



**Brighton & Hove  
City Council**

**ENVIRONMENT & COMMUNITY  
SAFETY OVERVIEW & SCRUTINY  
COMMITTEE  
ADDENDUM**

**4.30PM, MONDAY, 6 JUNE 2011**

**COUNCIL CHAMBER, HOVE TOWN HALL**



# ADDENDUM

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# ENVIRONMENT AND COMMUNITY SAFETY OVERVIEW AND SCRUTINY COMMITTEE

## Agenda Item 8

Brighton & Hove City Council

**Subject:** Procurement of Vehicles  
**Date of Meeting:** ECSOSC 6 June 2011  
Cabinet 9 June 2011  
**Report of:** Strategic Director, Place  
**Contact Officer:** Name: Gillian Marston Tel: 294701  
E-mail: gillian.marston@brighton-hove.gov.uk  
**Key Decision:** Yes Forward Plan No: CAB22053  
**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

***This report provides ECSOSC Members an opportunity for pre-decision scrutiny; to comment on the Procurement of Vehicles and Plant, a report on the Council's Forward Plan scheduled for 9 June Cabinet.***

- 1.1 The council has committed to the reduction of carbon emissions and has in place a carbon management programme to deliver this commitment and meet national targets. Studies have shown that 8% of the carbon emissions come from the operation of the fleet. Further, the council, as part of its Value for Money Programme has been seeking to implement on going efficiency savings. The development and implementation of a fleet replacement programme aids both objectives by reducing carbon emissions and delivering value for money savings. By replacing vehicles and using new technologies the carbon impact of the council's fleet will be reduced by 22% through this replacement programme.
- 1.2 This report seeks approval from Cabinet to tender for and award contract(s) for the procurement of vehicles for a range of services, as part of a vehicle replacement programme, and subject to the approval of detailed business cases by the Director of Finance

#### 2. RECOMMENDATIONS:

***That ECSOSC Members consider the report and make comments for Cabinet to take into account in decision-making.***

- 2.1 That Cabinet approves the fleet vehicle replacement programme up to 2016/17 outlined in Appendix A, which will be subject to approval of the annual Capital Investment Programme by Full Council and subject to an annual review of all vehicle replacement programmes to determine if the need for new vehicles as specified still exists.

2.2 That following the approval of detailed business cases by the Director of Finance, tenders be placed through either the EU procurement process or through existing legally compliant national framework agreements and that delegated authority be given to the Director of Finance to award current and future years' the contract(s).

### **3. RELEVANT BACKGROUND INFORMATION:**

3.1 The Council needs to operate a fleet of vehicles to deliver front line services such as the transportation of service users in Adult Social Care and Children's Services, providing responsive services to vulnerable members of the community, and meeting the operational requirements of waste collection and street cleaning services. Services using vehicles already have budget provisions for the costs associated with running a fleet.

3.2 Operating an old and non-standardised fleet is costly because of increased maintenance and service costs and higher fuel usage. Thus, a three to seven year vehicle and plant replacement programme has been developed for specific vehicle types which minimises fleet running costs and CO<sup>2</sup> emissions.

3.3 Extensive market research has been conducted for the purchase of vehicles in 2011/12 to ensure the council procures vehicles which are fit for purpose and also use latest technologies to reduce emissions and improve health and safety. This research is ongoing to ensure each year the council procures the correct vehicles for the services and minimises the environmental impact of service activities.

3.4 Outline business cases were produced that demonstrated that there were potentially significant savings to be gained through improved specification and procurement of new vehicles as well as savings on maintenance and repair, fuel, servicing and other running costs through replacement of old and inefficient fleet vehicles. The business cases included 'Vehicle Replacement Programmes' for all major service areas which showed that vehicle related costs and the associated financing costs of replacement vehicles could be met within existing budget provision and would also contribute to VFM and Service budget savings targets.

3.5 On the strength of the outline business cases (replacement programmes), £2 million was allocated in the Capital Investment Programme 2011/12, with an estimated £1 million per year over the following 3 years, and approved at Full Council on 3 March 2011. The exact profile of capital investment needed over the life of the replacement programmes will vary depending on changes in services' vehicle requirements, price trends, and technological developments. Any changes in the profile of capital investment will be reported in future Capital Investment Programmes for Full Council approval. All procurements will take place following the production of detailed business plans to the satisfaction of the Director of Finance for their approval and the following principles will be applied to all vehicle replacement programmes:

- A reduction in the use of vehicles will be sought to reduce financial and environmental costs;
- Where there is a need for vehicles, the most cost efficient and practicable vehicles with the lowest environmental impact will be sought;

- Full consideration will be given to cost effective new technologies to improve safety of people, security of the vehicle and reduce environmental impacts.

#### **4. PROPOSALS AND BENEFITS:**

- 4.1 The proposal is to replace vehicles from the fleet replacement programme with vehicles that meet the latest standards and to lower CO<sup>2</sup> emissions.
- 4.2 The new vehicles will reduce vehicle maintenance costs and the reduced costs of £124,000 anticipated from the purchase of new vehicles in 2011/12 have been reflected in the 2011/12 budgets. Any additional savings in future years will also be reflected in future years' budgets.
- 4.3 The three to seven year vehicle replacement programmes have been developed to ensure effective asset and cost management and future planning around capital resources.
- 4.4 For 2011/12 replacements, investment of £1.8535 million is required and the new vehicles will be procured via the use of approved national frameworks for minibuses, cars, vans, municipal vehicles and plant. As part of the procurement process, the council will evaluate the different options against quality and price over 3 to 7 years. This evaluation will be carried out as part of the assessment of tenders submitted from approved suppliers. Contracts will only be awarded to suppliers who can offer the best value over the economic life of the vehicles with full consideration to reducing CO<sup>2</sup> emissions.

#### **5. CONSULTATION**

- 5.1 There has been consultation on the vehicle requirements with service/operational managers, fleet drivers and the Fleet Engineer to ensure vehicles are commensurate with service demands. Consultations will be ongoing with all services throughout the three to seven year replacement programme.
- 5.2 The procurement process will be undertaken in conjunction with the council's operational managers, procurement and finance teams.

#### **6. FINANCIAL & OTHER IMPLICATIONS:**

##### Financial Implications:

- 6.1 A sum of £2m million has already been provided for in the 2011/12 Capital Investment Programme to replace vehicles. In pursuance of this investment, this report proposes that £1.8535 million of unsupported borrowing is invested to meet the requirements of the first year of the vehicle replacement programmes. Future allocations of capital (unsupported borrowing) in support of vehicle replacement programmes will be subject to approval of detailed and updated business cases by the Director of Finance and approval of the annual Capital Investment Programme by Full Council.
- 6.2 Services currently using vehicles have revenue budget provision to cover operational running costs associated with those vehicles.

- 6.3 Any capital expenditure on replacement vehicles will be financed through unsupported borrowing and the associated revenue financing costs (principal and interest) will be paid for out of the aforementioned revenue budgets over the life of the associated vehicle assets. It is estimated that savings in relation to fuel, maintenance, contract hire and leasing costs will enable financing costs to be met from existing budgets together with the achievement of £124,000 of VFM and Service budget savings targets. A summary of the estimated revenue implications is set out in Appendix C.
- 6.4 The detailed business cases will set out the financing costs and projected vehicle related costs of the replacement programmes. The programmes will require the use of a Vehicle Replacement Reserve to smooth out timing differences between the incidence of financing costs and the achievement of cost reductions and savings, including residual values. The use of this reserve over the period of the replacement programmes (2011-2017) has no net financial impact on the council.

*Finance Officer Consulted: Nigel Manvell Date: 17/05/11*

Legal Implications:

- 6.5 The value of the proposed contract(s) for the procurement of vehicles exceeds the relevant threshold for the purposes of the EU Procurement Directive and accompanying UK Regulations. As a result, any such contract is subject to the full application of both the Directive and Regulations and either a tender process will need to be undertaken in compliance with the relevant legislation or any framework arrangement accessed must itself have been established in compliance with such legislation. Contracts over £75,000 must be prepared in a form approved by the Head of Law.

*Lawyer Consulted: Sonia Likhari Date: 17/05/11*

Equalities Implications:

- 6.6 The contract will seek to maximise the council's services by providing improved vehicles and equipment that is fit for purpose.

Sustainability Implications:

- 6.7 The purchase of new vehicles will improve the effectiveness and efficiency of the service. Sustainability issues will be addressed in specification documents. The successful contractors will be sourcing products to compliance with the EU regulations for vehicle emissions (currently Euro V) and low or lowest CO<sup>2</sup> emissions for the size of vehicle, meeting the Councils commitment. The new vehicles will also be more fuel efficient, reducing cost and reportable CO<sup>2</sup> emissions for these vehicles of 22%.

Crime & Disorder Implications:

- 6.8 There are no direct implications in respect of the prevention of crime and disorder within this report although the vehicle specifications developed will try to minimise vandalism through design and the use of relevant materials.



Risk & Opportunity Management Implications:

- 6.9 New vehicles will better enable the council to meet the requirements of the services.

Corporate / Citywide Implications:

- 6.10 The services aims to improve customer satisfaction as far as is reasonably practical and new vehicles will play an important part in the council meeting its objectives.

**7. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 7.1 One alternative is not to procure any replacement vehicles and continue current practice of ad hoc purchase, contract hire and/or leasing. However, not only will this lead to increasing costs over the medium term as maintenance and repair costs increase as vehicles continue to exceed their lifespan but it will also not be possible to achieve the VFM and Service budget savings targets of £124,000 or to achieve the reduction of 22% in CO<sup>2</sup> emissions. Therefore, fuel costs will remain higher and so will CO<sup>2</sup> emissions. In addition, front line service provision could be disrupted due to increasing vehicle down time and this will lead to further additional costs.
- 7.2 As part of the procurement process, the council will evaluate the different options of procuring the new vehicles; including Contract maintenance. This evaluation will be carried out as part of the tender assessments of the tenders submitted from approved suppliers. Contracts will be awarded to suppliers who can offer the best value to the council.

**8. REASONS FOR REPORT RECOMMENDATIONS**

- 8.1 Brighton & Hove City Council will achieve significant service, financial and environmental benefit from procuring new vehicles. The report is in pursuance of the council's value for money programme and approved budget strategy.

**SUPPORTING DOCUMENTATION**

**Appendices:**

- A. Vehicle Replacement Outline Programme 2011 to 2017
- B. Vehicle Replacement Programme- 2011/12
- C. Appendix C – Summary of Revenue Implications and Financing Costs

**Documents in Members' Rooms:**

None

**Background Documents:**

None

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Vehicle Replacement Outline Programme 2011 to 2017

<b>Replacement Type</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>
Cars	149.0	205.0	112.0	417.0	232.0	149.0
Minibuses	309.0	181.0	248.0	-	-	35.0
Pickups	-	-	38.0	57.0	15.0	24.0
Plant	163.5	150.0	81.0	127.0	71.0	135.0
Refuse Collection Vehicles	592.0	298.0	-	-	-	444.0
Sweepers	146.0	383.0	-	188.0	146.0	-
Tippers	312.0	283.0	25.0	50.0	226.0	487.0
Tractors	-	46.0	185.0	74.0	-	11.0
Vans	182.0	195.0	11.0	-	-	218.0
<b>Total</b>	<b>1,853.5</b>	<b>1741.0</b>	<b>700.0</b>	<b>913.0</b>	<b>690.0</b>	<b>1,503.0</b>



## Vehicle Replacement Programme- 2011/12

<b>Replacement Type</b>	<b>Number</b>	<b>2011/12 £'000</b>	<b>Economic Life</b>
Cars	9	149.0	3 Years
Minibuses	7	309.0	5-7 Years
Pickups	0	-	5 Years
Plant	9	163.5	5-7 Years
Refuse Collection Vehicles	4	592.0	7 Years
Sweepers	2	146.0	4 Years
Tippers	12	312.0	5 Years
Tractors	0	-	7 Years
Vans (inc. Electric)	10	182.0	5 Years
<b>Total</b>	<b>54</b>	<b>1,853.5</b>	



## Summary of Revenue Implications and Financing Costs

<b>Summary of Revenue Budget Impact</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Existing Fleet Budgets:</b>						
Fleet Vehicle Revenue Budgets	2,118.4	2,147.1	2,176.5	2,206.5	2,237.1	2,268.2
Existing Financing Costs	338.2	342.4	346.6	350.9	355.3	359.8
Less: VFM and Budget Savings targets	-124.0	-124.0	-124.0	-124.0	-124.0	-124.0
<b>New Fleet Budgets incorporating Replacement Programmes:</b>						
Revised Fleet Vehicle Revenue Budgets	1,213.4	1,222.3	1,160.8	1,034.7	1,064.6	1,055.3
New Financing Costs	930.3	1,243.6	1,256.6	1,389.8	1,442.0	1,489.9
<b>Net Budget Position Carried Forward*</b>	<b>-188.9</b>	<b>-88.5</b>	<b>-70.1</b>	<b>-79.1</b>	<b>-40.9</b>	<b>0.4</b>

- \* The net budget position carried forward shows that the replacement schemes balance over the period to 2016/17 after meeting the Value for Money and Service Budget savings targets of £124,000. The position starts with a carried forward surplus which reduces over time as financing costs are incurred and eventually balances by the end of the period.

