



Ryedale District Council

REPORT TO: Community Services & Licensing Committee

DATE: 27 September 2007

REPORTING OFFICER: Beckie Bennett
Commercial Services Finance Manager

SUBJECT: **Vehicle Replacement Programme 07/08
(Commercial Services)**

WARDS AFFECTED: n/a

1.0 PURPOSE OF REPORT

The purpose of this report is to recommend

- The approval of the vehicle replacement programme for 2007/08
- The Council plan to include an additional £48,500 each year in the revenue budget to replace two refuse collection vehicles which are essential to maintain the existing level of service.
- The Council plan to include an additional £8,000 each year in the revenue budgets to continue to operate a link-tip vehicle on the fleet. This is the most cost effective option to deliver existing levels of service.
- The approval of funding from existing Reserves of £6,000 for a relief refuse vehicle, £15,000 for a relief street sweeping vehicle and £10,000 for a replacement vehicle for the caretaker.

2.0 REASONS SUPPORTING DECISION

Previously the vehicle replacement programme has been reviewed annually based on when leases expired.

In view of the major changes which have been experienced operationally with the implementation of the kerbside recycling schemes and the impact these changes have had on the vehicle fleet, it was resolved last year to produce a medium term replacement programme (CSL 23 November 2006 Min 316).

The vehicle replacement programme will be managed in accordance with the Vehicle Replacement Policy (subject of a separate report to Resources Working Party 18 September and P&R 27 September).

Together the Vehicle Replacement Policy and Programme will ensure the adoption of a more planned approach to vehicle replacement and procurement which will integrate more effectively with the budget setting process.

3.0 BACKGROUND

The majority of the Councils vehicle fleet have been financed through operating lease agreements. A number of other vehicles and small plant are also part of the vehicle fleet.

A Vehicle Fleet Replacement Programme has been produced for 2007/08-2011/12, which provides a complete overview of vehicles on the fleet in accordance with the Replacement Policy and is attached at Appendix 1 for information.

4.0 INTRODUCTION

A number of vehicles are reaching the end of their primary lease period. All existing lease costs are included in current budgets and the recommendations are made following an assessment of the continued utilisation of the vehicles in the delivery of services and their life expectancy on the vehicle fleet.

Over the past 12 months, following the first settled period after the implementation of kerbside recycling across the district and a review of the vehicle repair and maintenance programme, one issue that has emerged is the need to operate with an increased vehicle fleet.

The size of the main vehicle fleet has grown from 30 to 35 from 2003/04 to date. Included in this total is the number of spare vehicle required on the fleet, which has increased from 2 to 3 (one spare vehicle to cover for breakdowns/servicing for each of the core services ie refuse, recycling and street sweeping).

Two refuse vehicles on the fleet which were purchased outright as "spares" have in reality become "operational" vehicles and the number of recycling vehicles on the fleet has increased by three. It is also recommended in this report to include a spare street sweeping vehicle and effectively replace two vans with one 4x4 vehicle.

In order to continue to provide existing services and have adequate relief cover vehicles on the fleet there is no option but to consider funding replacement of these vehicles as they reach the end of their useful life.

5.0 POLICY CONTEXT

Vehicle Replacement Policy (to be reported to Resources Working Party 18 September and Policy & Resources 4 October 2007).

6.0 REPORT

There are a number of vehicles where decisions need to be made in terms of their continued requirement on the fleet or not depending on their utilisation and present condition.

It is essential that appropriate vehicles are available to provide efficient and effective services.

It is also essential that appropriate funding is approved to replace the vehicles when they are due to be either returned to the leasing company or when they have reached the end of their useful life.

In accordance with the Vehicle Replacement Policy a thorough evaluation on the future need for the vehicle including an assessment of utilisation and any impact on future service provision. The results of the evaluation have influenced the recommendations being made.

In summary approval is sought to replace vehicles which fall within the following categories:

6.1 LEASED VEHICLES, CURRENTLY INCLUDED IN EXISTING BUDGETS

Appendix 2 provides full details of the leased vehicles due for replacement, in summary the vehicles due to be replaced are:

- 4 refuse collection vehicles
- 1 street sweeping vehicle
- 1 7.5 tonne lorry
- 1 LPG vehicle (written off due to an accident in March)

In view of the timescale involved in the procurement process, Chairman approval has already been given to start the procurement exercise and invitations to tender have already been issued.

6.2 PURCHASED VEHICLES, NO EXISTING BUDGET PROVISION

During the evaluation of the vehicle fleet and as a consequence of producing the medium term vehicle replacement programme, it has been identified that there are 3 vehicles on the fleet which are essential to maintain existing levels of service.

These are key operational vehicles, which are not included in existing budgets and the funding to replace them will have an impact on future revenue budgets.

Table 2 provides details of the vehicles which it is considered existing services could not be provided if they were no longer on the fleet.

**Table 2:
Details of Vehicles Where Additional Annual Budget Provision is Required to Fund Replacement**

| VEHICLE TYPE | REG NO | ADDITIONAL FUNDING* |
|-------------------------------|---------------|----------------------------|
| Refuse Vehicles | R436 TVP | £22,500 |
| Refuse Vehicle | R440 TVP | £26,000 |
| Multi-lift Lorry | L498 GEF | £8,000 |
| TOTAL ANNUAL INCREASE IN COST | | £56,500 |

* based on annual lease costs

It is estimated next year the increased cost of services to cover the replacement cost of these vehicles will be £56,500 therefore the impact on the general fund is inevitable.

Appendix 3 provides details of the evaluation of these vehicles which supports the recommendations to replace these vehicles.

6.3 VEHICLES TO BE FUNDED THROUGH RESERVES

There are three vehicles which it is recommended approval is given to replace them in 2008/09 using existing Reserves as the method of finance.

Appendix 4 provides details of the vehicles and in summary approval is sought for

| | REPLACEMENT COST £ |
|---|-------------------------------|
| Relief Refuse Collection Vehicle | 6,000 |
| Relief Street Sweeping Vehicle | 15,000 |
| Small Van (Caretakers) | 10,000 |

The Vehicle Replacement Policy be reported to the Resources Working Party on 18 September and the Vehicle Replacement Programme to Policy & Resources Committee on 4 October for approval.

7.0 FINANCIAL IMPLICATIONS OF OPTIONS

Members are faced with a number of options to replace or retain a number of vehicles on the vehicle fleet essential to the delivery of frontline services as detailed in this report.

In summary the options are

1. Replace all leased vehicles in accordance with the Vehicle Replacement Programme for 2007/08 funded from existing budgets

2. To plan an annual increase of £56,500 in the budget from 2008/09 to fund the replacement of essential vehicles to maintain existing levels of service
3. To approve the use of appropriate Reserves in accordance with the VRP for 2008/09

8.0 RISK ASSESSMENT

There is a risk to the continued delivery of services if approval is not given to proceed with the replacement of vehicles as detailed in this report.

It is essential that the Vehicle Replacement Programme is managed in accordance with the Vehicle Replacement Policy to ensure that future funding forms part of the budget setting process and to minimise any financial risk.

9.0 CONCLUSION

Major changes have been experienced operationally with the implementation of the kerbside recycling schemes and the vehicle fleet maintenance programme.

Over the last three years the vehicle fleet has increased in size from 30 to 35 key operational vehicles and consequently it has been essential to review the existing fleet and consider future service provision requirements to produce a medium term replacement programme for all vehicles not just the leased vehicles.

It is recommended that all leased vehicles are replaced in accordance with the Vehicle Replacement Programme for 2007/08.

It is recommended that the Council plans to include an additional £56,500 each year in the revenue budget to cover the increase cost of continuing to maintain existing levels of service. This recommendation will be referred to Policy & Resources Committee for approval.

A medium term vehicle replacement programme is an essential way forward involving a detailed assessment of all the vehicles on the fleet to ensure that all future vehicle replacement decisions integrate effectively with the budget setting process.

OFFICER CONTACT:

Please contact Beckie Bennett, Commercial Services Finance Manager if you require any further information on the contents of this report at Showfield Lane Depot, 01653 600666, Ext 483 and e-mail beckie.bennett@ryedale.gov.uk

APPENDIX 2

LEASED VEHICLE REPLACEMENT

In 2007/08 there are 5 primary leases and 1 secondary lease due to expire. In addition 1 leased vehicle has been written off and therefore

needs to be replaced. The lease costs for these vehicles are already included in existing budgets.

Table 1 details all the vehicles which are due for replacement during 2007/08 and where the costs are already in existing budgets.

Table 1: Details of Vehicles Due For Replacement 2007/2008

LEASED VEHICLES –EXISTING BUDGET PROVISION

| VEHICLE TYPE | REG NUMBER | LEASE EXPIRY DATE (if applicable) | COMMENTS |
|-------------------------|-------------------|--|---|
| Refuse Vehicle | YC51 PZZ | 11/03/08 | To be replaced |
| | YC51 PZY | 11/03/08 | To be replaced |
| | YC51 PZN | 11/03/08 | To be replaced |
| | YC51 PZO | 11/03/08 | To be replaced |
| Street Sweeping Machine | NT02 AXO | 09/09/07 | To be replaced – extend lease until new vehicle arrives - Option to purchase |
| 7.5 tonne lorry | W839 LDC | 06/11/07 | To be replaced following 1 year lease extension |
| LPG Transit | YC05 COA | Write-off | Lease expiry would have been Dec 2010 Replace with 4x4 type vehicle |

Refuse Vehicles

Experience with the refuse vehicle fleet has shown that when the vehicles are reaching the end of their lease period (6 years) repair and maintenance costs start to increase and the most cost effective option is usually to replace the refuse vehicle with a new vehicle.

It is recommended that four replacement refuse vehicles are purchased to replace the refuse vehicles upon lease expiry. It is also recommended that the option to purchase one of these vehicles is explored to replace the current “relief” R reg refuse vehicle.

Street Sweeper

Street Sweeping is a primary function of the Council. Though RDC scores highly with regard BVP199 and BV89 further improvements could be made regarding the clearing of detritus from main carriageways ((currently 35% of roads have been assessed as below a B standard).

The replacement of the street sweeper is essential. In addition, the option to purchase the existing vehicle would provide a relief vehicle to cover repair and maintenance of the primary vehicle and afford an additional cleansing resource.

Currently the ability to potentially recycle street cleansings is being investigated (mixed with garden waste collections). This has the potential to attract recycling credits (less the gate fee) creating additional income from street cleansing. As an example, a 50% increase in cleaning could generate additional income of around £19,000.

Ford Cargo W839 LDC

The 7.5 Ford Cargo lorry is used on a number of essential current services including the special collection service, building maintenance, bin deliveries and Helmsley market.

The lease on this lorry was extended for 1 year last year. The vehicle is now 7 years old and its replacement is now considered to be the most cost effective option.

There is current budget provision to proceed with the recommendations for these vehicles.

Additional 2 Refuse Vehicles

Two 'R' Reg vehicles were originally purchased as spare vehicles on the fleet in March 2006. This was an interim measure to allow full evaluation of the waste management service following 100% roll-out of the new recycling schemes and to establish potential efficiency savings across the services.

Following the evaluation over the past 12 months it is clear that these vehicles are key operational vehicles i.e. existing levels of services could not be provided without them.

The weekly hire cost of a refuse vehicle is £1,000 which is not the most cost effective option when compared to leasing two more vehicles.

Link-Tip Vehicle

Used on a number of key operational activities:

1. Skip emptying as part of the street cleansing operation
2. Servicing 6 plastic bank locations throughout the district
3. Septic tank emptying service
4. Flood work

The **skip emptying service** and **servicing the plastic banks** are essential core services and alternative ways of providing these services have been examined for comparative purposes.

| Service | In-House £ p.a. | External £ p.a. | Increased Costs £ |
|-------------------------|--------------------|--------------------|-------------------------|
| Skip Emptying | 7,360 | 8,342 | 982 |
| Servicing Plastic Banks | 14,850 | 24,700 | 9,850 |
| Total Cost | 22,210 | 33,042 | 10,832 |

In-house service provision is the most cost effective option as well as also retaining control and flexibility over how and when services are provided.

These two services make up on average 50% of this vehicle's utilisation per week and potential does exist to utilise this vehicle further and generate additional income.

Septic Tank Emptying

Further work is required to review this service area as there are a number of options which need further examination. Options include the potential to reduce the service provided and generate additional income or to cease providing the service and concentrate limited resources in other key service areas. The current budget is a small net income of £2,000 for 2007/08.

Flood Work

This is the only vehicle that could actually access flooded properties during the recent floods in Pickering, even emergency services vehicles were unable to get through the water. It is therefore very difficult to put a price on the value of this vehicle during flooding incidents.

The recommendation to replace this link-tip vehicle is not comprised by either of these two services.

Table 3 – OTHER PURCHASED VEHICLES – REPLACEMENT TO BE FUNDED VIA OTHER FUNDING STREAMS

| | | PROPOSED FUNDING STREAM | |
|---------------------------|----------|---|--|
| Refuse Collection Vehicle | R254 XDC | DSO Reserves £6000 | Purchased as relief vehicle 05/06 Explore option to replace with one of the vehicles going off lease in March offset any residual value against purchase price |
| Street Sweeper | NT02 AXO | DSO Reserves £ | Purchase as relief sweeping machine |
| Small Van (Caretakers) | T562 LVV | Repairs & Renewals £10,000 | Purchased in 05/06, originally on fleet may 2000 |
| 4 x 4 pickup | L217 AAT | Replace write-off with 4x4 vehicle – no additional funding requirement- | 13 years old |

Refuse Collection Vehicle

Option to purchase one of the refuse vehicles due to go off lease in March 2008 as a newer relief refuse vehicle offset purchase price against scrap value of all 3 “R” reg vehicles (replacement for R reg currently the relief vehicle).

Street Sweeper

Option to purchase the street sweeper due to go off lease this year to provide a relief vehicle on the fleet.

Caretakers Small Van

Replacement vehicle for the caretaker, current van is now 7 years old.

4 x 4 Pickup

No replacement necessary as plan to replace LGP van which was written off in accident with a 4x4 type vehicle. Assessment of fleet has effectively enabled one vehicle to provide adequate replacement for two vans (efficiency saving) – see Appendix 2.

| Policy Context | Impact Assessment | Impact +ve -ve Neutral |
|---|-------------------|---------------------------------|
| Community Plan Themes <i>(Identify any/all that apply)</i> | | |
| Corporate Objectives/Priorities <i>(Identify any/all that apply)</i> | | |
| Service Priorities | | |
| Financial | | |
| Procurement Policies | | |
| Asset Management Policies | | |
| LA21 & Environment Charter | | |
| Community Safety | | |
| Equalities | | |
| E-Government | | |
| Risk Assessment | | |
| Estimated Timescale for achievement | | |