



London Borough of Enfield

Title of Report:	Fleet Capital Expenditure 2023/24
Report to:	Doug Wilkinson
Date of Report briefing:	14 March 2023
Cabinet Member:	Cllr Rick Jewell
Director:	Doug Wilkinson
Report Author:	Julian Minta
Ward(s) affected:	All
Key Decision Number	KD5586
Implementation date, if not called in:	31 March 2023
Classification:	Part I Public
Reason for exemption	N/A

Purpose of Report

1. This report details the proposed expenditure of the Fleet Capital Budget for the financial year 2023/24. It identifies those vehicles, plant and equipment that are scheduled for replacement and/or new procurements and acquisitions for use by Council services. The report also details the proposed methods of procurement and authorises the procurement and purchase of identified vehicles, plant, and equipment once agreed.

Recommendations

<p>The Cabinet Member for Environment to:</p> <ol style="list-style-type: none">I. approve the replacement programme schedule and budget allocations of vehicles and plant as set out in this report.II. delegate authority to the Director of Environment and Street Scene to approve the purchases, procurements and award of the contracts within the approved budgets in the Confidential Appendix as necessary for operational reasons and to enter into the relevant contracts and any variations to the schedule within the allocated budget.

Background and Options

2. Fleet services currently has a programme for the procurement, management and disposal of all council owned fleet vehicles, plant, and equipment. The Vehicle Replacement Program (VRP) holds details of all council owned vehicle assets and sets out when vehicles, plant, & equipment should be replaced in line with agreed vehicle economic life expectancies. The proposed £2.440m spend of the 2023/24 budget is in line with this program.
3. As part of this year's replacement program the continued introduction of new electric vehicles, where possible, will demonstrate the Council's commitment to vehicle decarbonisation targets in the climate change action plan.
4. Approval of this report will allow the Fleet Department to continue with its programme of replacing the Council's fleet of vehicles, ensuring it delivers where possible, electric vehicles and where not, providing a low emission fleet to all council services, by purchasing the cleanest fuel-efficient vehicles available where EV is not an option.
5. The continuation of the planned replacements as part of the Vehicle Replacement Program (VRP) will ensure the maintenance and expenditure on vehicles will be kept to a minimum, whilst allowing us to maximise re-sale values of assets to be disposed of. Renewal of the Fleet will ensure optimal service delivery for all council services by reducing the amount of downtime required for maintaining older vehicles.
6. The 2023/24 capital funding for fleet is contained within the 10-year Capital Programme approved by cabinet at the meeting of 23rd February 2023, under Key Decision 5502 and allocates £2.44m for the Fleet Vehicle Replacement Program, (see page 456 of the report).
7. Current requirements are set out in the table below with existing and new service requirements identified. The vehicles set out in the table are all part of the current vehicle replacement programme following on from the re-profiling of the fleet age in 2017, to bring it in line with industry standards.

Vehicle	Service	Existing fleet	New service	Number of vehicles	Procurement Method
Refuse Vehicles	Waste	y		3	Call off from a current framework
3.5t Crew Cab Cage tipper	Street Cleansing	y		19	Call off from a current framework
3.5t Single Cab Cage tipper	Street Cleansing	y		6	Call off from a current framework
3.5t Twin wheel Parks Cage Tipper	Parks & Open Spaces	y		12	Call off from a current framework
3.5t Panel Van	Highways Team	y		1	Call off from a current framework
3.5t Flat bed with Tail Lift	Trade Waste bin deliveries		y	1	Call off from a current framework
Trailers	Parks & Open Spaces	y		5	Quick Quote London Tenders Portal

3.5t Luton van	Clinical Waste	y		1	Call off from a current framework
Mayors Car	Mayors Service	y		1	Call off from a current framework
L4H3 Panel Van	Integrated Community Equipment	y		2	Call off from a current framework
L1H1 Panel Van	Integrated Community Equipment	y		4	Call off from a current framework
18t Gulley Vehicle	Street Cleansing	y		2	Direct Purchase Via Waiver
TOTAL VEHICLES				57	

8. As part of the vehicle replacement programme, vehicle utilisation and requirements are reviewed with service users to ensure that we run at an optimum level and provide vehicles and equipment that is suited to each user area to assist them in the best delivery of their services. To determine the number of vehicles and pieces of equipment needed, all heads of service have been contacted and asked to review their service and operational needs surrounding vehicles. Fleet Services have also checked vehicle usage to ensure good utilisation of vehicles. Consultation with service heads has also looked at future service developments, reductions or constraints which would affect future vehicle requirements. Where possible we have streamlined the fleet.
9. Of this procurement, Fleet Services will be procuring circa 52 vehicles and 5 items of plant trailers.
10. The key risk to the Council is an increase in maintenance cost and of vehicle down time by continuing to extend the current fleet life resulting in a reduction vehicle availability to the services and their operations. There will also be an increase in costs to fleet services who will need to hire additional vehicles to cover these vehicles as there will be increased downtime for repairs and maintenance.
11. By taking this decision there may be a risk that service requirements for vehicles change where vehicles are no longer required. This is mitigated by owning the vehicles as they can be sold without any penalties being incurred.

Preferred Option and Reasons for Preferred Option

12. Agree the proposed fleet replacements, in order that fleet services are able to mitigate as best as is possible the increased cost exposure of operating older vehicles for the reasons set out as above.
13. The other option is to do nothing. This has been dismissed due to the cost implications of operating older vehicles.

Relevance to Council Plans and Strategies

14. The Enfield Council fleet is a key part of the council's operational services and ensures they can deliver essential services to all areas. A well-managed, modern electric and/ or low emission fleet will support all three of the council priorities:

Good homes in well-connected neighbourhoods

15. Our council fleet is a highly visible and recognisable asset to residents. Providing replacement vehicles for all council services will enable them to operate effectively for those people who live, work or travel in the Council area. Further, the provision of using modern reliable vehicles will enhance the delivery of service for residents.

Safe, healthy and confident communities

16. By using proven vehicle converters and suppliers, the vehicles and equipment will be available for duties for greater periods thus enabling the Council to provide these services on more regular and continued basis.

An economy that works for everyone

17. Where possible Electric vehicles will be the first option that will be provided when it comes to replacements. Vehicles and equipment in this proposal that can't be electric will meet all current and future emission regulations giving us a fleet of the cleanest vehicles available. This will ensure our carbon footprint is kept to a minimum when it comes to vehicle operation. By providing for the needs of the services, teams will have an efficient fleet of modern vehicles meaning less downtime and more efficiency.

Financial Implications

Summary

18. Fifty-seven vehicles to be acquired from Council approved capital budget envelope £2.440m approved by Council 23 Feb 2023 KD5502 as part of the Ten-Year Capital Programme with delegated authority to Portfolio Holder to make decision in accordance with Financial Regulations.
19. Although the Council will be carrying out a review of the overall fleet this acquisition is required for supporting the Council's services.
20. Expenditure will result in no additional borrowing beyond that assumed in Capital Programme.
21. Maintenance and servicing costs will be incurred by Fleet Services and recharged to the client departments – some unknowns exist in the servicing costs of the five electric vehicles included and this is referenced in the Risks section.

Budget impact – capital & debt

22. £2.440m envelope allocated in capital programme which requires approval to spend by approval of this report which is funded entirely through borrowing.

23. Debt will be on an annuity basis which will require Council to set aside repayment of the debt over ten years in addition to interest costs. Ten years has been used as the estimated life of vehicles in accordance with the Council's policy for calculating the Minimum Revenue Provision (MRP) which is the set aside used to repay the loan.

24. Table below shows total cost of borrowing the initial £2.440m is £3.160m over the next ten years.

Cost of borrowing £2.440m over ten years

Year	MRP	Interest at 5%	Total revenue cost
2023/24	Borrowing £2.440m in 2023/24		
2024/25	£207,989	£122,000	£329,989
2025/26	£215,269	£112,300	£327,569
2026/27	£222,803	£102,116	£324,919
2027/28	£230,601	£91,422	£322,023
2028/29	£238,672	£80,194	£318,866
2029/30	£247,026	£68,404	£315,429
2030/31	£255,672	£56,024	£311,696
2031/32	£264,620	£43,026	£307,646
2032/33	£273,882	£29,378	£303,260
2033/34	£283,468	£15,047	£298,515
Total cost over 10 yrs	£2,440,000	£719,912	£3,159,912

Budget impact – revenue

25. Total impact on revenue is £3.160m over the next ten years made up £2.440m debt repayment through MRP and £720k interest assumed at 5% on the loan taken out in 2023/24.

26. All routine maintenance costs will be carried out by the internal fleet workshop team and service departments will be charged an annual internal cost for transport). This will be funded from relevant department revenue budgets.

27. Service departments will be fully responsible for fuel, non-routine maintenance/damage costs; this will directly be charged to service department revenue cost centres.

Taxation

28. VAT payable on commercial vehicles and can be reclaimed in full by the Council through monthly VAT return.

Risks

29. Costs of acquisition will be agreed in advance with the suppliers to ensure the total capital budget is not breached.

30. Costs of servicing and maintenance will be subject to market conditions with risks mitigated through monitoring of monthly revenue expenditure by the Fleets Services and client Departments.
31. Five of the Fifty-seven vehicles will be electric. Although estimates for maintenance and servicing have been made these are as yet untested and subject to variation.

Legal Implications

32. The Council has a general power of competence in section 1(1) of the Localism Act 2011. This states that a local authority has the power to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles. There is no express prohibition, restriction or limitation contained in a statute against use of the power as recommended in this report. Section 111 of the Local Government Act 1972 further gives a local authority power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The recommendations in this report are incidental to the functions of the Council.
33. The contracts for the purchase of vehicles will be public supply contracts under the Public Contracts Regulations 2015 (PCR 2015). Prior to the award of any contract with an estimated value above the threshold (currently £213,477 inclusive of VAT), the Council must comply with the Public Contracts Regulations 2015. Additionally, the Council must comply with its Constitution and Contract Procedure Rules (CPRs).
34. Use of a legally compliant framework agreement is permitted under Reg 33 of the PCR 2015. Additionally, the CPRs state that Frameworks, where they exist, should be used provided Best Value can be demonstrated and managers are required to retain sufficient evidence to demonstrate compliance. However, a due diligence exercise must be carried out by Procurement Services prior to calling off from a Framework and the Council must be clearly identified as a contracting authority able to use the Framework when the Framework was set up.
35. Any contract awarded under a framework must be in accordance with the process set out in the Framework agreement and the terms of the call off contract must be consistent with the Framework terms. Accordingly, a direct award via a Framework can only be made if (i) Best Value can be demonstrated; (ii) it is permitted by the rules of that Framework; and (iii) the rules of the Framework on direct award are complied with.
36. The contracts must be in a form approved by Legal Services for and on behalf of the Director of Law and Governance.
37. The Council must comply with its obligations relating to obtaining best value under the Local Government (Best Value Principles) Act 1999.
38. This decision is a Key Decision and the Council must comply with the Key Decision process under the Constitution.

Equalities Implications

39. Corporate advice has been sought regarding equalities and following initial screening that was carried out which showed no impact, an agreement has been reached that equalities impact assessment is neither relevant nor proportionate for the approval of this report.

Environmental and Climate Change Implications (if any, delete if not relevant)

40. The Climate Action Plan includes an action to switch the Council's vehicle fleet to electric with a target of 60% by 2026 and 100% by 2030.
41. The proposed use of Fleet Capital Budget to continue the move towards to electric vehicles (where possible) will be a significant first step towards achieving and is in accordance with the fleet related action and targets in the Climate Action Plan.
42. It should be noted that there will be residual carbon emissions from the use of electricity while the grid decarbonises, however these are significantly lower than for diesel or other alternatives and will reduce over time.
43. In addition to reduced carbon emissions, electric vehicles emit lower levels of pollutants which impact on air quality (NOx and PM10 in particular). They also have no discernible engine noise so are quieter in operation.
44. Purchases of diesel fuelled vehicles in this proposal will be due for renewal before the 2030 climate action plan deadline which will allow us to meet our commitments as set out regarding the decarbonisation of the fleet.

Public Health Implications

45. The 2023/24 fleet replacement program has clear public health implications.
46. The change to electric zero emission vehicles (where possible) will provide cleaner air for residents and the workforce who are operating near the vehicles are part of their working duties.
47. All the new vehicles will be designed and procured to meet all health and safety and EU regulations. In addition, we will be fully compliant with the Construction Logistics and Cyclist Safety report and Work-Related Road Risk regulations. All drivers will have induction training as part of any purchases and all workshop technicians will have full training on maintenance and operation of the equipment.

Property Implications

48. As the size of the fleet of electric vehicles grows, new charging points for the fleet will need to be procured and installed at all depots and places of fleet operation. This is being carried out as a separate project and as part of the implementation of the Borough-wide EV charging strategy, and the property implications of relating to that project will be addressed as part of that strategy's approval process.

Other Implications

49. Procurement Services must be engaged to develop and agree an appropriate procurement strategy that is compliant with Enfield's CPR's and the Public Contract Regulations, provides value for money and supports sustainable and ethical procurement.

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Appendices

Confidential Appendix 1 - Fleet Capital Expenditure - 23/24

Appendix 2- Capital Budget 2023/24 KD 5502

Background Papers

None

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