

Report of Head of Fleet Services

Report to Director of Environment and Housing

Date: 9th November 2015

Subject: Fleet Replacement and Procurement Programme 2015/16

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report seeks authority to procure and authority to spend on the fleet replacement programme for 2015/16. This decision is a draw down from the Vehicle Procurement Framework YORE-9AQKZA, entered into on 1st April 2014 and due to expire March 31st 2018.
2. The report reflects the recommendation of the Strategic Investment Board (SIB) on the 24th July 2015, that a fully centralised fleet procurement function is carried out by Fleet Services creating efficiencies through bulk buying and the use of alternative fuels improving air quality across the city. This approach also allows for flexible deployment of vehicles, increased vehicle sharing, and rationalisation of low-mileage vehicles to alternative fuels where possible and where specification of the vehicle permits.
3. Alternative (cleaner) fuels to date are not considered as standard by Services and there is little expertise in this sector of the market within Services. Shifting responsibility for replacements to the central body, Fleet Services, allows for alternative fuels to be robustly considered in consultation with services as part of this process and ruled in or out as appropriate. This aligns with the Council's commitments on reducing fleet emissions NOX and PMs (particulate matter) supporting the forthcoming West Yorkshire Low Emissions Strategy.
4. The fleet replacement programme is based on like-for-like replacement, identifying alternative fuel options where possible for Services to consider. This will be captured as part of the vehicle gateway exercise undertaken as part of early consultation with

Services. This report identifies 264 vehicles which require replacement in the 2015/16 year grouped by themes. The total anticipated expenditure on the fleet replacement programme is estimated to the value of £7.312m.

5. The alternative fuel element of the report identifies up to 20 small vans and 3 cars from the programme of 83 falling under the scope for alternative fuel/electric vehicles. With a possible 13 number of hybrid vehicles up to 7.5t falling into scope, dependant on locality working and new vehicle design specifications.
6. There is provision within the current capital programme to accommodate the increased cost of alternative fuelled vehicles with future savings captured in some areas throughout the vehicles life through anticipated fuel and maintenance efficiencies.
7. Vehicles purchased outside the current programme will meet the same gateway project document and alternative fuels investigated in the first instance, standard governance processes will be followed for these vehicles with directorates making the revenue provision for borrowing on vehicles outside the replacement programme.

Recommendations

8. The Director of Environment and Housing is requested :-
 - 8.1. To note the reorganisation of how fleet replacements are procured, moving responsibility away from Services for their annual requirements, to Fleet Management creating one fleet replacement programme for the whole year, following approval of which subsequent consequential contract awards will be approved on a batch basis.
 - 8.2. To note that additional funding is provided for within the current programme estimated at £222k which will allow the purchase of alternative fuel vehicles (such as electric) as these are typically more expensive than conventional internal combustion engine vehicles. Future revenue savings will result in respect of fuel and maintenance costs, while also reducing vehicle emissions.
 - 8.3. To approve the authority to procure and the authority to spend for outstanding replacements from 13/14, 14/15, and the upcoming programme for 15/16 on a like for like basis using up-to-date market pricing and lower emission alternatives where vehicles fall under scope, at an estimated cost of £7.312m.

1 Purpose of this report

- 1.1 To inform the Director of Environment and Housing of the issues being experienced by Fleet Management in respect of the annual replacement programme to date and to note the change in approach allowing Fleet to carry out a holistic program of fleet purchases, ensuring alternative fuel vehicles are found where possible.
- 1.2 This report will request approval for the authority to procure vehicles and estimated expenditure of £7.312m, allowing for this report to close off the 13/14, 14/15 and 15/16 outstanding replacements. Details of the programme are included as supporting documentation at Appendix A.
- 1.3 Fleet Services intend to share the business case with Service Heads for switching to alternative fuels, in particular, focussing on electric vehicles due to this being the fuel that is currently a viable option for a portion of our fleet due to available technology and infrastructure.

2 Background information

2.1 Vehicle Procurement Framework

Historic Fleet Replacement Procurement Process

- 2.2 Historically, the governance process for replacement of vehicles involves the Service Area proactively producing a delegated decision report for the specific Service Director sign off to release the capital funding from the budget. A detailed report was produced, allowing Fleet to facilitate the procurement exercise for the individual Directorate's replacement needs.
- 2.3 Due to the numbers of vehicles involved and the mix of vehicle types contained within the programme, this brought about a number of complexities and difficult decisions for each Service Area and, in some cases, required detailed documents to be produced by the Service on a vehicle-by-vehicle basis. These separate procurements took place creating the need for additional reports to be compiled, compounding replacement delays. This was replicated across the Council on an annual basis and the volume of reports historically required were significant resulting in delays as documented.
- 2.4 The consequential impacts of the slippage within the capital programme while saving on in year borrowing costs has included increased maintenance costs as vehicles age, effects on revenue margins due to SLAs between Fleet Management and Services being fixed and increased short-term hire costs due to the need to cover out-of-service vehicles as aged vehicles require more major repairs, compounding vehicle downtime.
- 2.5 Delays have also added additional pressures to services using older fleet, affecting the Authority's image and made the drive to reduce the vehicle emissions of the Council's fleet more difficult.

- 2.6 The use of CNG powered vehicles is currently limited by the capacity of the Councils owned CNG station in operation at the Refuse Collection Depot at Knowsthorpe Way.
- 2.7 There is a separate project on going to source a fast fill CNG station running off the main gas pipe network estimated to be operational in late 2017 which will allow the introduction of a wide range of alternative fuelled vehicles onto the Councils fleet

3 Main issues

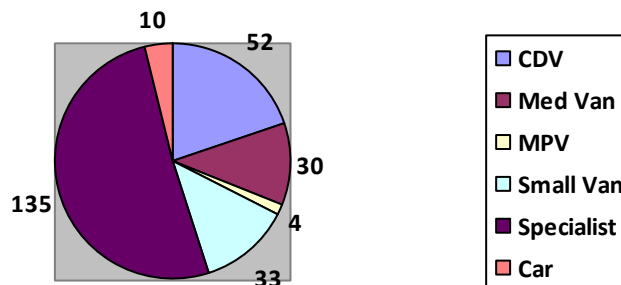
Future Fleet Replacement Procurement Process

- 3.1 It is proposed that this report accommodates the procurement of the entire programme of fleet for the Council for the year 15/16 including any replacement vehicles that have slipped in previous years. A gateway exercise has been undertaken in all service areas clarifying the numbers of replacement vehicles needed in the first instance, reducing vehicle numbers where possible, reviewing alternative fuel options and, lastly, any fuel and emission reducing technologies.
- 3.2 The discussions with Services have been paramount around the alternative fuel types on offer, informing and educating Services on the Council's commitment to reduce its vehicle fleet emissions on the fleet for the communities in Leeds. The proposal in this report enables Fleet to procure vehicles by vehicle type, capturing economies of scale for the Authority. Approval for the vehicle replacement will cover the entire period up to March 2016 and will give Fleet Management ownership of deploying vehicles into the Services that require them following consultation.
- 3.3 Following the approval of this report, procurement of the fleet will commence from the current LCC frameworks. Where this is not an option, governance and procurement procedures will be followed to procure outside the framework. Fleet Management, in consultation with Services, will arrange for the delivery and deployment of vehicles into the Services that require them.
- 3.4 This approach will make governance more efficient, opens up more opportunities for vehicle sharing across Directorates, flexible deployment, increases our buying power (due to making bulk purchases), allows for a move away from bespoke purchases to a standardisation of fleet, and maximises the potential for using alternative fuel vehicles where it's appropriate. The report enables Fleet Management, with the relevant transport expertise, to make a judgement on highlighted vehicles early in the procurement process.
- 3.5 Fleet Management shall have responsibility for reporting expenditure to ensure effective budget control and continue to liaise with the Capital and Treasury team.

Replacements due and associated costs

- 3.6 The profile of the outstanding replacement programme for 2013-2016 has a value of £7.09m on a like-for-like basis, however, this will increase up to £7.312m when alternative fuel vehicles are purchased where there is an equivalent model

available. The programme is split out across several vehicle category types and is depicted in the pie chart below:



3.7 The vehicle category types that can be changed to EVs are Cars, Car Derived Vans (CDVs) and small vans. There are also opportunities to replace some 7.5tonne specialist vehicles for hybrids. Additional funding is provided for within the current replacement programme for the vehicles identified in the supporting documents and will be progressed subject to this report being approved.

3.8 The breakdown of the costs associated with each vehicle category are shown in the table below:

Vehicle category	Capital required	Additional capital required if alternative fuels selected
Specialist	£5,367,000	Hybrids - £104,000
Medium Van	£459,000	N/A
Small Van	£431,000	£40,000 (EV)
Car Derived Van (CDV)	£572,000	£55,000 (EV)
Multi-Purpose Vehicle (MPV)	£80,000	N/A
Car	£181,000	£23,000
Total	£7,090,000	£222,000

- 3.9 The value of the replacement programme using estimated projected market prices is £7,312,000 which includes the additional provided for within the current replacement programme if alternative fuel is selected. The business cases for each alternative fuel vehicle mentioned are provided in the supporting documentation.
- 3.10 This report, if approved, would allow Fleet Management to initiate procurements throughout the remainder of this year to clear the backlog of replacements which would have the benefit of avoiding the consequential impacts of delays with fleet replacements mentioned above.
- 3.11 Electric Vehicles (EV) as an alternative fuel vehicle can be considered where suitable and included in the procurement exercise throughout the year. The limited number already identified within this procurement exercise are due the lack of electrical infrastructure around operational sites, however further work is being done to check power supply where vehicles are currently deployed and could therefore fit the future profile for replacements.
- 3.12 Other limiting factors affecting replacements with the EV derivative are the vehicles use and requirements within specific service areas, high mileages and vehicles being parked nightly at the employee's home address.
- 3.13 Other alternative fuel vehicles such as hybrids suitable for use as fleet vehicles especially in the commercial vehicle sector are also very limited. This in addition to the wide range of vehicle specifications required by services to meet service needs is an additional limiting factor. Currently the hybrid LGV at 7.5t is limited to standard cab configuration and unavailable in crew cab format as required by the majority of Locality working teams.
- 3.14 Therefore the main vehicles available in the present market to LCC are:-
- hybrid or full electric cars
 - small full electric vans
 - Hybrid commercial vehicles (limited to single cab chassis 7.5tn GVW)
 - CNG (compressed natural gas) 3.5t vans and heavier commercials
- 3.15 The market is constantly evolving however and as new technology is progressed alternative fuel vehicles will without doubt become more readily available to replace more vehicle types currently operated by Departments within Leeds City Council.

2016 onwards

- 3.16 Fleet Management will develop the annual replacement programme by consulting with Services about their requirements, then produce a report outlining the above level of detail on an annual basis, requesting the injection of capital required to facilitate the replacement programme incorporating alternative fuel options once approved by the Director of Environments and Neighbourhoods.
- 3.17 It is anticipated that alternative fuel options shall become more prevalent, due to the expansion of EV charging infrastructure, and onset of using gas as a fuel in

the refuse fleet (contingent on the successful delivery of a station in the vicinity of the Leeds Enterprise Zone in 2017).

- 3.18 The need to invest in transitioning the authority's fleet to lower emission vehicles to improve Air Quality in the city is clear. Nationally, the market for alternative fuel vehicles is growing. There is, therefore, greater appetite in the vehicle manufacturing industry to develop and become competitive in this sector. As such, it is hoped that the premiums between traditional and alternative fuel will reduce over time and be identified in future reports.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The scheme proposal by Projects, Programmes and Procurement (PPPU) and Fleet Services has been subject to consultation at the (EPB) Environment Programme Board, (SIB) Strategic Investment Board and the local Services.

4.1.2 This report has been shared with the Director of Environment and Housing and the Director of City Development both of whom are content with the recommendations made.

4.1.3 Consultation has been undertaken with all relevant Chief Officers around the transport needs and the new process.

4.1.4 Treasury and PPPU have been consulted on the content of this report and its preparation.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An equality, diversity and cohesion screening document has been undertaken and it is not considered that the content of this report or the recommendations made will have any impact on any specific group or individuals.

4.3 Council policies and Best Council Plan

4.3.1 The proposed fleet replacement programme furthers the following policies:-

- Developing Leeds as a Low Carbon city
- A carbon reduction target of 40% by 2020
- Improving the city's Air Quality through reductions in harmful pollution from diesel engines
- Spending Money Wisely – Achieving VFM in respect of its fleet replacement programme

4.4 Resources and value for money

4.4.1 This report details savings throughout the vehicle procurement cycle, reducing the resources required within Service areas to prepare documentation meeting governance requirements around the detailed reports and value for money through bulk purchases and mechanisms of vehicle utilisation.

4.4.2 Capital Funding and Cashflow

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
VEHICLES (4)	8989.0		7447.7	1541.3			
OTHER COSTS (7)	0.0						
TOTALS	8989.0	0.0	7447.7	1541.3	0.0	0.0	0.0
Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
VEHICLES (4)	7312.0		354.9	6957.1			
OTHER COSTS (7)	0.0						
TOTALS	7312.0	0.0	354.9	6957.1	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2015 £000's	FORECAST				
			2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019 on £000's
LCC Supported Borrowing	14735.1		6942.5	7792.6			
Governemnet Grant	26.0		14.5	11.5			
LCC Unsupported Borrowing	1539.9		845.6	694.3			
Total Funding	16301.0	0.0	7802.6	8498.4	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 In accordance with Contract Procedure Rule 3.1.8, this decision to procure the fleet replacement programme under the Vehicle Procurement Framework is a Key decision which has been included on the List of Forthcoming Key Decisions.
- 4.5.2 Decisions to award contracts in respect of individual vehicles under this fleet procurement programme will be taken in batches as tenders are evaluated. These decisions to award will be Significant Operational Decisions as no individual vehicle will cost more than £250K.

4.6 Risk Management

- 4.6.1 The risk to the authority of not replacing the vehicles will impact on Services with vehicle reliability issues. However, the more prevalent impact is, the authority fails to meet its emission reduction targets.
- 4.6.2 During DEFRA's recent consultation document, they identified Leeds as a city that would fail to meet the air quality standards in 2020 unless more direct action was taken. The transition of the councils fleet to low emission vehicles is identified as an action within the councils action plan to improve air quality not only reducing emissions but also demonstrating that the council is taking a leading role in meeting the challenges, while demonstrating to other transport users the use of alternative fuel vehicles.

5 Conclusions

5.1 In adopting this new approach to the fleet replacement programme, the Council will benefit from:

- Efficient governance
- Opportunities for vehicle sharing across directorates
- Flexible deployment (of vehicles)
- Increased buying power
- Standardisation of fleet
- Maximised potential for using alternative fuel vehicles and therefore reducing fleet emissions.

6 Recommendations

6.1 The Director of Environment and Housing is requested :-

6.1.3 To note the reorganisation of how fleet replacements are procured, moving responsibility away from Services for their annual requirements, to Fleet Management creating one fleet replacement programme for the whole year, following approval of which subsequent contract awards will be approved on a batch basis.

6.1.4 To note that additional funding is provided for within the current programme estimated at £222k which will allow the purchase of alternative fuel vehicles (such as electric) as these are typically more expensive than conventional internal combustion engine vehicles. Future revenue savings will result in respect of fuel and maintenance costs, while also reducing vehicle emissions.

6.1.5 To approve authority to procure and authority to spend for outstanding replacements from 13/14, 14/15, and the upcoming programme for 15/16 on a like for like basis using up-to-date market pricing and lower emission alternatives where vehicles fall under scope, at an estimated cost of £7.312m.

7 Background documents¹

7.1 2015/16 replacement fleet list at Appendix A.

7.2 Business case documents for EV and Hybrid vehicles.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.