

FLEET REPLACEMENT

EXECUTIVE MEMBER: Councillor Allan Holliday
LEAD OFFICER: Keith Parker
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WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?

The project will ensure the service continues to be delivered in its current form and that standards of street cleanliness across the Borough are maintained at acceptable levels.

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

(eg Key Decision, Policy recommendation for Full Council, at request of Council, etc.)

Procedural requirement arising from the Capital Programme approved by Executive on 14 February 2012.

RECOMMENDATIONS:

That: a) the Fleet Replacement PID for the replacement of two items of fleet be noted, and
b) Executive approve the release of £111k for the project as allocated in the 2012/13 Capital Programme.

1. INTRODUCTION

- 1.1 Executive on 14 February approved in principle the inclusion of £111,000 in the 2012/13 Capital Programme to replace two Council owned vehicles used in the delivery of environmental cleansing services.
- 1.2 This Project Initiation Document (PID) seeks to provide detailed information to Members on the scope of the project, the deliverables, the associated costs, the estimated timescales, and how the work will be resourced and managed should the Executive approve the project.

2. PROPOSALS

- 2.1 The proposal is to procure a mechanical sweeper and caged tipper to replace the two vehicles, which along with a number of others, the Council mainstreamed into front-line operational use at the end of the former Cleaner Safer Greener projects. This mainstreaming resulted in the Council being able to realise savings of £25k against its fleet costs at the time.

3. ALTERNATIVE OPTIONS TO BE CONSIDERED

- 3.1 The alternative to the proposal is to do nothing, ie not replace the vehicles. The impact of this would be a deterioration of street cleanliness as less sweeping would be carried out. In addition the loss of a tipper vehicle would undermine the successful area based approach to the service which has proven popular and which has improved performance since it was introduced in 2010.
- 3.2 The existing vehicles have both been in use delivering front-line services since 2006 and have exceeded their expected economic life. Because the work of the existing vehicles would have to be reallocated across the remaining fleet there would be no saving resulting from the do nothing option.

4. CONCLUSIONS

- 4.1 Executive is asked to note the PID and approve the allocation of capital funding to this project.

5. STATUTORY OFFICER COMMENTS

- 5.1 The Monitoring Officer's comments are: No additional comments

- 5.2 The Section 151 Officer's comments are:

Further options appraisals are currently being undertaken on the lease v buy options. This needs to be completed prior to any decisions on how to acquire the vehicles is undertaken.

- 5.3 EIA Comment: Assuming suitable vehicles remain within the Copeland fleet there not felt to be any additional specific EIA impacts

- 5.4 Other consultee comments, if any: None

6. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

6.1 This project will be managed by the Council's Waste and Enforcement Manager.

7. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

7.1 This project will see the delivery and commissioning of two new modern suitable for purpose vehicles for one of the more high profile waste services.

List of Appendices

Appendix A – Fleet Replacement PID

List of Background Documents: Capital Programme 2012/13.



COPELAND BOROUGH COUNCIL

FLEET REPLACEMENTS 2012-13

PROJECT INITIATION DOCUMENT (PID)

ID: <Doc ID>
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Author: Janice Carrol
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Project Initiation Document

1. Background

The purpose of the project is to replace a number of Council owned front-line vehicles used in the delivery of waste services as they come to the end of their useful life.

Four vehicles were purchased outright during 2006/7 with external funding. The vehicles were dedicated to the Cleaner Safer Greener funded South Whitehaven projects. After the funding ceased, and the projects ended, the assets remained with the Council and rather than being mothballed were brought into front-line operational use enabling 2 similar leased vehicles to be returned to Translinc achieving annual savings of around £25k to be realised. Since the CSG projects ended in 2008 the vehicles have been an integral part of the Council's Environmental Cleansing and kerbside recycling services and are used to deliver services across the entire Borough. In effect the Council acquired assets with an approximate value of £200,000 that have been used for more than 4 years beyond the original funded project. Using these vehicles instead of leased ones has resulted in savings of around £100,000.

The 4 vehicles are different types and therefore have varying expected replacement dates however all four vehicles will need to be replaced by 2015.

This project deals with the two vehicles which need to be replaced during 2012-13 having already passed their expected useful life. Both vehicles are used in the delivery of the Council's street cleansing service, one is a mechanical sweeper used to clear detritus from roads, streets and footways and the other a caged tipper used by one of the dedicated area teams in dealing with litter clearance, verge cleaning, removal of fly tipping and other environmental cleaning activities.

2. Business Case

The project supports objective 3.6 under the Place them in the Council Plan – Implementation 2012-13 of Enhancing the local physical and natural environment.

Both vehicles strongly support the target of maintaining acceptable levels of street cleanliness in 90% of those surveyed. Surveys carried out quarterly across the Borough monitor levels of both litter and detritus and are in effect a measure of the performance of the street cleansing service.

Council approved a budget of £111,000, in principal at its meeting of 23 February 2012, to facilitate the purchase of these two vehicles. The Waste and Enforcement Manager was tasked, with the support the finance team, to establish if the outright purchase of the vehicles or lease agreements would be most financially beneficial to the Authority.

The table in Appendix 1 illustrates the cost of the two options for the two vehicles.

Members are asked to note that the table shows the costs of acquiring the vehicles (capital) and maintaining them (revenue) over their lives. Based on actual costs to date for the existing vehicles the current revenue budget will be sufficient to meet these maintenance costs. Any costs that would not vary regardless of the acquisition method used have been excluded e.g. depreciation.

Considering whole life costs of the two vehicles has identified capital purchase to be the better option for the more expensive mechanical sweeper while the more standard tipper vehicle would be better procured through the existing lease and maintenance contract (both regarded as capital).

The outright purchase of the sweeper at £114,750 is around £25k less than the lease option of £131,610 while the lease option for the tipper of £22,650 is £9k cheaper than the purchase price at £31,100.

Additionally if the sweeper was purchased out right its useful economic life may be extended beyond the 5 years (as is the case with the current vehicle), providing additional service to the Council. In the current financial climate an additional advantage to the capital option is there would be no early

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termination costs should the need to reduce the service arise. If a council owned vehicle was no longer needed it could be mothballed or sold whereas terminating leased vehicles incurs costs.

An EIA is not appropriate as this project does not involve a change in service.

3. Project Objectives and Scope

3.1 Project Objectives

The objective is to replace the two existing aging vehicles with suitable new ones before September 2012 when the existing vehicles are 6 years old.

3.2 Project Scope

The scope of the project is limited to specifying, ordering and taking delivery of the two vehicles.

4. Project Deliverables

The project will deliver the procurement of 2 new suitable replacement vehicles for use in the Council's street cleansing service.

5. Project Approach

The project will be managed by the Waste and Enforcement manager supported by the Contract manager from Translinc the Council's Fleet provider.

6. Project Plan

Provide an overall plan for the project. This should at least provide a high-level view of the stages and the timescales.

The outline plan for the project is:-

Confirm vehicle specification by 15 June 2012

Place orders for vehicles by 30 June

Take delivery and commission new vehicles by 31 October

Arrange for the disposal/resale of existing vehicles by 30 November

7. Organisation – Roles and Responsibilities

The project will be managed by the Waste and Enforcement Manager supported with specifications by the Waste Supervisors and with procurement by the Councils fleet contractor Translinc (May Gurney).

8. Communications

Due to the nature of this project communications will be on an ongoing basis between individuals involved.

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9. Resource Requirements

Officer time on this project will be minimal and limited to staff within the Waste team.

10. Project Costs

The overall costs have been identified at section 2 of this document.

Capital of approximately £111k has been initially approved as part of the 2012-13 Capital Programme for this project to cover the anticipated purchase price of £95k for the mechanical sweeper and £16k for the caged tipper.

As shown at section 2 the tipper will be procured through the lease and maintenance option, rather than an outright purchase. That said however because this in financial terms is an operating lease, the annual costs can be regarded as capital and therefore the capital spend for the tipper will be spread over the life of the vehicle ie. £4,530 per annum for 5 years.

The annual maintenance costs for the sweeper, estimated to be £7k and any additional non-wear and tear costs for the tipper will be met by the Waste revenue transport maintenance budget.

11. Project Quality

Transport costs and performance are monitored through contract meetings at both operational and management level and supported by a range of KPI's.

12. Project Controls

Procedures are already in place to monitor and manage the Council's fleet of vehicles in terms of fuel use, mileage and day to day use and these vehicles will be monitored in the same way. A range of KPI's are monitored quarterly as part of overall fleet management.

13. Risk Management

The risk on this project is minimal as spend will not be incurred until fit for purpose vehicles have been delivered and commissioned.

Project Initiation Document

Appendix 1

Lease / Maintenance Option												Option			
Vehicle type	Capital Option					Capital cost Total = a + c - d (e)	Residual value of vehicle (d)	Total maintenance for 5 years = b x 5 (c)	Annual maintenance costs (est) (b)	Lease term (f)	Annual Lease/maintenance cost (g)	Frequency of payments (h)	Residual Value at end of agreement for Translinc (i)	Total life cost = g x 5 (j)	Best/Cheapest Option (k)
	Capital Cost (est) (a)														
JOHNSTON MECHANICAL SWEEPER	£95,000	£7,000	£35,000	-	£114,750		£15,250			5 years	£26,322	Monthly	£15,250	£131,610	Capital
CAGED TIPPER	£16,000	£3,500	£17,500	-£2,400	£31,100			£17,500	£3,500	5 years	£4,530	Monthly	£2,400	£22,650	Lease

Mechanical Sweeper

Capital purchase option over 5 years = £114,750 (purchase price £95k plus 5 years maintenance of £35k less return on residual value of vehicle of £15,250)

Lease option costs over 5 years = £131,610 (5 years payments of £26,322 per annum)

Caged tipper

Capital purchase option = £31,100 (purchase price £16k plus 5 years maintenance of £17.5k less return on residual value of vehicle of £2,400)

Lease option costs over 5 years = £22,650 (5 years payments of £4,530 per annum)