

PLYMOUTH CITY COUNCIL

Subject: Capital Investment for Replacement of Plant and Equipment (Street Scene Services)

Committee: Cabinet

Date: 13 November 2012

Cabinet Member: Councillor Vincent

CMT Member: Anthony Payne (Director for Place)

Author: Fleet and Garage Manager Garry Stainer

Contact: Tel: 01752 304682
Email: garry.stainer@plymouth.gov.uk

Ref:

Key Decision: Yes

Part: I

Purpose of Report :

This report seeks approval to implement Phase 3 of the Council's Strategic Vehicles, Plant and Specialist Equipment Replacement Programme (approved by the Capital Programme Board in July 2011) to renew the old and unreliable equipment used by Street Scene Services (Parks and Street Cleaning) and Cemeteries which is adversely affecting the service delivery of two highly visible front line services. Only 4 of the items included are for Cemeteries Services.

Approval is sought for the expenditure of **£1.7 million** phased over two years. These costs will be funded from unsupported borrowing and this will offer an anticipated saving (Net present value – NPV) of **£544k over 7 years**. As front line services are already paying for the existing vehicles and plant the monthly charges can be met by services within their existing revenue budgets.

A review of the Council's fleet and plant was undertaken by Price Waterhouse Coopers in 2007 and although the recommendation was to implement a five year rolling vehicle replacement program to address the inefficiencies and effects of an aging fleet, the budget pressures on capital and revenue accounts restricted progress. However part of the refuse fleet was replaced in 2007/2008.

In 2010 a strategic approach was taken 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 problems can be summarised as:

- 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.

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 has been 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** 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 should 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 case. **Phase 3 now needs approval to be implemented.**

Parks Services are operating old and unreliable plant which is adversely affecting service delivery and leading to increased costs. All of the large plant are passed their life expectancy and plant items are frequently breaking down and are therefore driving the need for 'spot hire' replacement on expensive short term hire rates.

The option of joint procurement of plant equipment for this phase of the replacement programme was explored with Plymouth Community Homes and Exeter City Council, University of Plymouth and members of the Devon Procurement Partnership. All organisations confirmed they wished to procure their plant and vehicles independently of Plymouth or that they had no requirement to do so.

Plymouth Community Homes also confirmed that at present and for the foreseeable future they were unable to take on any additional work on behalf of Plymouth City Council or for Plymouth City Council to undertake any of their work.

Therefore Plymouth City Council will need to procure vehicles for their own use. The items proposed for replacement include ride on mowers, tractors, pedestrian mowers, diggers, wood chippers, hoppers and specialist vehicles. The full list of items to be purchased is listed at **Appendix A**.

Following the replacement programme the anticipated benefits are as follows:

- Eliminate short-term hire costs
- Reduce operating costs with the replacement of the 3.5T vans and trailers
- Reduce the instances of breakdowns and maintain service delivery

A cost benefit analysis of replacing the vehicles, plant and equipment has been provided at **Appendix B (Part II Paper)**. **The anticipated savings over 7 years is £544k**. A comparison between whether to purchase or hire was undertaken on a sample of the plant and vehicles see **Appendix C (Part II Paper)**.

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)

Corporate Plan 2012-2015:

To provide value for money for communities in delivering an efficient and value for money Parks Service.

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

The replacement of vehicles and plant has a total **estimated cost of £1.707m**. These costs will be funded from unsupported borrowing, to be taken over the life of the asset up to 7 years. The related borrowing charges will be met from within the existing service user revenue budgets. There is an anticipated savings of **£544 K over 7 years**. In addition, it is expected that service efficiencies can be gained through the use of more suitable, modern and reliable plant and equipment, resulting in further budget savings and improved service delivery.

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

- Risk of reduction to grass cutting services. Budget setting for 2013-4 could possibly identify a reduction for future years of grass cutting of open spaces and grounds maintenance within the City. The budget setting will enable officers to identify the reduction of grass cutting equipment required and will enable a reduced requirement from year 2 of this replacement program.
- The risk of accidents and serious injury to the public and to staff is significantly reduced with newer more efficient machinery, plant and vehicles.
- The new equipment / plant are to be used to maintain areas on the highways and walkways of Plymouth to ensure safe visibility for drivers and pedestrians.

Recommendations & Reasons for recommended action:

That Cabinet approve the purchase of the plant equipment and vehicles as detailed in the report.

That Cabinet recommend to full Council to add this project of £1.707m to the Capital programme 2013-15.

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- Reduce the instances of breakdowns and maintain service delivery

Alternative options considered and reasons for recommended action:**I. Do nothing**

To do nothing is not an acceptable option, this would result in further cost increases and potentially significant disruption to services due to the increasing need to maintain or replace dilapidated equipment. The large majority of equipment has already been discontinued with and disposed of. An increased health and safety risk is also created when operating older machinery.

2. Purchase option appraisal.

A comparison between purchase and hire cost for plant has been carried out, the results of which show that the purchasing option gives better value for money.

3. Joint procurement option to include Plymouth Community Homes.

Plymouth Community Homes have confirmed that they wish to continue to procure independantly as they use a mix of lease and purchase options. They also confirmed that they mainly use small plant items and the potential for economies of scale are very limited.

4. Option for Plymouth Community Homes to consider taking on other work.

Plymouth Community Homes confirmed that at present and for the foreseeable future that they are unable to commit to other work as they wish to ensure that their own core business and customer servcies are to the highest standard and running smoothly.

Background papers

None

Sign off:

Fin AF	SG/place F ESC1213 004.0609 12	Leg	1516 8. SC	HR	N/A	Corp Prop	N/A	IT	N/A	Strat Proc	JK/SP U/CP/ 283/0 712
Originating SMT Member: Jayne Donovan											
Have you consulted the Cabinet Member(s) named on the report? Yes											

BACKGROUND REPORT

1.0 Introduction

1.1 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 (CYP, ASC and School Services)

Phase 3 – Plant and Equipment (Parks services/Street Services)

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

The subject of this report is Phase 3 – Plant and Equipment. (Parks and Street services)

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 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 although the recommendation was to implement a five year rolling vehicle replacement program to address the inefficiencies and effects of an aging fleet, the budget pressures on capital and revenue accounts restricted progress. However part of the refuse fleet was replaced in 2007/2008.

2.3 In 2010 a strategic approach was taken 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 can be summarised as:

- 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** means that an investment of over £2.68 million (over 2 years) is now required. 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** As the front line services are already paying for the existing vehicles they use through monthly charges whether hired, leased or purchased there should 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 case.

3.0 Alternative Delivery Models

- 3.1** The options of joint procurement of plant and equipment was discussed with Plymouth Community Homes and Exeter City Council, University of Plymouth and members of the Devon Procurement Partnership. Plymouth Community Homes confirmed that they wished to procure independently as they mainly use small plant items and the potential for economies of scale was limited. Sharing of equipment was not feasible as organisations would need equipment at the same time. Exeter City Council have an established rolling programme of replacement plant and were not procuring in quantities that would involve any economies of scale. This was similar to the University of Plymouth and members of the Devon Procurement Partnership.
- 3.2** Plymouth Community Homes confirmed that at present and for the foreseeable future they were unable to commit to take on any additional work on behalf of Plymouth City Council.

- 3.3** Budget setting for 2013/14 could possibly identify a reduction for future years of grass cutting of verges and some open spaces within the City. Any reduction in grass cutting frequencies that impact on the machinery required will enable a reduced requirement in year 2 of the replacement program.

4.0 Project Details

The Environmental Services Business Plan 2011-14 identified major challenges, with significant capital investment required in vehicles and plant.

A Council priority was identified of providing value for communities through Environmental Services Transformation with major investment in new vehicles and plant.

- 4.1** The current profile of plant and equipment in Parks / Street Scene Services contains a number of large plant items which have either been purchased and are now well past their life expectancy period or are on long-term hire as well as a large proportion of small plant which are purchased on a regular replacement basis.
- 4.2** The larger plant items are the basis of this report. These items are ride on mowers, tractors, pedestrian mowers, wood chippers and toppers (**Appendix A**).

The Council also currently utilises 11 beavertail trailers, which were purchased by the Council in 1994. These trailers are used with nine 3.5T vans. The staff who drive these vehicles with trailers are required to have a specific driver training tests, the vehicles can be difficult to get on site and have high maintenance requirements, These vehicles also form the basis of this business case as it is proposed to replace these vehicles with the purchase of 9 purpose built vehicles that have the ability to transport plant and equipment to and from site.

The purpose built vehicles are classed as HGV's and will require more regular servicing than the current arrangement but this will be tempered by:

- Reduced repair costs on trailers
 - Able to get drivers trained much easier (training to pull a trailer can cost up to £2K per driver)
 - Better access to locations on site (no trailer)
 - If the beaver tail body's are galvanised steel they can be taken off and put onto new vans when they need replacing, thereby extending the life and cost over 2 van cycles
 - Reduced fuel costs (vans will not be towing trailers)
 - Reduced tyre costs, always replacing trailer tyres
 - More efficient way of working (the industry are already using this type of van)
- 4.3** The small plant items are managed through each department's budget. It is proposed to continue to purchase small plant on an annual basis. (These items do not form part of this purchase but have been assessed as part of a full review).

4.4 The majority of the old and worn plant and equipment is leased. Any Council owned assets are normally sent to auction. Donation and transfer of assets to local groups can be considered although there are considerable health and safety risks in using the equipment which requires specialist training to operate.

5.0 Cost / Benefit Analysis

5.1 Following the replacement programme the anticipated benefits are as follows:

- Eliminate short-term hire costs
- Reduce operating costs with the replacement of the 3.5T vans and trailers
- Reduce the instances of breakdowns and maintain service delivery

5.2 A cost benefit analysis of replacing the vehicles, plant and equipment has been provided at **Appendix B (Part II Paper)**. **The anticipated savings (NPV) over 7 years is £544k.**

A comparison between whether to purchase or hire was undertaken on a sample of the plant and vehicles. See **Appendix C (Part II Paper)**.

5.3 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)

The full list of items to be purchased are listed at **Appendix A**.

Appendix A – Replacement Items quantity

Year 1	2012/13 Year 1	2013/14 Year 2
Item		
Ride on mowers: Ransomes x11 Digger X1		12
Ride on mowers: Grillo FDI500	1	
Tractors x5	5	
Pedestrian mower: Scag 32" x23 – Scag 48"with flails x2 trailer x1- compressor x 1- Aebis mowers x2	4	25
Pedestrian mower: Ransomes super certes	3	
Sit on mower: Etesia mower X1 Pedestrian mower Great Dane X1	2	
Purpose built vehicles X9	9	
Other items: Power Washer for depot X1 Spearheads X3 Wood Chippers X3 Bail Trailer X1 Verti Drainer X1 Roto Rake X1 Hay Knife X1 Side Arm Flail (Swing both ways) X1 Sisis Autorake X1 Digger yr 1 X1	various	various