

Report to CABINET

Public Report - Fleet Replacement Programme (NEI-14-22)

Portfolio Holder: Cllr Amanda Chadderton, Cabinet Member for Housing, Regeneration & Neighbourhoods

Officer Contact: Nasir Dad, Director of Environment.

Report Author: Mark Husdan – Operations Manager (Waste & Fleet)

Ext. 2144

Cabinet - 14 November 2022

Reason for Decision

The Council's fleet management service (FMS) is seeking approval to purchase new vehicles for the next three financial years (2022/23, 2023/24 & 2024/25). Approval will allow FMS to undertake the necessary procurement processes to replace end-of-life and hire vehicles within the Council's current vehicle fleet.

Recommendations

That Cabinet approve the report so that the Council's FMS can purchase required vehicles over the next three financial years.

Please note that the FMS is also requesting that the future authority to sign off and approve the resulting vehicle procurement processes is delegated to the 'Director of Environment'.

1.0 Background

- 1.1 Oldham Council introduced the fleet replacement programme (FRP) in 2012/13 in accordance with the strategy approved by cabinet on 6 February 2012. The objective was to gradually replace leased and hired vehicles with purchased vehicles that would have a more economically beneficial life, ranging from 3 to 7 years (dependent on role and usage). Since then, the FMS has worked to this strategy when purchasing new vehicles for Council services.
- 1.2 The programme is now in its tenth year of operation and the purpose of acquiring vehicles by purchasing rather than leasing has been fully realised. A requirement for hired vehicles still exists but this is restricted to short term vehicle need, usually of six months duration, or less. This allows a degree of flexibility within the programme and allows the FMS to support the short-term business needs of the Council in an efficient and effective manner. Should any hire vehicle be identified as being required on a more permanent basis, it would then be considered for inclusion within any future FRP planning.
- 1.3 The last FRP report was submitted to cabinet on 25 February 2019. This report identified the required spend for five financial years (2019/20 to 2023/24).

2.0 Current Position

- 2.1 A review of the council's fleet, undertaken in May 2022, identified a number of amendments which are required to the agreed content of the last cabinet approved FRP report. The amendments detailed in this update report, provide a more accurate forecast of vehicle purchasing requirements for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26). Please note that if approved, the contents of this report would supersede the last FRP report (25 February 2019).
- 2.2 Given the expected changes within the vehicle and logistics industry over the next few years (i.e., alternative fuels, environmental legislation, clean air etc.), a reduced timeframe of three years is believed to provide a more accurate forecast of the costs associated with vehicle purchasing.
- 2.3 Whilst this report is seeking approval for vehicle purchasing over the next three financial years, the FMS is forecasting Council vehicle requirements up to 2030/31. This forecast which will be subject to an annual review with Council services to ensure that future vehicle purchasing is an accurate reflection of actual Council requirements.
- 2.4 FMS has identified the remaining spend on vehicles for 2022/23 and then total spend over the next three financial years.
- 2.5 The breakdown of the vehicles identified in this report will require a number of different procurement processes to be undertaken by the FMS - shown in **Table 1**, below. This report is seeking approval to design and implement appropriate procurement strategies for the sourcing of the required vehicles. The report is also seeking authority for the purchases to be approved by the Director of Environment in consultation with the Commercial Procurement Unit. This is rather than flooding cabinet with vehicle procurement approval reports over the next three years.

Table 1 – Breakdown of vehicle procurements:

No.	Financial Year	Procurement Name
1	2022/23	Highways Vehicles
2	2022/23	Small Sweepers
3	2022/23	Medium Sweepers
4	2022/23	Litter Bin Vehicles
5	2023/24	Skip Vehicle
6	2023/24	Ancillary vehicles
8	2024/25	Small Sweepers
9	2025/26	Grounds Vehicles
10	2025/26	Small Sweepers

- 2.6 Given the current supply and demand fluctuations in a number of supply markets, there is a risk of vehicle price increases in future.
- 2.7 The number of vehicles identified for purchase includes several hired vehicles currently being operated within the old Unity partnership contract model. The intention here is to purchase all required vehicles (i.e., Enforcement Agents, IT) rather than continuing to hire under the old Unity model. This should create a saving within those services and improve the financial model efficiency of the Council's FMS (see section 2.9 below). These new vehicles will also now be included under the Council's FRP.
- 2.8 The Council's fleet management service (FMS) operates on a zero-based budget, meaning that the majority of costs required to operate the service are recharged back to services based on the number and type of vehicles they operate. There is, therefore, an optimum number of vehicles required to make a success of this model. If there are too many vehicles, this would then require additional resources (i.e., more mechanics) and increase current costs. Too few vehicles would mean the costs of maintaining and managing vehicles becomes too high and uncompetitive in comparison with other potential models (i.e., outsourcing etc.). The current FRP strategy to purchase, over hire and lease options protects the Council's FMS service.
- 2.9 Purchasing vehicles through FMS provides a number of benefits which protect the Council's interest when operating a fleet of specialist and working vehicles. For example, all vehicles are managed through specialist software, so each vehicle can be tracked throughout its lifetime. FMS can run reports, therefore, on the type and number of repairs which identify potential issues with drivers and vehicle faults. This improves our knowledge and expertise of vehicle manufacturers and the suitability of certain vehicles for certain tasks, which can be applied when assessing tender submissions. We can also ensure that we have the correct number and type of vehicles required to perform our duties with reliance on external contractors (i.e., hire/lease options). Operating the same type of vehicle within a service means that mechanics can also be trained to the highest available standards and become knowledgeable about vehicle issues which can be managed to the benefit of services moving forward.
- 2.10 The post Covid environment has resulted in a number of supply and demand issues being experienced within the vehicle industry. This has resulted in higher costs and delays in receiving orders. Given this issue, there needs to an understanding that there may be variances in vehicle costs and that delays may require capital funding requirements to be moved from one financial year to the next.

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- 2.11 Council vehicles are automatically assigned a 'life-span' from the date that they are purchased (i.e., 7 years for a waste collection vehicle, 3-years for a street sweeper etc.). The FMS will always assess vehicles at the end of their predicted life span to see if any vehicles in good condition can last for a longer period in service. To allow the FMS to manage this process properly would require any identified vehicle replacement funding to be potentially moved from one financial year to the next.
- 2.12 The FMS continues to monitor the scope and potential for electric and hydrogen vehicles. The Council currently runs a small fleet of non-specialist electric vehicles and is trailing a number of specialist electric vehicles as they become available from manufacturers. The FMS is also currently monitoring a number of trials being undertaken by other Councils to better inform Oldham's transition towards a zero-emission fleet. Transition to alternative fuels will also require wider Council strategic decision making around vehicle funding and the appropriateness of current depot facilities for hosting new infrastructure requirements (e.g., potential charging points, new electricity sub-stations and/or hydrogen storage facilities).

3.0 Options/Alternatives

The following section details the options available to cabinet.

- 3.1 **Option 1** – to approve the purchase of new vehicles for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26) as detailed in this report and to delegate authority to design and implement appropriate procurement strategies for the sourcing of the required vehicles to the Director of Environment in consultation with the Commercial Procurement Unit so that the FMS can purchase vehicles over the next three financial years without referring back to Cabinet. On approval, the FMS will undertake all subsequent procurement and approval processes in line with the Council's Procurement Processes
- 3.2 **Option 2** – to delay replacing vehicles within the fleet replacement programme. Whilst this may save money in terms of delaying initial purchasing costs, the potential risk of repair and breakdown costs must be factored in. Due to the nature of work and the large majority of the council's vehicle fleet (i.e., waste collection vehicles, highway repair), any vehicle that break downs has the potential to require a hired vehicle replacement. Hiring vehicles, to replace a current fleet vehicle, has a significant impact on service budgets as they are an additional and often unaccounted costs.
- 3.3 **Option 3** – to look at other FRP models such as leasing and hiring. When the Council introduced its original FRP strategy in 2012/13, it was done to replace the leased and hired vehicle models which existed at the time. The current FRP strategy is based on the economical and management benefits gained from ownership of the vehicle. The FMS has worked to this strategy for the past ten years.

4.0 Preferred Option

- 4.1 **Option 1** – to approve the purchase of new vehicles for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26) as detailed in this report and to delegate authority to design and implement appropriate procurement strategies for the

sourcing of the required vehicles to the Director of Environment in consultation with the Commercial Procurement Unit so that the FMS can purchase vehicles over the next three financial years without referring back to Cabinet. On approval, the FMS will undertake all subsequent procurement and approval processes in line with the Council's Procurement Processes

5.0 Consultation

5.1 N/A

6.0 Financial Implications

6.1 Capital Implications

6.1.2 It is currently anticipated that the Fleet Replacement Programme will be funded entirely via Prudential Borrowing.

6.1.3 The disposal of existing fleet may generate capital receipts which could be used to support the overall financing of the capital programme. However, the value and timing of such receipts cannot be estimated at present and will only be included in as a financing source for the Council when confirmed.

6.2 Revenue Implications

6.2.3 It is currently anticipated that where fleet switches to from being leased to being purchased, there are potential revenue savings due to the financing charges being less than the lease costs over the period the fleet would be leased.

6.2.4 It is important to note that opportunities to minimise the additional costs to the Council in future financial years of the fleet replacement programme will be reviewed when the Capital Strategy and Programme for 2023/24 to 2027/28 is prepared. This will have regard to the profiling and financing of the wider programme.

(James Postle)

7.0 Legal Services Comments

7.1 The Council's Contract Procedure Rules (CPRs) will govern all commissioning activity. The CPRs incorporate an obligation to comply with relevant procurement legislation where it applies.

7.2 Therefore, subject to approval being delegated to the Director of Environment, in consultation with the Commercial Procurement Unit, to design and implement suitable procurement strategies for the purchase of the required vehicles (as detailed in this report) and all commissioning activity is concluded in accordance with CPRs, there are no known legal implications at this time.

Sarah Orrell – Commercial & Procurement Solicitor

8.0 Co-operative Agenda

8.1 The recommended option will support the cooperative agenda by ensuring that the Council has a fleet of vehicles able to meet the needs of our residents and services alike.

(Jonathan Downs – Corporate Policy Lead)

9.0 Human Resources Comments

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- 9.1 N/A
- 10.0 Risk Assessments**
- 10.1 The proposed way forward for procuring vehicles seems sensible from a risk perspective (Mark Stenson)
- 11.0 IT Implications**
- 11.1 N/A
- 12.0 Property Implications**
- 12.1 N/A
- 13.0 Procurement Implications**
- 13.1 The Commercial Procurement Unit supports the recommendation and will work alongside the Fleet Management Service to produce a procurement strategy which will both meet the needs and demands of the Council and ensure value for money. All tendering activity under this strategy will be conducted in line with the Council's Contract Procedure Rules and the Public Contract Regulations 2015.
(Emily Molden).
- 14.0 Environmental and Health & Safety Implications**
- 14.1 N/A
- 15.0 Equality, community cohesion and crime implications**
- 15.1 N/A
- 16.0 Equality Impact Assessment Completed?**
- 16.1 No – not required.
- 17.0 Key Decision**
- 17.1 Yes
- 18.0 Key Decision Reference**
- 18.1 NEI-14-22
- 19.0 Background Papers**
- 19.1 N/A
- 20.0 Appendices**