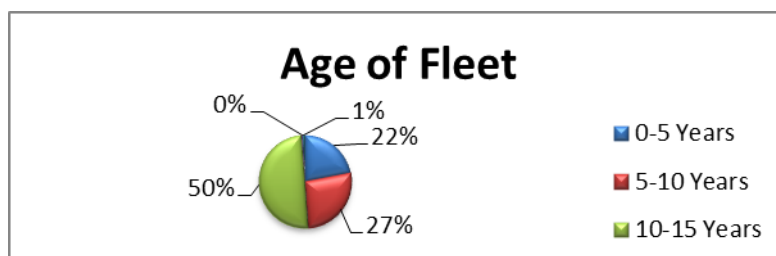


Finance Officer: Tian Ze Hao – Finance Business Partner

The council currently has a fleet of 456 vans and cars, half of which are now over 10 years old. Please see below:



There is a £8.4m provisional capital allocation for fleet replacement currently included under the approved Capital Programme. The assumption was to carry out the necessary fleet replacement programme over the five year MTFP period based on eight-year asset life, funded by prudential borrowing.

Subsequently, an internal 'Hot House' was set up with the aims to consult with internal departments, review future demand, and reduce the overall cost and impact on the environment. It was concluded that the total cost of vehicles replacement can be reduced from £8.4m to £6.1m, resulting in a capital saving of £2.3m over the same MTFP period. The revised capital expenditure and phasing are shown in the table below:

PL27 Strategic Property	17/18	18/19	19/20	21/22	22/23	Total
<i>Fleet Replacement</i>	£000	£000	£000	£000	£000	£000
Original spending profile in the approved Capital Programme	3,700	2,900	1,300	300	200	8,400
Revised spending profile	3,640	2,437	0	0	0	6,076
Capital Savings	(60)	(463)	(1,300)	(300)	(200)	(2,324)

This capital saving is achieved by:

- 1) Only replaces 75% of the current fleet with new vehicles, i.e. only replacing vehicles that are over 8 years old at the point of replacement. This equates to 342 vehicles out of 456 in total. This will be initially done over a two-year period. Please note, it was agreed that HRA vehicles numbers will remain at 242, this meant that the total number of general fund new vehicles would be reduce by c50% from 214 to 100.
- 2) HRA vehicles will make a savings on unit cost reduction due to new stock management agreement with the suppliers which meant that smaller sized vehicles are being used.
- 3) The remaining 114 vehicles are kept but will not be replaced as they come to the end

of life over the next 5 years. This should be in line with services level reductions planned by the Council.

Revenue implications:

- 1) The capital replacement programme will result in ongoing revenue savings mainly in relation to reductions in high maintenance cost and vehicle ad-hoc hiring cost. The full year effect of the ongoing revenue savings is estimated at c£370k per annum to the general fund and c£120k per annum to HRA. The full year effect of both will commence from 19/20 onwards, due to the procurement lead time. These net savings take into account the capital borrowing costs and repayments over an eight-year asset life.
- 2) Please also note, 50 out of 342 vehicles are electric, due to limited access to charging facilities available, but further discussion are taking place to increase capacity for electric vehicles.

Further financial considerations:

- 1) One of the risks relates to the absence of a Service Level Agreement for demand management between fleet management services and its internal customers i.e. parks and HRA. Without this being in place, the risk is on demand management, if not appropriately planned may lead to increased costs of vehicle hiring. The services users including e.g. parks, parking services and Security services need to ensure the reduction of demand over the MTFP period as agreed as an output of '*Hot House*'.
- 2) It is advisable to review the fleet replacement programme over a longer period of the time and to create a rolling replacement programme based on the asset lifecycle. The financial impact should be captured in the Council's long-term financial strategy.
- 3) The service should consider increasing the number of electric vehicles as charging infrastructures coming online over the next couple of years. This should also result in further revenue fuel cost savings in the future.

Other options previously considered but discounted include:

- 1) Continue As Is – discounted due to excessive maintenance costs, ad-hoc vehicle hiring costs and breakdowns, these would lead to significant cost pressures to the existing revenue budget.
- 2) Ad-hoc hire only - discounted due to excessive revenue costs per annum.
- 3) Lease with/without maintenance deal– discounted due to potential high de-commission charges, the lesser ability to 'sweat' the assets beyond 3-5 years and

the lack of control in demand management under contract. This would also restrict further commercialisation of the fleet services as a whole, including loss of income from existing services.