



## DRAFT Business Case

<b>Department:</b>	<i>Fleet and Garage</i>		
<b>Date:</b>	17/02/2015	<b>Version:</b>	v0.17
<b>Projects:</b>	Fleet Replacement Programme – Full Business Case		
<b>Author:</b>	Garry Stainer		
<b>Owner (SRO):</b>	Anthony Payne		

## EXECUTIVE SUMMARY

NOTE - Since undertaking and developing the original mandate for fleet replacement, there has been continual review of the fleet requirement, and a confirmed list of vehicle replacement has been updated. This has been demonstrated, and the supporting text articulated as an appendix item, to show the updated mandate content. The amended version articulates the current fleet and capital requirement, as well the anticipated distribution of funding, to allow for the £925k financial benefit to be achieved.

### Executive Summary

PCC are in the process of implementing Category Management into Fleet services, this will then give the fleet manager the responsibility of deciding which assets are required and when they need to be replaced, based on data of mileage, servicing costs etc. Vehicles are currently reviewed and assessed periodically for eligibility to be renewed, and commonly driven by a service department request. This is a shift in attitude, as previously vehicles have been purchased as and when revenue has been available to pay for these assets. It has also driven detrimental behaviour, as when an asset has repaid its loan, the cost of the vehicle reduces to the budget holder, and they see it as cheap motoring, without factoring in the increased cost of repairs and maintenance and the risk of break down during critical times.

The category management process will give a fixed cost based on the vehicle type which covers the capital cost, repairs and maintenance, regardless of the age of the asset. This will ensure that the capital loan is repaid via revenue, and allows the Fleet Manager to make informed decisions regarding which vehicles to replace and when. This will lead to a relatively low level of capital requirements annually, circa £1m. The ability to pay often results in the provision of the new vehicle to the specification requested by the service without robust challenge. Replacement should be reviewed holistically against the availability and utilisation of the wider fleet of surplus vehicles. The service has improved procurement mechanisms and driving better value through review of fleet profile and specifications. However PCC would benefit from a robust renewal strategy. The current vehicle renewal policy has led to a fleet age profile issue with the average age of the fleet at 5.5 years.

However PCC are not at this point of steady state, due to a currently aging fleet, and will require funding over the next 5 years to bring the fleet into a sustainable position. This paper requests the funding for the next 2 years (£4,229,500), of a 5 year replacement scheme (Cost required for the next 5 years, circa £6m), to replace vehicles which are on hire and vehicles at risk of break down beyond repair.

A five year forward looking renewal plan to ensure full assessment of each replacement is required. This should not rely on services requesting renewal and this should not rely on a prescribed policy of lifespan across the fleet. Whilst it is prudent to have a plan which has an ideal lifespan for each vehicle type and which maximises any residual (re-sale) value of owned vehicles it should also consider the escalation of maintenance costs as the vehicle ages, the plan should consider vehicles on their own merits and therefore consider how the vehicle has been driven and utilised throughout its lifecycle.

The capital will be repaid by the business over the life of the asset/loan via budget holder's revenue, with the implementation of category management; each vehicle will come with a monthly charge that covers the capital repayment, servicing and fleet and garage overheads. This charge is within the overall budget for PCC for vehicles and plant. Where it is decided that assets can continue in use beyond their useful life, the capital charge will be set aside to fund future vehicle purchases, reducing the requirement for capital funding.

The revenue savings from purchasing these vehicles will be £925k, over the life of the new assets, this includes reduction in hire costs, spiralling repair and maintenance costs, and resale values.

This business case requires the approval of the capital budget of £4,229,500 for the next two years, which will ease significant pressures on the PCC revenue budget, and in principle agree the 5 year replacement programme, with an update to CCIB in 17/18 for the remainder of the capital required along with clarity over the ongoing replacement programme.

Previous procurement exercises have identified that purchase outright with the use of unsupported borrowing has been the favoured option, and this option is being recommended for this procurement.

If replacements are not authorised then It is expected that the waste collection vehicles will need to be removed from service within the next 12 months as the cost of running the vehicles and the service will increase, as it will be dearer to move to a short term hire position. Therefore it is recommended to replace the vehicles as soon as possible to reduce ongoing and future costs.

Note; The annual estimated values are subject to inflationary increases and are subject to interest charge fluctuations

It is recommended that:

The Leader of the Council, having considered this business case:

- To approve the business case
- To allocate the funding required (£4,229,500) to the capital programme in the form of a loan of unsupported borrowing to be repaid by the business over the life of the asset.

<b>Author of Business case</b>	<b>Date</b>	<b>Document version</b>
<i>Garry Stainer, Project Manager</i>	<i>17/02/2015</i>	<i>0.17</i>

<b>PART I PROJECT PARTICULARS</b>			
<b>Description of the proposal</b>	<p>The primary purpose of this proposal is to secure the funding required to initiate phase I of the proposed fleet replacement programme. The approval of the Fleet Replacement Business Case will provide the funding to ensure the Council continues to operate a fit-for-purpose fleet of vehicles that drives maximum service, efficiencies and reliability. This Fleet Replacement Business Case will apply to every vehicle within every department and service that the Council currently operates and supports for the residents of Plymouth. The project will also review procurement policies, procedures and processes to ensure they conform to the category management approach adopted. Vehicles operated by partners of the Council are not covered within this replacement business case, and are out of scope.</p> <p>The key outcomes (fully articulated within section 2) for the project are:</p> <ul style="list-style-type: none"> <li>- Security planning / stability planning / risk forecasting</li> <li>- Value-for-money procurement</li> <li>- Reduced impressed stock</li> <li>- Reduced training requirements</li> <li>- Continuity for fleet procurement</li> <li>- Fit-for-purpose vehicles</li> <li>- Sustainability</li> <li>- Increased reliability</li> <li>- Budget realignment</li> </ul>		
<b>Responsible Officer</b>	Simon Dale (Interim Assistant Director - Street Services)	<b>Project value</b>	£4,229,500 over 2 years (phase I)
<b>Project Number</b>	TBC	<b>Project Manager</b>	Garry Stainer (Fleet and Garage Manager)
<b>Programme</b>	Growth, Assets and Municipal Enterprise (GAME) – Transformation Programme Incorporating the EDGE Public Solutions review of Plymouth City Council's Street Services	<b>Corporate plan Objective and Outcome</b>	This project aims to provide: <ul style="list-style-type: none"> <li>• Continuity for fleet procurement</li> <li>• Best value procurement</li> <li>• Fit-for-purpose vehicles</li> <li>• Sustainability</li> <li>• Increased reliability</li> </ul>
<b>Directorate</b>	Place	<b>Assistant Director</b>	Simon Dale
<b>Location</b>	All PCC Departments	<b>Ward</b>	N/A

<b>PART 2: VISION AND STRATEGIC CASE INCLUDING RATIONALE AND OUTCOMES</b>	
<b>Pioneering Plymouth</b>	This project will support a 'Pioneering Plymouth' by ensuring that the best value for money approach is taken when considering fleet procurement and maintenance, allowing for the more efficient and considerate utilisation of financial resources. Where financial opportunities can be realised, that won't affect the delivery of services (in terms of quality and professionalism), the project will pursue to realise all benefits that can contribute towards achieving an effective, effective and sustainable Council.
<b>Growing Plymouth</b>	This project will support a 'Growing Plymouth' by ensuring that the money and efficiencies that can be saved are sourced and secured. The financial benefits generated will allow for the Council to further invest in greater living and learning opportunities. The project will ensure that the Council is able to continue to deliver its services to a high standard, and plan for the future, where growth is considered. From an external point of view, Plymouth City Council will be regarded as an efficient and effective governing body, attracting further external investment.
<b>Caring Plymouth</b>	This project will support a 'Caring Plymouth' by ensuring that all citizens are the first point of consideration for any changes. The project will ensure that financial opportunities are realised, allowing for the safeguarding of services and ensuring all citizens continue to be supported and treated fairly. The supporting of this project will allow for a much more reliable and effective fleet of vehicles, including refuse collection and minibuses used for school's transport, and will reduce an ageing fleet's carbon footprint, proving a cleaner and safer city for the residents of Plymouth.
<b>Confident Plymouth</b>	This project will support a 'Confident Plymouth' by contributing to the increase in efficiencies of all departments within the Council, by ensuring all areas for improvement are considered, and benefits are realised. This will allow external parties to consider Plymouth as an efficient, cost-effective and reliable city, which in turn is likely to have a positive effect on investment within the city.
<b>Benefits/Need / Outcomes</b>	<p><u>Security Planning</u> – undertaking a 5 year investment plan with regards to fleet replacement will allow the Council to project its fleet requirements and financial elements over a much longer time, allowing for increase security relating to finances. If this project was not undertaken, then there would be significant uncertainty surrounding fleet requirements for the future, and financial projections of procurement and maintenance would be unknown.</p> <p><u>Value-For-Money Procurement</u> – having the ability to plan in advance what the Council's fleet requirements will be will allow for bulk orders to be placed far in advance of when the Council requires the vehicles. This will have 2 main benefits, the first being the significant reduction in lead/construction time, which will allow for the vehicles to be built and ready exactly when the Council requires the assets. The second main benefit stems from the bulk ordering in advance, which will allow for a more cost-effective deal with suppliers to be captured, driving further savings for the Council. If this project was not undertaken, the Council would continue to purchase vehicle as and when they are required, disallowing the possibility for bulk discounts and offers.</p> <p><u>Reduced Imprest Stock</u> – a 5 year replacement programme will allow for a single supplier to be chosen for a particular set of vehicles, which the Council has deemed the most cost effective solution. This will allow for a much simpler fleet management of vehicles, through the reduction of the number of makes and models of vehicles within the fleet, as all the vehicles will now be procured from a</p>

	<p>significantly reduced supplier list. As there are much fewer vehicle makes and models, the Fleet and Garage department will be able to stock less parts in total and the amount of imprest stock will be reduced. If this project was not undertaken, the Council would continue to stock a significantly large amount of items to satisfy the demand of an ageing and diverse fleet of vehicles.</p> <p><u>Reduced Training Requirements</u> – likewise with the reduced imprest stock, the reduction in the amount of vehicle makes, models and suppliers will result in a much more uniform and similar fleet of vehicles. This will reduce training requirements, including time and costs, for members of staff as they will be operating on the same makes and models of vehicles. If this project was not undertaken, the training requirements would be maintained at a high level, leading to all members of maintenance staff having to learn how to main a very large variety of vehicles.</p> <p>This project will fit with the corporate plan and will aid the delivering a Brilliant and Co-operative Council, through achieving the co-operative values stated above.</p> <p>The proposal will support the Transformation agenda by introducing new methods and ways of working towards achieving financial savings, driving efficiencies within services and influencing the future behaviours of the Council. This project will ensure that the correct procedures are in place with regards to procurement, to ensure the best value-for-money approach is undertaken, to ensure the long-term sustainability and viability of the council’s vehicular assets.</p>
<b>Mandatory compliance</b>	<p>The fleet has to be updated to maintain its mandatory requirements and the Council’s duties/services to the City of Plymouth. The fleet of vehicles needs to be as efficient and fit-for-purpose as possible in order to allow for the continued delivery of services to the residents of the City. Plymouth City Council has the responsibility of ensuring that they are always capable of delivering the agreed services to the public, and having an ageing fleet that is unreliable and costly to maintain jeopardises this agreement. Therefore the supporting of this project is the recommended option that is best suited to allow the Council to conform to its responsibilities and agreements regarding the delivery of services to the highest standard.</p>
<b>Rationale of the Project</b>	
<p>Is it the belief of this project that a more holistic replacement plan is required to propose the most appropriate and cost effective solution to drastically reducing maintenance costs, and increase the reliability of the Council’s fleet of vehicles.</p> <p>The outcomes of the project are detailed in the “Benefits/Needs/Outcomes” section above.</p> <p>The objectives of the project are:</p> <ul style="list-style-type: none"> <li>• To replace the fleet of vehicles that the Council operates over a 5 year period, from the point of approval for the fleet replacement business case</li> <li>• To amend procurement policies and challenges within departments to ensure long-term viability and sustainability of vehicles, including the most value-for-money option, is always considered</li> <li>• To significantly reduce the maintenance costs of the Council’s fleet of vehicles by introducing newer, more reliable and efficient vehicles into the fleet</li> </ul> <p>The financial benefits are:</p> <ul style="list-style-type: none"> <li>• Improved value for money</li> <li>• More challenge and control in procurement providing a ‘fit for purpose’ fleet, meeting service requirements</li> </ul>	

- Reduction in short term hire costs
- Significant reduction in maintenance costs
- Reduction in fuel costs, as vehicles are more efficient
- Realignment and forecast of spend for better budget control / risk control

The non-financial benefits are:

- A much more efficient, reliable and fit-for-purpose fleet of vehicles
- Safer fleet of vehicles, which are less likely to fail and cause disruption to Council services
- Greater public image of the Council and it’s services through the introduction of newer, more environmentally friendly and safer vehicles
- Significant decrease in the environmental impact of the Council’s vehicles, as a newer fleet will be much more fuel efficient and will require less maintenance

The main critical success factor is efficient vehicle utilisation and procurement, which can be measured by the total overhead costs, fleet downtime, maintenance turnaround times, vehicle utilisation (including numbers, mileage) and how successful the procurement process is within the Council.

If the Council doesn’t undertake the recommended approach within this business case, then the Council-owned vehicular assets will continue to be a risk to the service, the maintenance of these ageing vehicles will cause increased stress on services and they will develop into liabilities.

The approach is needed now because the fleet of vehicles is currently costing an excessive amount of resources to be maintained, which could be invested elsewhere in the Council. The sooner the fleet replacement programme is approved and undertaken, the sooner inefficiencies and replacement costs, as well as risks to Council services, can be significantly reduced.

<b>In Scope</b>	<b>Out of Scope</b>
<p>This project applies to every vehicle within every department and service that the Council currently offers and supports. Procurement processes and orders will be reviewed and amended as part of the category management approach in which the Council has undertaken. This project will also verify whether current hires are a viable option, and whether these contracts can be terminated through the introduction of newer vehicles to the fleet.</p>	<p>The scope of this project does not cover the vehicles utilised by partners to the Council, the Fleet Replacement Programme only covers PCC vehicle utilisation.</p>

<b>PART 3: PROJECT DEVELOPMENT AND OPTIONS ANALYSIS</b>			
<b>Stakeholder and partner engagement</b>	<p>A communications plan has been developed as part of the ICMFS project, which can be located here:</p> <p>S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME_06 ICMFS\10. GAME_06 ICMFS Communication Plan</p> <p>The Stakeholder Analysis grid, which has been developed as part of this projects communications and engagement plan, can be found as Appendix item I at the end of this document. The Stakeholder Analysis grid details the different types of stakeholders, the interests within the project and whether they would have positive or negative input/outputs from its delivery.</p>		
<b>Stakeholders</b>	<p>Cabinet Members</p> <p>Opposition Members</p> <p>PCC DMT</p> <p>PCC Fleet and Garage Staff</p> <p>PCC Department Vehicle Drivers and Crews</p> <p>Plymouth Residents</p> <p>Partner Agencies</p> <p>Trade Unions</p>	<b>Partners</b>	<p>Additional Organisations e.g. Dennis, Mercedes, Vauxhall</p>
<b>Customer and community engagement</b>	<p>The Fleet Service considers service users to be its primary customers and will engage fully in the identification of needs and procurement of fleet with those customers prior to any contractual agreements being proposed and/or accepted.</p> <p>The public customer and community engagement won't be integral to the delivery of this project, as this project will not be co-designed with members of the community, nor will it have any negative effects on customers or the services they receive. The Fleet replacement programme will have no effect on customers, apart from the increase in reliability of services through the introduction of a more dependable fleet. Regardless of this, the fleet replacement programme provides the basis for communicating the positive work the Council is undertaken, to drive savings and provide better services, without any risk to staff or services. Good news stories, in the form of efficiencies, reliabilities and environmental factors can be displayed as positive messages.</p>		
<b>Member engagement</b>	<p>Members will be briefed on progress throughout the project and achievement of key deliverables will serve as positive messages that can be shared with the community. Members will be periodically briefed on the progress and savings made to date with regards to the investment spent, to ensure key messages and information is shared.</p>		
<b>Equalities Impact Statement</b>	<p>An Equalities Impact Assessment has been carried out for the ICMFS Project in general, and can be applied to this workstream, as it covers the same area of work, within the same department. Further to this, both projects have the same set of stakeholders.</p> <p>S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME_06 ICMFS\26. GAME_06 ICMFS Equality Impact Assessment</p>		



**Option Analysis Undertaken**

Option 1 – Acceptance and Implementation of the Fleet Vehicle Replacement Business Case document

Key Benefits	Key Risks
<p>Improvements to the efficiency, safety and reliability of the Council's fleet</p> <p>Long term sustainability and viability of the vehicles, with benefits to the service themselves</p> <p>Reduction in operating and maintenance costs of the vehicles</p> <p>Reduced maintenance pressure on the fleet and garage department</p> <p>Increase value-for-money in vehicle and parts procurement from suppliers</p> <p>Reduced training requirements</p> <p>Reduction in imprest stock.</p>	<p>Long term commitment to funding mitigated by better fleet management and supervision</p> <p>Requirement for management of expenditure, financial oversight</p>

Option 2 – Do Nothing / Continue As Normal

Key Benefits	Key Risks
<p>No requirement to undertake a £5.5m plan</p>	<p>Opportunities for significant financial, environmental and non-financial benefits are not exploited</p> <p>Services continue to run vehicles that are at risk to failure</p> <p>Vehicles continue to be maintained at significantly high operating costs</p> <p>Continuation of limited controls on fleet procurement, incurring additional costs</p> <p>Increasing pressure on the Fleet and Garage service to maintain an unreliable and ageing fleet</p>

Option 3 – Annual Capital Request

Key Benefits	Key Risks
<p>Reviewing on an annual basis that can be planned around financial years through formal requests.</p>	<p>This option doesn't present complete surety or consistency with regards to procurement and forecasting</p>

**PART 4: TIMESCALES AND CONSTRAINTS**

<b>Timescale</b>	<p>This project proposes a 5 year plan (with the request for the capital to undertake phase I only) for fleet replacement, which is due to initiate upon the completion, submission and approval of a Business Case and business case to undertake the Fleet Replacement Programme.</p> <p>Development of the Business Case will be undertaken throughout December 2014 and January 2015, with the Business Case's submission to Cabinet on the 19<sup>th</sup> January 2015. Assuming that the business case is supporting and approved by cabinet and the funding granted for the FRP, the work will be initiated immediately by the project team and project manager.</p> <p>Consultation time with stakeholders will need to be considered as a delay to the project, as it will be essential to capture all the stakeholders' requirements and ensure buy-in from all stakeholders that have been captured. Communications and engagement will be vital to ensure that all the relevant and realistic information is conveyed to all the appropriate stakeholders, at the right time, and in the right format, to ensure they understand the projects outcomes and products.</p> <p>Procurement time (lead time) will need to be considered as a delay, which also includes the construction and delivery of all vehicle orders. It has been previously stated that the vehicle orders will need to be placed within financial year 14/15 in order to ensure this lead and construction time is accounted for, to allow for delivery of assets when they are required in financial year 15/16.</p> <p>The detailed annualised fleet replacement programme is attached as appendix items 2 and 3.</p>			
<b>Specific completion deadline</b>	<p>Capital will need to be spent in accordance with the Fleet Replacement Programme detailed in the proposal section of this document, ensuring that the appropriate vehicles are procured during the correct financial year. There is no specific deadline for the delivery of this project, apart from the delivery of the allocated vehicles over the course of the 5 year programme.</p>			
<b>Reason for constraints</b>	<p>The expenditure will need to follow the Fleet Replacement Programme, in order to ensure the correct amounts of capital are spent at the correct times. This has been raised as a constraint as the capital is restricted to the procurement of the vehicles types and quantities agreed in the updated mandate (appendix item), and provides minimal room for scope change.</p>			
<b>Mandate date</b>	<b>Project Plan</b>	<b>Business case</b>	<b>Contract</b>	<b>Completion</b>
3 <sup>rd</sup> December 2014	The project plan will consist of the Fleet Replacement Programme, detailed in the 'Proposal' section of the updated mandate (appendix Item)	The business case will be produced from December 2014, through January and February 2015 for delivery to CCIB on 17 <sup>th</sup> February 2015.	As the FRP procurement exercise is ongoing throughout the project life cycle, the contract date will be the same as the completion date, whereby the procurement exercise has been completed	Project completion will occur at the end of the 5 year Fleet Replacement Programme, likely to be at the end of financial year 2019/20

**PART 5: AFFORDABILITY AND FINANCING****Anticipated Capital Commitment**

<b>Finance arrangements</b>	<p>A cost benefit analysis of replacing the dilapidated and expensive vehicles in 2015/16 has been provided as an appendix to this business case. This sets out the anticipated net cost avoidance over the life of the assets has an NPV of £0.925m.</p> <p>Cash costs are shown below:</p> <table data-bbox="360 472 839 712"> <thead> <tr> <th></th> <th style="text-align: right;"><u>£'000s</u></th> </tr> </thead> <tbody> <tr> <td>Costs</td> <td style="text-align: right;">4,843</td> </tr> <tr> <td>Benefits</td> <td style="text-align: right;">(5,935)</td> </tr> <tr> <td> Net Benefit</td> <td style="text-align: right;"> (1,091)</td> </tr> </tbody> </table> <p>The costs avoided are the increasing cost of repairing older vehicles, per a PWC report the cost increases by 7% per annum. There are also 17 vehicles currently on lease that will be replaced, making significant savings.</p> <p>In addition, it is expected that service efficiencies can be gained through the use of more suitable, modern and reliable vehicles, resulting in further budget savings or cost avoidance and improved service delivery.</p> <p>The replacement of dilapidated and expensive vehicles has a total estimated capital cost of £4.229m. These costs will be funded from unsupported borrowing, to be taken over the life of the asset. Whilst the related borrowing costs create an initial pressure on the revenue accounts this is significantly lower than revenue costs that will be incurred if these proposals do not go ahead. These capital repayment costs have been factored into the budget for 15/16.</p> <p>In 2013 Sector reported on the cost of borrowing versus leasing and identified it was cheaper to buy, this has been reviewed and it is still cheaper to borrow than take out operating or purchasing leases. It also allows PCC to have greater flexibility over the assets use and life.</p> <p>The capital will be repaid over the life of the asset/loan via budget holders' revenue, with the implementation of category management; each vehicle will come with a monthly charge that covers the capital repayment, servicing and fleet and garage overheads. This charge is within the overall budget for PCC for vehicles and plant.</p>		<u>£'000s</u>	Costs	4,843	Benefits	(5,935)	 Net Benefit	 (1,091)
	<u>£'000s</u>								
Costs	4,843								
Benefits	(5,935)								
 Net Benefit	 (1,091)								
<b>Bidding constraints</b>	N/A								
<b>Need for Match funding</b>	N/A								
<b>Level of commitment to the project</b>	Although this paper is seeking for funding for the next two years, the fleet replacement project is an ongoing programme that will see the fleet need to be replaced over the asset life's (3 to 10 years). Therefore at regular intervals the council will be asked to approve further tranches of capital spend.								
<b>Capital Avoidance</b>	N/A								

<b>Ring fenced Spend Profile</b>	<b>Previous</b>	<b>Y15/16</b>	<b>Y16/17</b>	<b>Y17/18</b>	<b>Y18/19</b>	<b>Future</b>	<b>Status</b>
Unsupported Borrowing	0	2,610,500	1,619,000	0	0	0	4,229,500
<b>Anticipated capital spend</b>	<b>0</b>	<b>2,610,500</b>	<b>1,619,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,229,500</b>
<b>SI06 and Tariff</b>	N/A						
<b>Contingency allowance</b>	None						
<b>Anticipated revenue commitment</b>							
<p>EDGE Consultancy has been engaged by the GAME transformation board to assist with implementing Fleet Category Management, Fleet Commercialisation, Staff and Passenger travel. As part of that brief EDGE have assisted the Fleet team in putting together this business case. It is difficult to split the fees out amongst the different activities however an assumption of 10% of their consultancy fee is reasonable.</p> <p>Ongoing revenue costs are minimal, as the project will be supported internally by the Fleet Manager, Finance and Procurement.</p>							
	<b>Previous</b>	<b>Y15/16</b>	<b>Y16/17</b>	<b>Y17/18</b>	<b>Y18/19</b>	<b>Future</b>	<b>Revenue budget code</b>
<b>Revenue costs of developing the project</b>	1,000	4,000	2,000	0	0	0	5701
<b>Ongoing revenue costs when project complete</b>	<ul style="list-style-type: none"> <li>No additional operating costs are attached with this programme.</li> </ul>						
<b>Borrowing cost</b>	3.44% - 3.88%, rates vary as the loan lengths vary.			<b>Period of loan</b>		Loan periods range from 3 to 10 years depending on the life of the asset.	
<b>Transformational savings</b>	ICMFS is an integral part of the GAME transformation programme, and will be supporting Fleet Savings of £1.135m per annum.						

<b>PART 6: ACHIEVABILITY</b>		
<b>Governance arrangements</b>	This project will make informed decisions through directional management at senior levels within the organisation, following the management hierarchy that is set out. The project will adhere to all escalation lines, through the management structure, which significant issues/risks/topics need to be escalated to senior members of staff. This project will be led by the Project Manager, overseen by the Project Executive, with oversight from the Director for Place.	
<b>Impact assessment on service and client capability</b>	<p>If this FRP isn't undertaken, there will be a negative impact on many aspects of the council where the fleet of vehicles are relied upon to deliver services to the residents of Plymouth. The frontline services will continue to operate and carry out their work, but in unreliable and cost-ineffective vehicles, which pose a risk to the delivery of the Service, as well as the Council as a whole.</p> <p>The project team are recommending undertaking this to ensure the continued optimum performance of the vehicles to provide the services to residents, in a reliable and cost-effective manner.</p>	
<b>Project, programme and portfolio management arrangements</b>	<p>The replacement plan is a 5 year plan (with a view to undertake phase 1, years 15/16 and 16/17) defined by the fleet management technology and the consultation with service users, including experience and knowledge of fleet requirements for the future.</p> <p>This project doesn't sit specifically within Transformation but is being led as such given the project support currently available, The project should be considered as operational business as usual for the Fleet Manager. This project won't be governed or managed by Transformation, and is to be a separate piece of work across all departments within the Council as part of increasing the Fleet and Garage services viability, efficiency and productivity.</p> <p>However, this project does link back to transformation with regards to the finance workstream and category management approach to fleet management, as defined by the "Introduction of Category Management – Fleet Services" project. Both projects will be assessing the procurement methods to source inefficiencies, and attempt to promote value-for-money procurement from a centralised, holistic point, rather than departments managing their own fleet requirements.</p>	
<b>Quality management arrangements</b>	<p>The project aims to control the replacement of vehicles across the whole of the Council in order to ensure the fleet is fit for purpose, and represents the best value for money. The management of fleet requirements will be organised through the fleet manager, who is highly qualified in this area and opposed to individual service managers making uninformed decisions. The Fleet manager has a more holistic approach to the fleet requirements, and is therefore the best person to judge the Council's fleet utilisation requirements.</p> <p>This will produce a consistent procurement approach; ensuring quality, safety and best value are achieved wherever possible. Frontline services that the Council provide will be able to achieve a much higher level of quality from a vehicular point of view, through the utilisation of safer, more efficient and reliable vehicles.</p>	
<b>Capital drawdown</b>	<b>Handover date</b>	<b>Defect Liability period</b>
We intend to be flexible with our replacement plan within the initial section of the document, in terms of the annual capital drawdown expectations. Rather than bulk purchasing and replacing of vehicles, a group of the same vehicles will be procured from a staggered approach, in order to mitigate peaks and troughs of procurement and maintenance scheduling i.e. MOT's.	TBC	As per manufacturing warranties provided by the vehicle suppliers.

<p><b>Key assumptions in the business case</b></p>	<p>The Fleet replacement project activities articulated within this document are based off of factual information derived from fleet management technology regarding vehicle performance, reliability and usage. Analysis is made from fleet management data and interpreted by the fleet manager with support from senior management and EDGE Public Solutions.</p> <p>Assumptions made regarding source funding are made based on current interest rates and may require review should the financial climate change during the project period. Close oversight from Finance will mitigate this risk.</p>
<p><b>Interdependencies</b></p>	<p>This project has a dependency with operational and departmental services, as they require a fit for purpose fleet, and rely on experience and knowledge of the fleet service to deliver appropriate fleet replacements when required.</p> <p>Assuming that this project is approved, there will be a requirement to develop a replacement rota so that frontline services are not affected by the vehicle replacements.</p> <p>The project will also be dependent upon frontline services providing accurate and honest information regarding their vehicle requirements, in order to assign the appropriate number of vehicles, in the appropriate form to meet their demand from the public.</p>

<b>KEY RISKS</b>					
<b>1</b>	<b>Description</b>	Long term commitment to finance will require ongoing management of expenditure in line with the original plan			
	<b>Mitigation</b>	Any deviations from the original expenditure budget, in terms of financial amounts, or products purchased, are to be reported to the project executive.			
	<b>Risk assessment (Low 1 – 5 High)</b>				
		<b>Initial</b>	<b>Post mitigation</b>	<b>Current</b>	<b>Total rating</b>
	<b>Likelihood</b>	3	1	3	7
	<b>Impact</b>	2	1	2	5
	<b>Trend</b>		<b>Lead Officer</b>	Garry Stainer	
		<b>Risk Champion</b>	Garry Stainer		

<b>2</b>	<b>Description</b>	Fluctuation in financial markets causing changes to interest rates, for example, would influence procurement strategy i.e. outright purchase, lease hire etc.			
	<b>Mitigation</b>	Requiring a review of funding sources, including operational and financial management oversight			
	<b>Risk assessment (Low 1 – 5 High)</b>				
		<b>Initial</b>	<b>Post mitigation</b>	<b>Current</b>	<b>Total rating</b>
	<b>Likelihood</b>	2	1	2	5
	<b>Impact</b>	2	1	2	5
	<b>Trend</b>		<b>Lead Officer</b>	Garry Stainer	
		<b>Risk Champion</b>	Garry Stainer		

<b>3</b>	<b>Description</b>	Changes to fleet requirements and operational demand for vehicles may change over time			
	<b>Mitigation</b>	Operational and financial management oversight to provide guidance and support where required, as well as minimising the potential for risks to occur through earlier identification, evaluation and mitigation.			
	<b>Risk assessment (Low 1 – 5 High)</b>				
		<b>Initial</b>	<b>Post mitigation</b>	<b>Current</b>	<b>Total rating</b>
	<b>Likelihood</b>	3	1	3	7
	<b>Impact</b>	1	1	1	3
	<b>Trend</b>		<b>Lead Officer</b>	Garry Stainer	
		<b>Risk Champion</b>	Garry Stainer		

<b>PART 7 PROCUREMENT AND DELIVERY</b>	
<b>Procurement strategy</b>	<p>All procurement activity will be carried out in line with the Council's Contract Standing Orders and UK legislation.</p> <p>Before any procurement activity commences a procurement strategy will be written to capture the most effective method to procure each vehicle/plant type, which results in the most value for money.</p> <p>The procurement strategy will consider:</p> <ul style="list-style-type: none"> <li>• The value of the procurement – this will often determine the procurement route, i.e. low value or high value</li> <li>• the procurement approach – whether to use an RFQ process, identify appropriate frameworks or Council own tender activity</li> <li>• value for money options – what evaluation criteria will be used, i.e. lowest cost or a mixture of technical and price</li> <li>• ability to use local suppliers</li> <li>• economies of scale - consider the requirements of the 5 year replacement programme, but commit to only the two years to be approved through this paper</li> <li>• the competitive nature of the market in which the vehicles/plant are being procured</li> <li>• ability to incorporate social values into any procurement activity</li> <li>• opportunities for collaborative/co-operative procurement activity with other public sector bodies/local authorities</li> <li>• consideration of how vehicles/plant are 'lotted' through any tendering activity to encourage SMEs to be for the work</li> </ul>
<b>Procurement options considered</b>	<p>A number of different procurement approaches will be identified through the strategy. This may include whether to use an RFQ process, identify appropriate frameworks or Council own tender activity. There will not be a one size fits all for this fleet replacement programme.</p>
<b>Evaluation criteria</b>	<p>The evaluation criterion for each procurement activity has yet to be determined. For each element of procurement valued over £100K sign off will be obtained from the appropriate Assistant Director in accordance with Contract Standing Orders.</p>



<b>PART 8 RECOMMENDATION AND DECISION</b>	
<b>Summary of proposal</b>	The proposal from this document is to justify the undertaking of phase I of the projected fleet replacement programme. The investment cost of £4,229,500 is unavoidable in order to ensure Council vehicles are operational, but presents the opportunity to generate a financial benefit of £925k over the life expectancies of the vehicles. These figures are supported by accurate and reliable data, with the NPV being calculated by the Council's Finance department.
<b>Analysis and Recommendations</b>	<p><b><u>Analysis</u></b></p> <p>Fleet replacement is an ongoing requirement for the Council to undertake, as its services rely heavily on vehicles which are kept operational and as efficient as possible. The proposed plans set to alter the method of procurement of these vehicles, to smooth the requirement for maintenance and life spans, to generate financial benefits over a period of time, amounting to £925k benefit.</p> <p>This decision will see proposed savings in the region of £925k over the life span of the vehicles which are due to be procured</p> <p>Ongoing amendments and smoothing/levelling of vehicle procurement in line with the organisation requirements will generate ongoing, significant financial benefits, through a number of outcomes detailed previously.</p> <p>The organisation regularly undertakes fleet replacement, but not long a large scale. This plan sets to undertake a justified approach to vehicle replacement to generate those benefits.</p> <p>No previous lessons can be reviewed as this is the first type of project developed of this nature.</p> <p><b><u>Recommendations:</u></b></p> <p>It is recommended that:</p> <p>The Leader of the Council, having considered this business case:</p> <ul style="list-style-type: none"> <li>• To approve the business case</li> <li>• To allocate the funding required (£4,229,500) to the capital programme in the form of a loan of unsupported borrowing to be repaid by the business over the life of the asset.</li> </ul>
<b>Decision required</b>	The project team seeks to secure funding to undertake phase I of the procurement exercise outlined previously within this document. Ultimately, members of the CIB are required to review the proposal, and accept the document based on the recommendation and evidence provided.

## CONFIRMATION OF PROMOTORS APPROVAL

<b>Cabinet Member</b>	<b>*Assistant Director (Proposer) and AD (Finance)</b>
Councillor Brian Vincent Cabinet Member for Environment	Simon Dale Assistant Director for Street Services

<b>Either email dated:</b>		<b>Either email dated:</b>	
<b>Signed:</b>		<b>Signed:</b>	
<b>Date:</b>		<b>Date:</b>	

## Fleet Replacement Programme – Business Case Appendix Items

### Appendix Item I – Stakeholder Analysis

Key People (a)	What's in it for them?		What could they do to support or prevent the change from taking place? (d)	What could we do to reduce the impact or encourage support? (e)
	Impact (+/-) (b)	Level of Risk (H/M/L) (c)		
Elected Members – Leader and Portfolio holders	+ve	M	<ul style="list-style-type: none"> <li>Support the project aims and objectives (+)</li> <li>Require changes of pace and areas of focus (+ or -)</li> <li>Disagree with elements of the project (-)</li> </ul>	<ol style="list-style-type: none"> <li>Regular project briefing sessions with Members, specifically the Cabinet Member for Environment, to inform them of progress made in relation to projected targets and their current status as part of continuous updates.</li> <li>Ensure members responsible for the project are well briefed and kept up-to-date on progress and target status, including any risks and issues that may be considered threatening</li> </ol>
Elected members – Opposition	+ve to neutral	L	<ul style="list-style-type: none"> <li>Support some/all of the project aims and objectives (+)</li> <li>Disagree with elements of the project (-)</li> </ul>	<ol style="list-style-type: none"> <li>Regular Monthly project briefing sessions with Members to inform them of progress and target hitting.</li> </ol>
PCC Staff – Fleet and Garage	Neutral	L	<ul style="list-style-type: none"> <li>No change to working hours or workload, only a more uniform fleet (+)</li> <li>Increased job security through the approval of a 5-year programme, requiring maintenance (+)</li> <li>Disengaged staff will have more difficulty transitioning to the new ways of working, which may lead to industrial action in extreme circumstances (-)</li> </ul>	<ol style="list-style-type: none"> <li>Staff engagement sessions through their respective management teams to inform of progress and reasoning</li> <li>Regular 1 to 1 sessions for staff</li> <li>Incorporation of “Toolbox Talks” techniques as methods of communication</li> <li>Staff feedback and suggestion mechanism</li> <li>Supporting members of staff who are undergoing change, through structured and tailored training</li> </ol>
PCC Staff – Additional	Neutral to -ve	L	<ul style="list-style-type: none"> <li>Engaged staff will aid the success of the project by understanding that a fleet replacement scheme will aid the delivery of services, providing more reliable and efficient vehicles for departments to operate (+)</li> <li>Disengaged staff will have more difficulty transitioning</li> </ul>	<ol style="list-style-type: none"> <li>Regular staff engagement and briefing sessions through their respective management teams to inform of reasoning and progress</li> <li>Staff feedback and suggestion mechanism regarding the project</li> <li>Supporting members of staff who are undergoing change (if any), through structured and</li> </ol>

			to the new ways of working, and won't understand the benefits of operating a 5-year replacement programme (-)	tailored training
Plymouth Residents	+ve	L	<ul style="list-style-type: none"> <li>Positive impact on residents, as the replacement programme will ensure front-line services continue to be delivered in a reliable, efficient and environmentally-friendly manner.</li> </ul>	<ol style="list-style-type: none"> <li>Positive communications through website updates to include positive outcomes from the project i.e. emissions, safety.</li> <li>Communications through alternate methods, such as newsletters, to promote the positive aspects of the replacement programme</li> </ol>
Trade Unions	Neutral	M	<ul style="list-style-type: none"> <li>Increased job security for workshop fitters, as the fleet replacement programme covers a 5 year period, where vehicle maintenance will be key to the successful delivery of services (+)</li> </ul>	<ol style="list-style-type: none"> <li>Clear briefing</li> <li>Regular update on project and impact on staff of changes</li> <li>Consultation with TUs on changes and the implementation of viable suggestions made to show TU's their opinions are being considered.</li> </ol>
Partner agencies	Neutral	L	<ul style="list-style-type: none"> <li>Understanding of changes (neutral)</li> </ul>	<ol style="list-style-type: none"> <li>Regular briefings sessions to monthly/bi-monthly board meetings</li> <li>Use of existing Newsletters/e-mails</li> </ol>
Transformation Programme	+ve	L	<ul style="list-style-type: none"> <li>Potential to link in with other projects (+)</li> </ul>	<ol style="list-style-type: none"> <li>Alignment sessions between programme managers and project managers</li> <li>Sharing of progress, lessons learnt</li> <li>Involvement on projects where needed</li> </ol>

## Appendix Item 2 – Fleet Expenditure Profile v0.04

### [Fleet Expenditure Profile v0.04](#)

[S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME\\_06 ICMFS\16. GAME\\_06\\_01 - Finance Workstream\01. Fleet Replacement Mandate\04. Finance Tables](#)



Fleet Profile Spend  
v0.04.xlsx

## Appendix Item 3 – NPV Calculations Spreadsheet

### [NPV Calculations Spreadsheet](#)

[S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME\\_06 ICMFS\16. GAME\\_06\\_01 - Finance Workstream\01. Fleet Replacement Mandate\04. Finance Tables](#)



CBA Jan 2015 CCIB  
proposals V1.xls

## **Appendix Item 4 – Original Fleet Replacement Mandate**

[Original Fleet Replacement Mandate](#)

[S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME\\_06 ICMFS\16. GAME\\_06\\_01 - Finance Workstream\01. Fleet Replacement Mandate\05. Mandate](#)



Fleet Replacement  
Mandate ORIGINAL.p

## **Appendix Item 5 – Update Fleet Replacement Mandate**

[Updated Fleet Replacement Mandate](#)

[S:\Transformation\Programme and Project Folders\4. Growth Asset and Municipal Enterprise Programme\22. GAME\\_06 ICMFS\16. GAME\\_06\\_01 - Finance Workstream\01. Fleet Replacement Mandate\05. Mandate](#)



Fleet Replacement  
Mandate UPDATED.p