

## PLYMOUTH CITY COUNCIL

**Subject:** Capital investment for Replacement of Minibuses  
**Committee:** Cabinet  
**Date:** 13 November 2012  
**Cabinet Member:** Councillors Vincent, Williams and McDonald  
**CMT Member:** Anthony Payne (Director for Place) and Carole Burgoyne (Director for People)  
**Author:** Garry Stainer, Fleet and Garage Manager, Julie Roantree, Transport and Allowances Officer  
**Contact:** Tel: 01752 304682  
email: [garry.stainer@plymouth.gov.uk](mailto:garry.stainer@plymouth.gov.uk)  
**Ref:**  
**Key Decision:** Yes  
**Part:** I

---

### Purpose of Report :

This joint report from the Directorate of People and Place seeks approval to implement Phase 2 of the Council's Strategic Vehicle, Plant and Specialist Equipment Replacement Programme approved by the Capital Programme Board in July 2011.

This phase relates to the purchase of **26 minibuses** used for Adult Social Care, Home to School Transport and Special Schools to replace the existing aged and unreliable fleet.

Approval is sought for the **expenditure of £0.980million**, of which £810k will be utilised in 2013/14 and £170k will be needed in 2014/15. The majority of investment in year one will allow for the reduction in the fleet of 4 minibuses and also offer immediate savings on repairs and hire charges representing a 13% reduction without impacting on service delivery. **A revenue saving** (Net Present Value NPV) of **£807k** will be made over **7 years**. The **cost benefit analysis** in **Appendix F** (Part II background paper) demonstrates the savings of £807k (NPV) for procuring replacement vehicles over maintaining the existing fleet. The savings are based on the reduction in repairs needed over the life of the vehicle and the elimination of the need of 'spot hire'. This saving is based on current use of the minibuses and does not reflect any future opportunities for savings that may be realised through working with the third sector.

The expenditure will be funded from unsupported borrowing.

As front line services and schools are already funding the existing aged vehicles the monthly charges can be met within existing services revenue budget and are expected to fall slightly due to the anticipated savings in maintenance, leasing and hire charges.

The old and worn out minibuses have been placing an increasing budget pressure on the end user services and has an adverse effect on front line delivery. The purchase of new minibuses is required as:

- There is a need for expensive 'spot hire' replacement minibuses whilst repairs are undertaken.
- There is increased cost of repair and maintenance.
- Interruptions to service delivery due to high incidents of breakdown and unreliability are a regular occurrence.
- Extensions of long term leases exist.
- Long term hire arrangements paying short term rates replacing vehicles that have become unroadworthy is expensive.

A review of the Council's fleet and plant was undertaken by Price Waterhouse Coopers in 2007 and the recommendation was to implement a five year rolling vehicle replacement program to address the inefficiencies and effects of an aging fleet. Although part of the refuse fleet was replaced in 2007/2008 the rolling programme was not acted upon due to budget pressures on capital and revenue accounts which restricted progress.

In 2010 a strategic approach was taken by officers to analyse the current state of the fleet and plant and determine the most cost effective solution to resolving the major problems Plymouth City Council was experiencing associated in operating an aging fleet.

The strategic approach was to ensure that any investment initially targeted the areas costing the Council the most money (e.g. expensive spot hire). Furthermore vehicles/plant were clustered around service delivery so that decisions about vehicle replacement could be taken alongside any transformation or review of services. This reduces the risk of decisions about vehicles and plant being taken in isolation of the wider services they are used to support.

Four phases were established:

- |                |   |
|----------------|---|
| <b>Phase 1</b> | Refuse Vehicles (Waste Service) <b>This was completed in 11/12 with the purchase of 15 vehicles</b> |
| <b>Phase 2</b> | Minibuses (CYP, ASC and schools Services)   |
| <b>Phase 3</b> | Plant & Equipment (Street Cleansing and Parks)  |
| <b>Phase 4</b> | Other dilapidated or expensive Vehicles (various Services)  |

The lack of a rolling programme to date and the poor condition of the majority of the existing Vehicles, Plant and Equipment identified in **Phase 2 and Phase 3** means that an investment of over £2.68 million (over 2 years) is now sought. Following this a

budget of approximately £1.3 million per annum would be needed to assist in a 'rolling programme' of replacement of the Councils current fleet and plant requirements over an 8 to 10 year period.

As the front line services are already paying for the existing vehicles they use through monthly charges whether hired, leased or purchased there will be no adverse revenue implications on services in acquiring replacement fleet.

Each service has received a robust and strong challenge on its future needs for vehicles and plant. Research has also been undertaken on the most economical acquisition e.g. purchasing or leasing in each phase. **Phase 2 minibuses now needs approval to be implemented.**

Plymouth City Council currently operates 33 minibuses of which 29 are used by services (Adult Social Care, Special Schools and Home to School Transport) and 4 are 'spare' vehicles kept by the garage. **Appendix A** details the current profile of minibuses. The current lease / purchase and age profile of these minibuses are detailed in **Appendix B**. In summary the majority of leased vehicles are well over 10 years old and the majority purchased vehicles are over 7 years of age.

A strategic approach has been taken to analyse the minibuses usage across services and determine the most cost effective solution for a replacement programme.

A robust challenge was undertaken with service users and a utilisation analysis concluded that the number of minibuses **could reduce from 33 to 29**.

This would mean the **procurement of 26 replacement minibuses** (The 4 minibuses which are used by the garage as 'spares' will be replaced with 3 currently owned minibuses from the existing fleet).

Service users (Special Schools, School Transport and Adult Social Care) have been instrumental in reviewing the minibuses replacement programme. The number of Minibuses is based on current requirements. However on going budget discussions may impact on the number of minibuses required in the future and if this is the case adjustments will be made to the purchasing schedule to align with future needs. In line with good practice a final review will be undertaken with service users to confirm requirements prior to purchase as the timescale between this Cabinet Report and future procurement can be up to 6 months.

These 26 vehicles are to be procured over 2 years **Appendix D** details the replacement items and quantity.

A cost comparison between the alternative options of funding this phase of the replacement programme (borrowing, finance lease, leasing long term) is detailed in **Appendix C** with **purchasing through unsupported borrowing** being the most cost effective option which is therefore the preferred option.

The purchase represents an opportunity to put into practise the principles of a Cooperative Council by considering the needs not just of the Council but also those of the community and voluntary sector in the city to maximise the effectiveness of the spend and multi-agency utilisation of the vehicles. Two options have been given consideration.

Option 1 - This option would take the consolidated spend of PCC plus the community and voluntary sector on minibuses to a procurement process. The procurement would ask bidders to establish a hire company in Plymouth supporting these customers with costs subsidised by the capital that would otherwise be spent on purchasing the minibuses. This option would require delaying the purchase by an estimated 12 months whilst requirements are gathered and a complex procurement is undertaken. This delay is estimated to cost around £280k in additional maintenance and extra hire costs to PCC alone. The costs of the project (assuming use of external resources) could be in the region of £200k.

Option 2 – This option would proceed with the purchase based on the immediate requirements of Plymouth City Council and, in parallel, investigate making the vehicles available to community groups.

Work will need to be undertaken to: gain a better understanding of the demand within the community for the use of the minibuses; get communities' ideas for taking this forward and; address challenges including insurance, maintenance, fuel management, health and safety issues, administration and the use of specialist/adapted vehicles. To start with this can be done via CASAP (Community & Social Action Plymouth) and wider networks e.g. neighbourhood organisations and our "Have Your Say" Neighbourhood meetings and activity. In the slightly longer term, this could be formalised by being included in commissioning and or joint ventures with the voluntary and community sector. This option would also leave open the possibility of future transfer of some or all of the minibuses bought by the Council to community groups in the future.

Given the cost and potential delay associated with option 1, and the future flexibility of option 2, option 2 is recommended to Cabinet for approval.

A third option is that of finding another organisation that may make the purchase on behalf of the Council and hire them out to PCC. This option was discounted after investigating local suppliers of minibuses, unfortunately the vehicles PCC requires have specialist adaptations and suppliers do not have suitable capacity within their fleets to offer such a service. Therefore the purchase option is the only option that will ensure that that our statutory requirements are met.

The option of joint procurement of minibuses for this phase of the replacement programme was explored with the University of Plymouth and members of the Devon Procurement Partnership. Organisations confirmed that they had no requirement to purchase minibuses at this time.

---

### **Corporate Plan 2012-2015:**

To provide value for money for communities in delivering an efficient Service

---

### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The replacement of minibus vehicles has a total estimated cost of **£0.980m** and will be incurred over the period 2013 – 15. These costs will be funded from unsupported borrowing, to be taken over 7 years, with the repayment charges being met from within the existing service budgets. The 7 year NPV savings estimate resulting from this spend is expected to be **£807k**. These savings are based on current use of the minibuses and does not reflect any future opportunities for savings that may be realised through working with the third sector.

---

### **Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion: Health and safety**

- The risk of accidents and injury to the passengers and to staff is significantly reduced with newer more efficient vehicles especially with regards to the electric tail lifts.
- Improvements and new vehicles will improve the service delivered to people with disabilities
- Transfer of asset –The assets and liability can be transferred and will be under -written within a formal contracts at the time of transfer to any School trust or Academy.

---

### **Recommendations & Reasons for recommended action:**

- That Cabinet approves the purchase of the 26 minibuses at a cost of £0.98m
- That Cabinet recommends to the Full Council to add this £0.98m project to the Capital Programme 2013 - 15

Following the replacement programme the anticipated benefits are as follows:

- Eliminate short-term hire costs
- Reduce the instances of breakdowns and maintain service delivery

- Eliminate extended long term leases on vehicles.

**Alternative options considered and reasons for recommended action:**

**Do nothing**

To do nothing would result in further cost increases and potentially significant disruption to services due to the increasing need to maintain the vehicles. This would also increase the Health and Safety risk of staff and public utilising these vehicles.

**Purchase or lease/hire vehicles**

A comparison between purchase and lease/hire costs for minibuses has been carried out, the results of which show that the purchasing option offers better value for money.

**Background papers:**

Part II Cabinet Paper (exemption paragraph 3 applies)

**Sign off:**

Fin AF	SG/Pla ceFes c1213 003.0 2.08.1 2	Leg	1517 6. SC	HR	N/A	Corp Prop	N/A	IT	N/A	Strat Proc	286 JK
Originating SMT Member ; Jayne Donovan											
Have you consulted the Cabinet Member(s) named on the report? Yes											

## **BACKGROUND REPORT**

### **1.0 Brief Description**

This report follows on from the CPAF (Capital Programme Approval Form) that was approved in July 2011 for the Vehicle & Plant Replacement Programme. The subject of that CPAF was Phase 1 – Refuse Collection Vehicles. The CPAF also made reference to phases 2 to 4:

Phase 2 – Minibuses (CSC, ASC and School Services)

Phase 3 – Plant and Equipment (Street Cleansing and Parks)

Phase 4 – Other dilapidated or expensive vehicles (various services)

The subject of this report is Phase 2 – Minibuses. The Council's current use for minibuses is by Children's Social Care, Adult Social Care and Schools.

### **2.0 Background**

**2.1** Plymouth City Council utilises a fleet of approximately 350 vehicles as well as over 950 items of plant and specialist equipment over a wide range of front line services. The overall value of vehicles, plant and specialist equipment currently used by the Council is around £12 million. The lack of a rolling annual replacement program means that many services are now operating old and worn fleet and plant.

**2.2** A review of the Council's fleet and plant was undertaken by Price Waterhouse Coopers in 2007 and the recommendation was to implement a five year rolling vehicle replacement program to address the inefficiencies and effects of an aging fleet. Although part of the refuse fleet was replaced in 2007/2008 the rolling programme was not acted upon due to the budget pressures on capital and revenue accounts.

**2.3** In 2010 a strategic approach was taken by officers to analyse the current state of the fleet and plant and determine the most cost effective solution to resolving the major problems Plymouth City Council was experiencing associated in operating an aging fleet. These were;

- Increased costs of repair and maintenance.
- The need for expensive 'spot hire' of replacement vehicles whilst repairs are undertaken.
- Interruption to service delivery due to high incidence of breakdown and unreliability.
- Long term hire arrangements paying short time rates as an annual replacement programme had not been implemented.

- 2.4** The strategic approach was to ensure that any investment initially targeted the areas costing the Council the most money (e.g. expensive spot hire). Furthermore vehicles/plant were clustered around service delivery so that decisions about vehicle replacement could be taken alongside any transformation or review of services. This reduces the risk of decisions about vehicles and plant being taken in isolation of the wider services they are used to support.

Four phases were established:

**Phase 1** Refuse Vehicles (Waste Service) **This was completed in 11/12 with the purchase of 15 vehicles**

**Phase 2** Minibuses (CYP, ASC and schools Services)

**Phase 3** Plant & Equipment (Street Cleansing and Parks)

**Phase 4** Other dilapidated or expensive Vehicles (various Services)

The lack of a rolling programme to date and the poor condition of the majority of the existing Vehicles, Plant and Equipment identified in **Phase 2 and Phase 3** and the increasing cost associated with this ageing fleet has meant that an immediate investment of over £2.68 million is now needed. Following this a budget of approximately £1.3 million per annum would be needed to assist in a 'rolling programme' of replacement of the Councils current fleet and plant requirements over an 8 to 10 year period.

- 2.5** Front line services already have funding for the existing vehicles they use through monthly charges (whether hired, leased or purchased) so there will be no adverse revenue implications on services.

Each service has received a robust and strong challenge on its future needs for vehicles and plant. Research has also been undertaken on the most economical acquisition e.g. purchasing or leasing in each phase.

- 2.6** The options of joint procurement of minibuses for this phase of the replacement programme was explored with the University of Plymouth and members of the Devon Procurement Partnership. Organisations confirmed that they had no requirement to purchase minibuses at this time.

### **3.0 Minibus Needs Analysis**

- 3.1** Plymouth City Council currently operates 33 minibuses of which 29 are either owned or on long term leases (7yrs or more) and 4 are on short term hire arrangements. The current lease / purchase and age profile of these minibuses are detailed in **Appendix B**.

**3.2** In summary all leased vehicles (but 3) are well over 7 years old (some are over 13 years old) .These leased vehicles have long reached the end of the original lease contracts and are now on extended leases. There are escalating service and maintenance costs for these minibuses. Most of the purchased vehicles are also over 7 years of age.

**3.3** The impact of the aging minibuses fleet is that:

- Services are operating old and worn out minibuses.
- Increased costs of repair and maintenance.
- High incidence of breakdown and unreliability.
- Difficulty in obtaining 'special adaptations' minibuses for 'spot hire' / short term hire and both are expensive.
- Difficulty in obtaining replacement parts for old minibuses.

**3.4** The current profile of the 33 minibuses is detailed in **Appendix A**. A robust challenge was undertaken with service users and a utilisation analysis indentified that the number of minibuses required could reduce from 33 to 29 (representing a 13% reduction without impacting on service delivery ). This will mean the purchase of 26 new minibuses with 3 minibuses being kept from the existing fleet as 'spare' vehicles.

**3.5** A breakdown of the new requirement per service is as follows:

<b>Service Area</b>	<b>Number of Mini-Buses</b>
Special Schools	5
Home to School Transport / Special Schools	7
Adult Social Care	14

**3.6** Electric vehicles were considered. However these vehicles have a limited range of miles that can be covered by one full battery charge and it then takes 6-8 hours to re-charge the battery so were nopt deemed suitable for the requirements of the respective services.

#### **4.0 School Arrangements**

**4.1** There is a statutory duty to provide transport to and from special school for certain pupils with special educational needs.

**4.2** The seven minibuses that are used by the Home to School transport services are made available to the special schools during the day. Each school is charged £3,918 per annum for the use of the bus (equates to £20.62 per day for 190 teaching days). The Home to School Transport team also provides £500 fuel allowance per annum per bus to the schools.

**4.3** This income of around £28k per annum offsets the home to school transport costs and is also a cost effective way of having minibuses available to schools, rather than hiring in private vehicles.

- 4.4** There are five minibuses that are owned, hired or leased by the Special Schools solely for their own use and funded by the schools directly although the budgets are still within the remit of the Council.
- 4.5** Minibuses currently used by schools or organisations where the budgets are outside the control of the Council are not included as part of the replacement programme (Eggbuckland Community College, Notre Dame RC School, Pembroke Street EMB, Sir John Hunt Community College, St Paul's RC Primary School and Tor Bridge High).
- 4.6** Mini buses used by academies are also outside the scope (Coombe Dean School, Heles School and Lipson Community College) of the programme.

## **5.0 Adult Social Care Arrangements (Woodfield, REATCH and St George)**

- 5.1** The vehicles used within these services range from standard 16 seater buses with and without tail lift facilities as well as a range of smaller vehicles including standard people carriers. The vehicles are used between 8.00am to 17.30pm and are used for the collection and drop off of service users both morning and afternoon and are also used to undertake a range of community based activities during the day.

A small number of the vehicles are used during the evenings and at weekends by Colwill Lodge (Short Breaks Service) to enable people to access the community during their stay.

The vehicles provide a facility for people that would not ordinarily be able to travel on public transport due to their level of disability and support requirements.

- 5.2** There is currently no specific charge that people using the transport are required to pay. The budget for the lease of the current vehicles, their fuel and service and maintenance costs are identified within the individual services budget lines and are managed by the responsible budget holder.

## **6.0 Cooperative Model**

- 6.1** The purchase of 26 minibuses represents an opportunity to put into practice the principles of a Cooperative Council. By considering the needs of the wider community and voluntary sector, as well as the Council's core business, and giving communities a bigger say in the way minibuses are deployed, there is an opportunity to promote community involvement and maximise the effectiveness of the spend.
- 6.2** However, to establish a completely new model to run minibus usage across Plymouth City council and the community and voluntary sector, would delay the purchasing of badly needed new minibuses, and would incur significant project costs.

It is therefore proposed that we proceed with the purchase based on immediate requirements of Plymouth City Council and, in parallel, investigate making the vehicles available to community groups.

- 6.3** Work will need to be undertaken to: gain a better understanding of the demand within the community for the use of minibuses: get communities' ideas for taking this forward and: address challenges including insurance, maintenance, fuel management, health and safety issues, administration and the use of specialist/adapted vehicles. To start with this can be done via CASAP (Community & Social Action Plymouth) and wider networks e.g. neighbourhood organisations and "Have Your say" Neighbourhood meetings and activity. In the slightly longer term, this could be formalised by being included in commissioning and/or joint venture with the voluntary community sector. This would also leave open the possibility of future transfer of some or all of the minibuses bought by the Council to community groups in the future.

## **7.0 Cost / Benefit Analysis and Affordability For Procurement of New minibuses**

- 7.1** Due to the ageing profile of the current minibus fleet, servicing and maintenance costs are increasing year on year.

A cost benefit analysis of replacing the minibuses has been completed and can be found at **Appendix E (Part II Background Papers – Appendices)**. **The anticipated savings over 7 years is £807K.** These savings are based on current use of the minibuses and does not reflect any future opportunities for savings that may be realised through working with the third sector.

- 7.2** A further cost comparison between the alternative options of funding this phase of the replacement programme (borrowing, finance lease, leasing long term) is detailed in **Appendix C** with **unsupported borrowing** being the most cost effective option. Therefore the preferred option is **to purchase** the items identified. Purchasing means the Council will pay less overall than through a lease or contract hire agreement and is less complex to manage. In addition the Council would fully own the asset which allows flexibility.

- To extend the useable life (sweat the assets)
- To respond to alternative delivery models (e.g. outsourcing/partnership arrangements)
- To dispose of the asset (e.g. Sell/transfer)

Following the replacement programme the anticipated benefits are as follows:

- The elimination of short-term hire costs.
- The elimination of current extended long-term leasing arrangements (with old vehicles).
- Improve service delivery.

**7.3** The reduction in minibuses from 33 to 29 is reflected below.

<b>Minibuses</b>	<b>Current Profile</b>	<b>New Profile</b>
Standard minibuses	11	9
Tail lift minibuses	15	12
People Carriers	7	8

**7.4** Service users have been consulted and have been instrumental in reviewing the minibus replacement programme and have provided comments and feedback. The number of Minibuses is based on current requirements. However on going budget discussions may impact on the number of minibuses required in the future and if this is the case adjustments will be made to the purchasing schedule to align with future needs. It is good practice that before procurement activity is commenced a final review will take place with users to confirm requirements (as there is always a time gap between cabinet reports and procurement).

## **8.0 Phased Approach**

**8.1** The recommendation is to purchase the 26 minibuses over the two year minibus replacement programme

**8.2** The full list of minibuses to be purchased is listed in **Appendix D**. A phased approach has been proposed to spread of the capital cost over a period of two years.

Year 1 replacements include vehicles on long term leases over 7 years old.

Year 2 replacements include the remaining vehicles.

## APPENDICES FOR PHASE 2 – MINIBUSES

### Appendix A – Current profile of minibuses

Location	Service type	Type of vehicle	Purchased/leased/hired	Registration	Current mileage (miles)
ACE Service	School	People carrier	Leased	59 (2009)	Unknown
		People carrier	Leased	59 (2009)	Unknown
		Standard minibus	Leased	08 (2008)	Unknown
		Standard minibus	Purchased	09 (2009)	Unknown
Fleet	Garage (spares)	Tail lift minibus	Leased	V (1999)	87268
		Standard minibus	Leased	V (1999)	97352
		Tail lift minibus	Leased	V (1999)	70301
		Tail lift minibus	Leased	V (1999)	118861
Home to school transport	Education/special needs	Tail lift minibus	Leased	WV (2000)	68295
		Standard minibus	Purchased	54 (2004)	46685
H to S transport / Brook Green Centre for Learning	School – special needs (disability)	Tail lift minibus	Leased	V (1999)	108000
H to S transport / Courtlands School	School – moderate learning difficulties	Standard minibus	Leased	51 (2001)	78000
H to S transport / Downham School	School – physical disabilities	Tail lift minibus	Purchased	54 (2004)	83000
H to S transport / Longcause School	Special needs	Standard minibus	Leased	V (1999)	167000 km
H to S transport / Millford School	School – learning difficulties	Tail lift minibus	Leased	WV (2000)	85000
H to S transport / Millford School	School – learning difficulties	Standard minibus	Leased	53 (2003)	144767
H to S transport / Mount Tamar School	School – emotional behavioural difficulties	Standard minibus	Leased	V (1999)	166000 km
H to S transport / Woodlands		Tail lift minibus	Leased	05 (2005)	165000

Mount Tamar School	School – emotional behavioural difficulties	People carrier	Hired	10 (2010)	Hired
Reatch Centre	Adult Social Care – physical disability & sensory impairment	People carrier	Purchased	56 (2006)	40059
		People carrier	Purchased	56 (2006)	37000
		Tail lift minibus	Leased	W (2000)	144640
		Tail lift minibus	Purchased	54 (2004)	116397
St George's CRC	Adult Social Care – learning difficulties, some sensory impairment	Standard minibus	Purchased	54 (2004)	57909
		Minibus with ramp	Purchased	52 (2002)	149603
		Tail lift minibus	Leased	X (2000)	89077
		Tail lift minibus	Leased	Y (2001)	77444
Woodfield	Adult Social Care – physical & learning difficulties	Standard minibus	Hired	60 (2010)	Hired
		People carrier	Hired	59 (2009)	Hired
		People carrier	Hired	10 (2010)	Hired
		Tail lift minibus	Purchased	05 (2005)	70106
		Tail lift minibus	Leased	05 (2005)	95613
		Tail lift minibus	Leased	02 (2002)	63270

## Appendix B – Summary of current leased and purchased minibuses

All leased vehicles have reached the end of the original lease contracts. A summary has been provided below:

- 8 vehicles with leases over 13 years
- 5 vehicles with leases over 12 years
- 2 vehicles with leases over 11 years
- 2 vehicles with leases over 10 years
- 3 vehicles with leases over 7 years
- 3 vehicles with leases under 4 years

With the vehicles which have been purchased the age profile is as follows:

- 7 vehicles over 7 years of age
- 2 vehicles over 5 years of age
- 1 vehicle 3 years of age

## Appendix C - Comparator between borrowing and leasing options

<b>Rates for £0.98m Minibus purchase</b>	
	%
Cost of Borrowing	Between 2.7 - 3
Finance lease	6.5
Leasing long-term	5.0

## Appendix D – Replacement items and quantity

	<b>2013/14 (Year 1)</b>	<b>2014/15 (Year 2)</b>	<b>2015/16 (Year 3)</b>	<b>2016/17 (Year 4)</b>	<b>Total</b>
Standard minibus	6	2			8
Tail lift minibus	10	0			10
People carrier	4	4			8
<b>Total</b>	<b>20</b>	<b>6</b>			<b>26</b>