. The value of each receipt cannot be determined at this time as it will depend on the condition, mileage and market demand for vehicles twelve months or more in the future. Any proceeds will be available to fund the capital programme as these receipts have not been included in any estimates.

Revenue

- 6.7 Prudential repayments are met from an existing budget allocation of £890k held by the Fleet Management Service. The annual prudential borrowing costs will be met from this allocation. The budgetary requirement each year is supported by the availability of the Fleet Replacement Reserve. This reserve will be replenished from the budget line should the repayment costs be below the budgeted costs and will top up the budget if charges exceed the budget available. Fleet costs arising are recharged out to all end users of vehicles.

(Nigel Howard / Sadrul Alam)

7 **Legal Services Comments**

- 7.1 There are no specific legal implications in relation to the contents of this report. (Elizabeth Cunningham Doyle)

8. **Co-operative Agenda**

- 8.1 As a Co-operative Council we are committed to ensuring we have the equipment and resources required to support the delivery of Oldham's priorities, leading to better outcomes and delivery. Renewing Oldham's fleet will ensure that Oldham can continue to deliver excellent services, with equipment that meets the needs and standards of the authority.

9 **Human Resources Comments**

- 9.1 N/A

10 **Risk Assessments**

- 10.1 None

11 **IT Implications**

- 11.1 None

12 **Property Implications**

- 12.1 None

13 **Procurement Implications**

13.1 Commercial Services will ensure that any vehicle purchases will be in line and compliant with the Council's Contract Procedure Rules and EU Regulations.
Emily Molden (Sourcing & Contracts Consultant)

14 **Environmental and Health & Safety Implications**

14.1 The FRP will ensure that the most fuel efficient, low emission vehicles are purchased to improve air quality and reduce carbon emissions in accordance with the Greater Manchester clean air strategy.

15 **Equality, community cohesion and crime implications**

15.1 None

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**


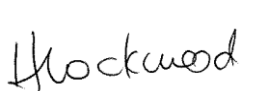
18.1 NEI-08-18

19 **Background Papers**

19.1 N/A

20 **Appendices**

20.1 Appendix 1 Detailed Schedule of Vehicles Acquired between 2012/13 and 2018/19.
Appendix 2 Five Year Planned Vehicle Replacement Programme (2019/20 to 2023/24)

Signed  Deputy Leader & Cabinet Member for Neighbourhood Services	Dated 07/01/2019
Signed  Deputy Chief Executive	Dated 16/12/2018

Appendix 1 - Schedule of Acquisitions - 2012/13 to 2018/19

Cost by Year By Asset Type (£000's)

Asset Type	Financial Year							Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 (Forecast)	
Refuse Collection Vehicles	2,082	-	291	-	-	-	-	2,373
Sweepers	-	731	139	-	-	254	249	1,374
Vans	430	49	80	97	83	95	75	909
Lorries/Trucks	-	-	-	320	-	-	45	365
Multihogs	-	104	-	-	-	-	-	104
Mini Excavators	56	41	-	-	-	-	-	97
Cars/4x4 etc	-	-	72	-	24	-	-	96
Dumpers	-	54	-	29	-	-	-	82
Hooklifts	-	-	-	66	-	-	-	66
Other	6	32	26	12	-	-	-	75
Total	2,573	1,011	609	523	107	349	369	5,541

Number of Assets by Year By Type

Asset Type	Financial Year							Total
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 (Forecast)	
Refuse Collection Vehicles	16	-	2	-	-	-	-	18
Sweepers	-	8	2	-	-	4	2	16
Vans	21	2	5	9	7	4	5	53
Lorries/Trucks	-	-	-	8	-	-	1	9
Multihogs	-	1	-	-	-	-	-	1
Mini Excavators	2	2	-	-	-	-	-	4
Cars/4x4 etc	-	-	6	-	1	-	-	7
Dumpers	-	4	-	2	-	-	-	6
Hooklifts	-	-	-	1	-	-	-	1
Other	1	1	3	1	-	-	-	6
Total	40	18	18	21	8	8	8	121

Appendix 2- 5 Year Vehicle Replacement Programme
(2019/20 to 2023/24)

Vehicle Type	Department	No. Reqd	Est Vehicle Price	2019/20 £K	2020/21 £K	2021/22 £K	2022/23 £K	2023/24 £K	Total £K
Dennis RCV with Terberg binlift	Waste Management	18	177	3,186					3,186
Sweeper (Chassis Mounted)	Street Scene	2	130	260					260
Ford Transit Tipper	Grounds Maintenance & Highways	22	23	501					501
JCB Gravemaster & Trailer	Cemeteries	4	23	46	46				93
Landrover Defender	Grounds Maintenance	1	27	27					27
Ford Ranger	Grounds Maintenance	1	24	24					24
Ride on Mower	Grounds Maintenance	1	28	28					28
Minibus	Castleshaw Centre	2	28	56					56
Small Van	Grounds Maintenance/ Waste Management	3	12	36					36
Compact Sweeper	Street Scene	3	70		210				210
Johnston Compact Sweeper	Street Scene	1	60		60				60
Luton Box Vans	Waste Management	2	25		50				50
12T RCV with Binlift	Waste Management	2	85		170				170
Dumpers	Cemeteries	4	14		56				56
Iveco Tipper	Highways	8	40		320				320
Hooklift	Grounds Maintenance	1	65		65				65
Johnston Mid Range Sweeper	Street Scene	2	130				260		260
Vans	Various	12	14		42	42	42	42	168
	Total	89		4,165	1,019	42	302	42	5,570