

# **PERTH AND KINROSS COUNCIL**

## **Strategic Policy and Resources Committee**

**28 November 2018**

### **FLEET AND MECHANICAL EQUIPMENT ASSETS ANNUAL STATUS REPORT**

**Report by Executive Director (Housing and Environment) (Report No. 18/388)**

#### **PURPOSE OF REPORT**

The Fleet and Mechanical Equipment (FaME) Asset Management Plan as approved by the Strategic Policy and Resources Committee on 17 June 2015 (Report No: 15/255 refers) requires the publication of an annual status report.

This report presents a status summary of the Council's FaME assets as at 31 March 2018. It describes the current condition of the asset and provides an opportunity to confirm the Fleet Replacement Programme approved in the FaME Asset Management Plan within current agreed funding.

#### **1. BACKGROUND**

- 1.1. The role of Fleet Management is to ensure that Perth & Kinross Council has the right vehicle, plant and equipment in the right place at the right time and at the right cost. Our fleet must fully meet regulatory requirements and support the strategic, corporate and service objectives of the Council and assist good service delivery.
- 1.2. A Fleet and Mechanical Equipment (FaME) asset is defined as; 'All fleet and mechanical equipment that requires maintenance, calibration and/or a safety & inspection test'.
- 1.3. The FaME Asset Management Plan was approved by the Strategic Policy and Resources Committee on 17 June 2015 (Report No: 15/255 refers). The Plan requires the publication of an annual status report.
- 1.4. The Council's asset management system used to record data on FaME assets is Key2. This holds detailed information on all FaME assets and enables whole life costing and accurate spend forecasting to be carried out.
- 1.5. The current gross book value of FaME assets on the Perth & Kinross Council asset register is £18,797,388.
- 1.6. This report presents a status summary of the Council's FaME assets as at 31 March 2018 and updates the future Capital Investment replacement programme for 2018/19, as approved in the FaME Asset Management Plan. This summary is derived from information as at 31 March 2018 unless otherwise stated.

- 1.7. The Council's fleet replacement programme has historically been procured through the Council's capital programme, using prudential borrowing with the subsequent loan charges borne by Service revenue budgets.
- 1.8. The funding of the Council's fleet replacement programme is vital to the delivery of key Council services, it enables the Fleet Management team to deliver a service that is compliant with all relevant statutory provisions relating to health and safety and road transport operations.
- 1.9. The Fleet Management team aims to replace each asset at an 'optimum point' within its life span rather than a fixed time period, taking into account elements such as vehicle mileage, maintenance costs, and vehicle performance history. Fleet management work closely with services to determine future need. In addition it is not uncommon for high performing vehicles to continue operating after the end of expected life cycle due to continued reliable performance.
- 1.10. In line with Council approved procurement rules, fleet management purchase assets through a number of approved framework agreements. These are managed nationally and ensure the Council complies with legislative requirements. However, it should be noted that these frameworks limit the Council to specific manufacturers.
- 1.11. Regular consideration is given to determine whether to purchase or lease replacement vehicles. The main benefits of direct purchase are:
- Flexibility and control of vehicle life span as outlined in paragraph 1.9.
  - An established, budgeted whole life cost - past use of lease, agreements have resulted in non-budgeted high return costs.
  - Flexibility and control of vehicle usage – lease agreements are specific to original anticipated use.
  - Control of continuity of vehicle provision - if a leasing company goes into administration vehicles could be removed at short notice.
- 1.12. In 2009, the Council introduced New Ways of Working for its operational staff. This involved introducing new working patterns to allow for the greater utilisation of the Council's assets. This means that the assets are being used to deliver services 7 days a week and for longer periods during the day.

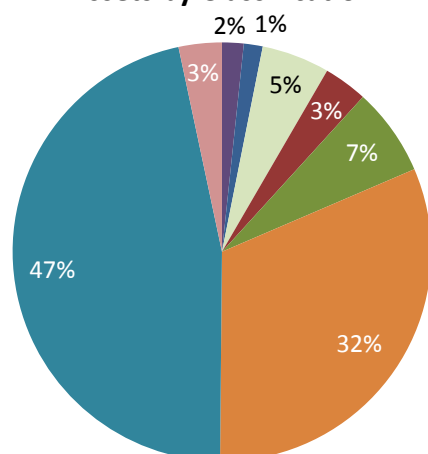
## **2. CONDITION**

- 2.1 The status of the FaME asset is summarised by current asset age, usage and number.

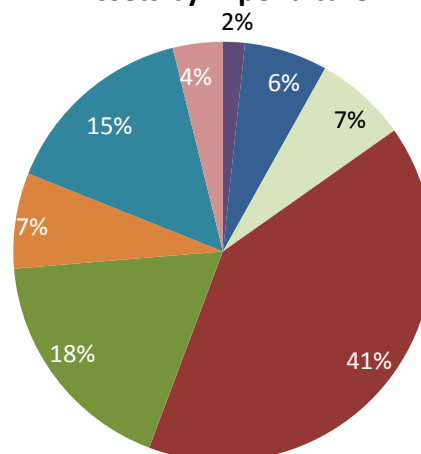
## 2.2 The Council's current FaME assets comprises the following:

Asset Classification	No	Total Acquisition Cost
Car	126	£1,386,479
Commercial over 3.5 tonne	81	£7,895,530
Commercial under 3.5 tonne	163	£3,503,693
Demountable Body	40	£328,300
Minibus	35	£1,252,534
Other e.g. Skips, Recycling Bells, Containers & Vehicle Ramps	758	£1,436,857
Plant	1116	£2,941,054
Trailer - semi & towed	80	£752,017
<b>Total</b>	<b>2399</b>	<b>£19,496,464</b>

**Percentage Breakdown of FaME Assets by Classification**

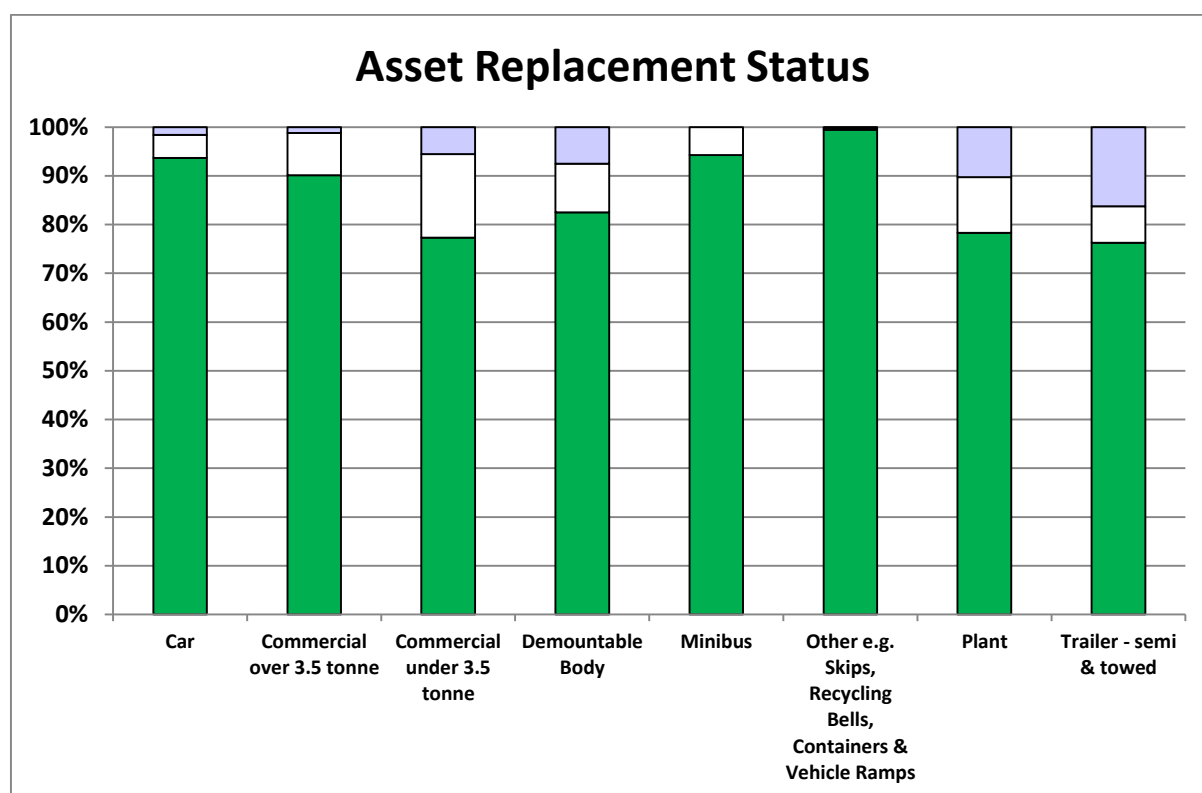


**Percentage breakdown of FaME Assets by Expenditure**



Car
Commercial over 3.5 tonne
Commercial under 3.5 tonne
Demountable Body
Minibus
Other e.g. Skips, Recycling Bells, Containers & Vehicle Ramps
Plant
Trailer - semi & towed

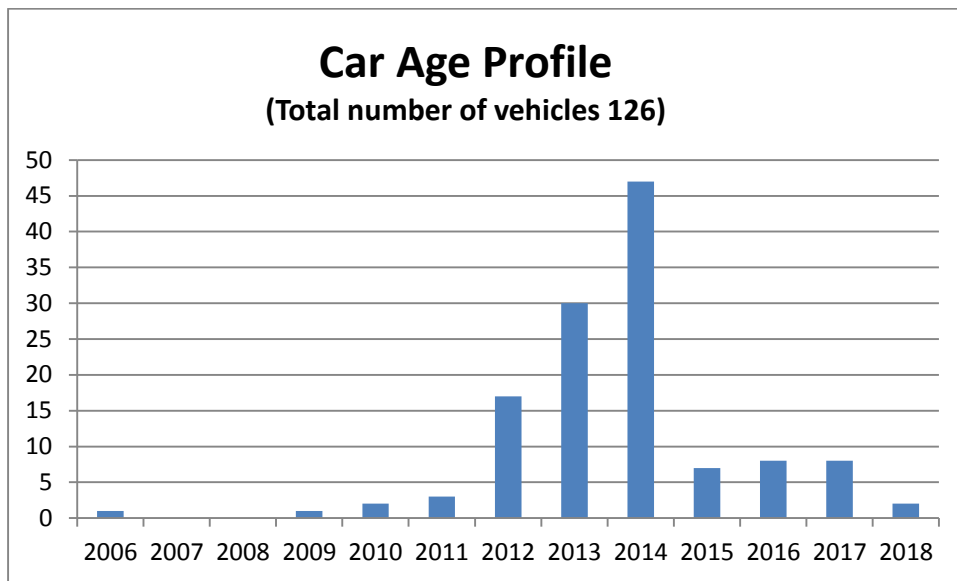
- 2.3 The anticipated life of assets is reviewed at regular intervals based on the information held on Key2, as noted in the FaME Asset Management Plan.
- 2.4 As an asset approaches its replacement date, Fleet Management determine whether to replace the asset using set criteria as outlined in the FaME Asset Management Plan. The asset will be subject to rigorous checks to ensure that replacement offers best value, with consideration of extending the asset life, if appropriate.
- 2.5 The chart below shows a breakdown of FaME assets by classification and the stage at which they are assessed in terms of expected lifestyle.



Green	The asset is not due for replacement
White	The asset has passed its replacement date by up to 1 year
Purple	The asset has passed its replacement date by over 1 year

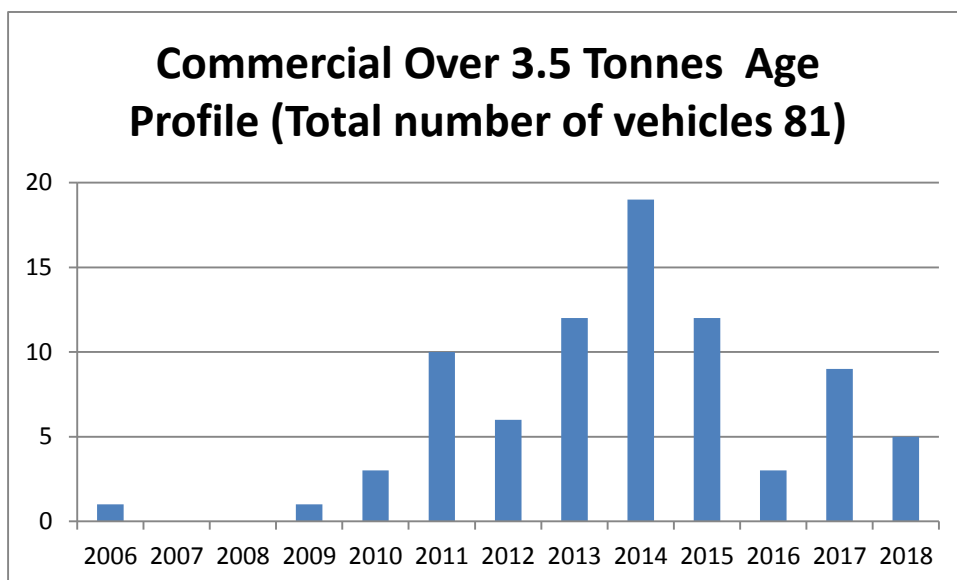
- 2.6 The chart illustrates that, through a programme of systematic checking, fleet management currently assess those assets which can continue to be safely used beyond their expected replacement date. This saves unnecessary replacement costs. Commercial under 3.5 tonne vehicles are the asset type most frequently in operation beyond their expected replacement date. These vehicles are assessed on an individual basis when the replacement date is approaching with the decision to replace or not based on usage, vehicle condition and mileage.

2.7 The age profile for cars is shown below.



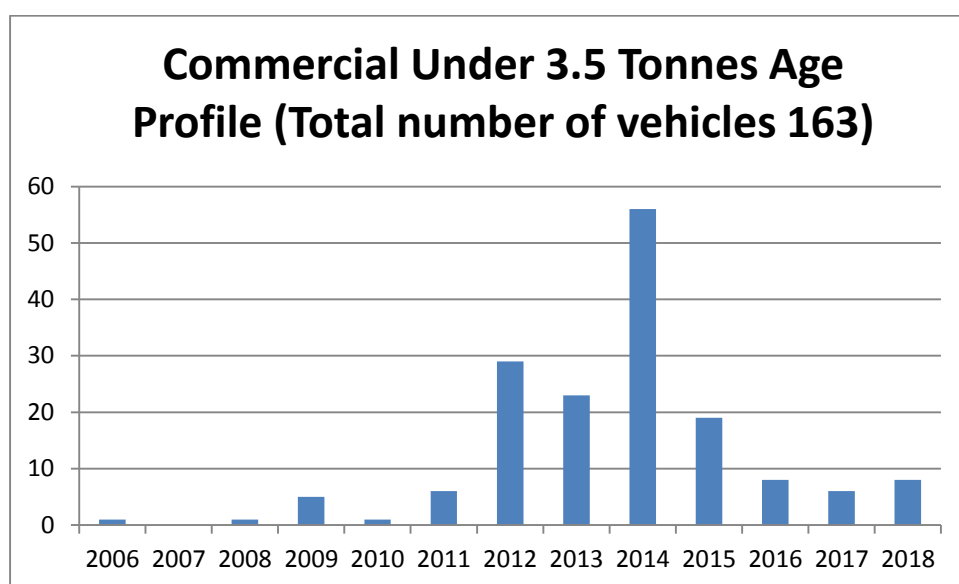
2.8 In 2008, there were an additional 32 cars purchased for Homecare officers within the former Housing and Community Care Service to reduce payments to “Grey Fleet” users (the grey fleet is a term used to describe staff use of private vehicles for business mileage). These vehicles were replaced through the scheduled vehicle replacement programme in 2013 and 2014 which accounts for the significant increase in these years .

2.9 The age profile for commercials over 3.5 Tonnes is shown below.



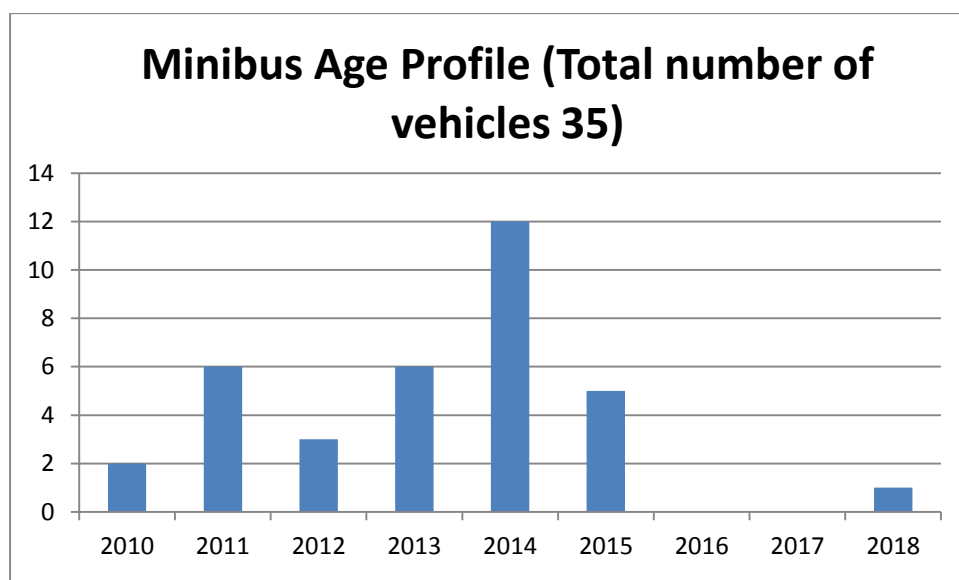
2.10 The chart shows the vehicles being replaced in line with the scheduled vehicle replacement programme.

2.11 The age profile for commercials under 3.5 Tonnes is shown below:



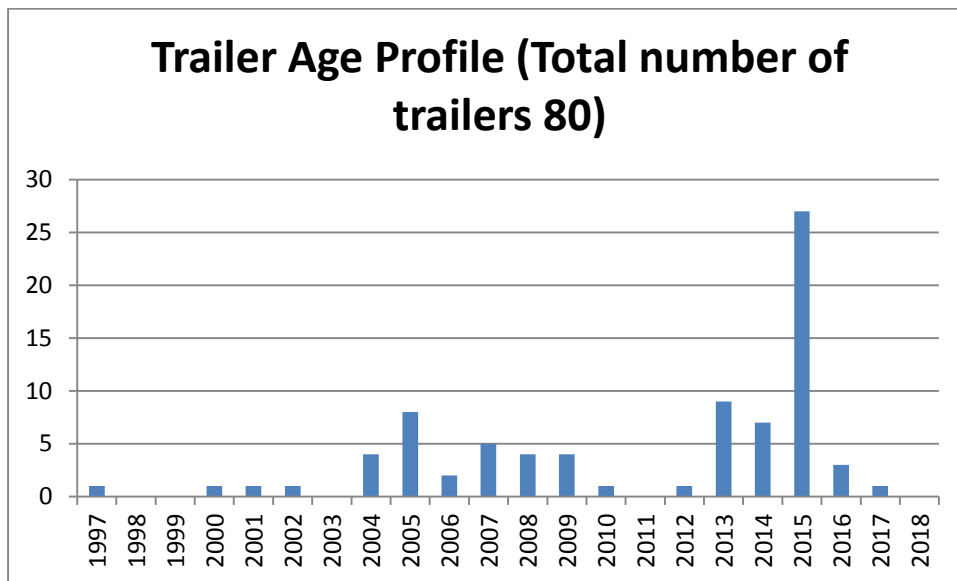
2.12 The chart shows an increase in vehicles purchased in 2014 due to an increase in Fleet Management spare pool panel vans and vehicles purchased for Building Services to reduce external hires. Perth and Kinross Council also became responsible for procurement on behalf of Joint Equipment Loan Service which was previously procured through the National Health Service.

2.13 The age profile for minibuses is shown below:



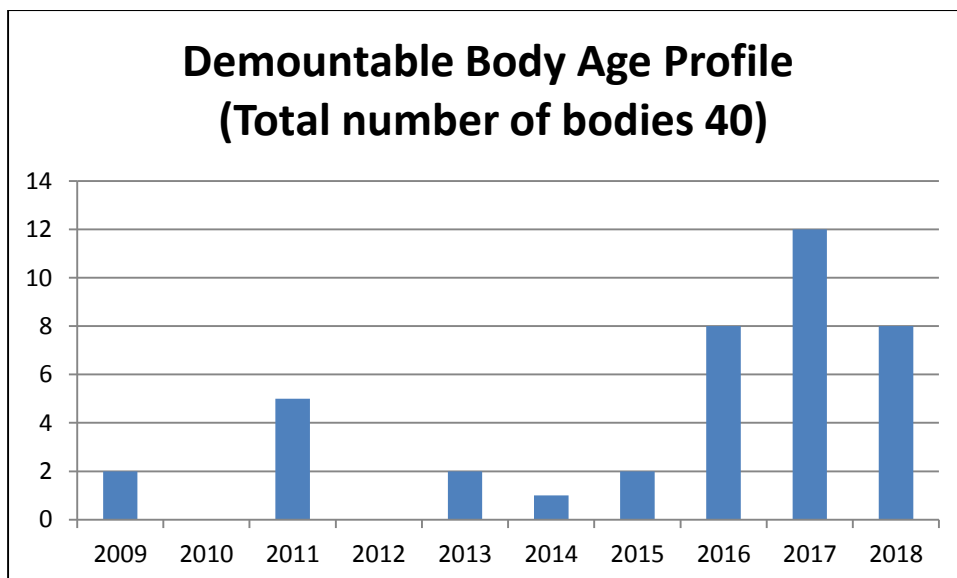
2.14 In 2005, there was agreement with Services that minibuses would be transferred to the scheduled vehicle replacement programme, having previously been funded from predominantly non-recurring funding sources. In 2013 and 2014, these vehicles were replaced which has resulted in the number of vehicles increasing significantly over these 2 years. In 2016 and 2017, no minibuses were due for replacement in these years.

2.15 The age profile for trailers is shown below:



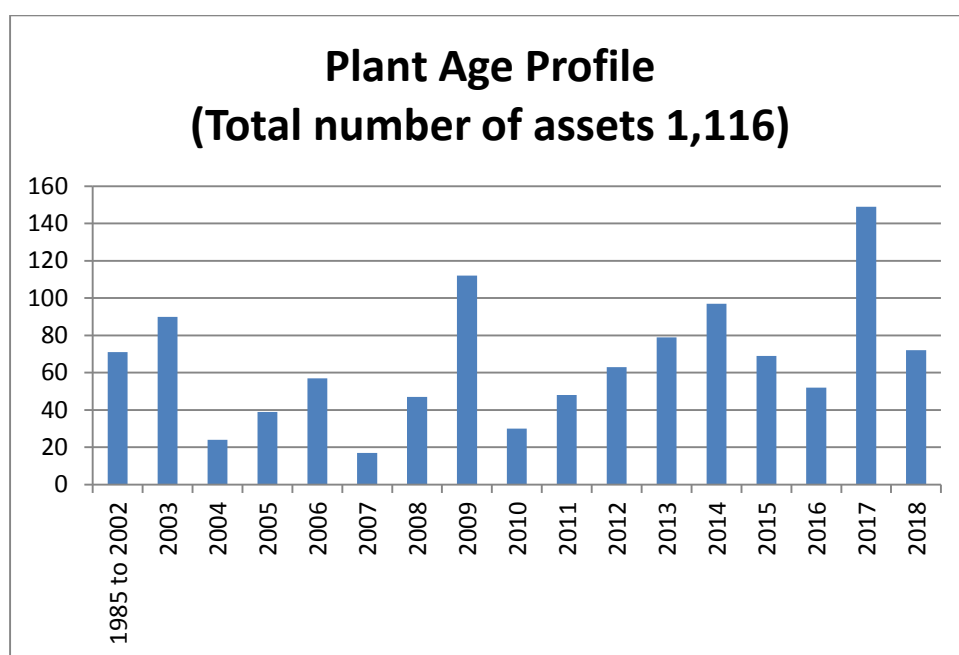
2.16 In 2014, a review of trailer requirements within ground maintenance to meet Service needs was undertaken. It was determined that larger trailers were required, resulting in an increase in purchases in 2015 to suit the needs of the user, however, overall there was a reduction in the total amount of trailers within grounds maintenance.

2.17 The age profile for demountable bodies is shown below:



2.18 The chart shows that demountable bodies are replaced in line with the scheduled vehicle replacement programme.

- 2.19 Plant covers an extensive range of equipment from handheld trimmers, backpack blowers, mowers, to diggers, forklifts and the loading shovel. The age profile for plant is shown below:



- 2.20 Each item of plant has a replacement date which is reviewed annually. However, due to the type of work and frequency of use, if the asset is still in safe working order, a revised replacement date will be given and reviewed accordingly. When the asset becomes uneconomical to repair, it will be replaced.

### **3. PERFORMANCE INDICATORS**

- 3.1 As stated in the approved FaME asset management plan, a number of indicators are used to measure the performance of the FaME assets.
- 3.2 The Driver and Vehicle Standards Agency (DVSA) monitor performance against their nationally standardised performance indicators and issue the results monthly. Following a Fleet Internal Audit Report in June 2014, it was agreed that the frequency of HGV safety inspections be benchmarked internally to measure compliance. Performance against targets for financial year 2017/18 is shown in Appendix 1, indicating compliance in all key areas of activity.
- 3.3 The Council's Fleet Management team are members of the APSE Transport and Mechanical Advisory Group which establishes standard performance indicators to benchmark against other local authorities. Perth & Kinross Council have submitted their annual return for financial year 2017/18. The results provided by the APSE performance network should help drive performance improvement by benchmarking against other local authorities. It should be noted that only a small percentage of authorities have made returns which currently makes it difficult to draw comparisons.

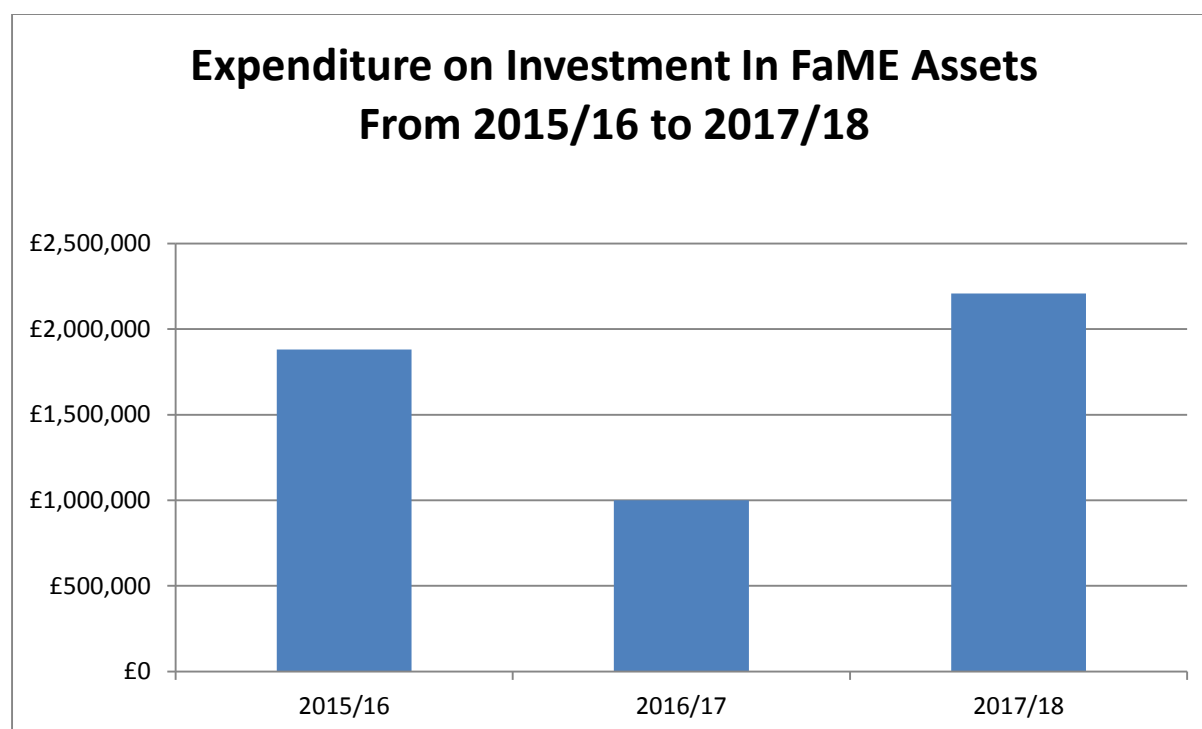


Fleet Management will continue to liaise with APSE to assist in developing this area.

## **4. FINANCE**

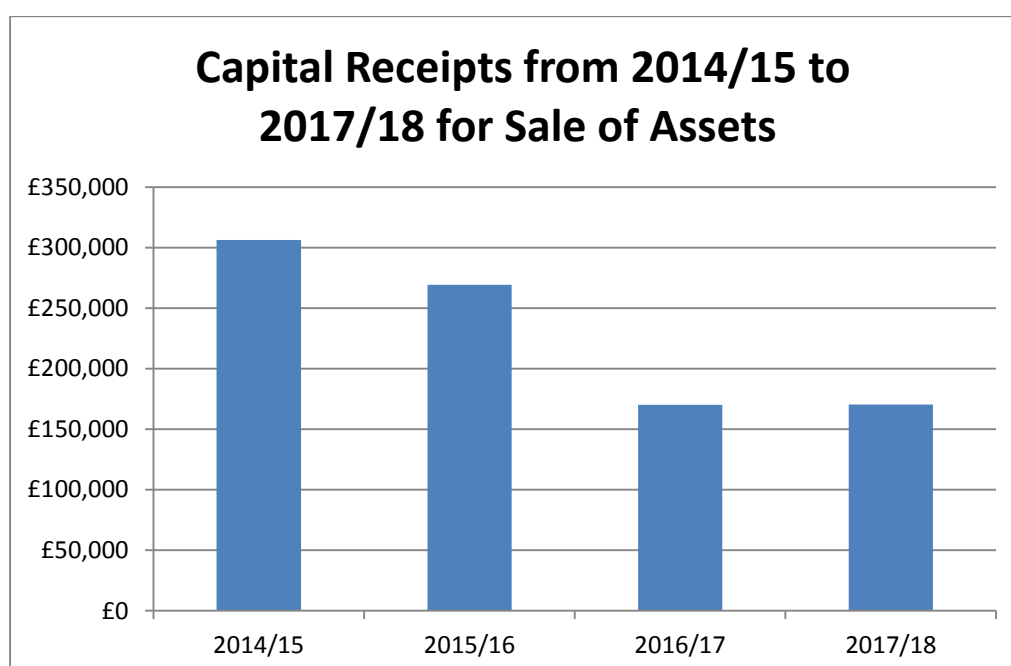
### **Vehicle Replacements**

- 4.1 Investment in fleet and mechanical assets is funded from Capital through prudential borrowing. The annual replacement budget fluctuates in line with the fleet replacement programme and for 2017/18 was £2.208 million.



- 4.2 The table above shows an increase of expenditure in 2017/18 compared to 2016/17 due to a number of vehicles scheduled for replacement in 2016/17 being delivered in 2017/18. This represents an additional £850,000 of replacement costs in 2017/18 which would have been attributed to 2016/17.
- 4.3 Appendix 2 shows a breakdown of asset types purchased between 2015/16 and 2017/18. It also provides a breakdown of the scheduled fleet replacement programme by asset type 25 cars were due to be replaced in 2017/18. However upon reviewing usage, vehicle condition and mileages, it was identified that the replacement dates for 22 cars could be extended into later years.
- 4.4 In the asset type panel vans, 22 vans were due for replacement in 2017/18 with 3 vans being purchased. Following a review of usage, vehicle condition and mileages, it was again identified that 19 vehicles could remain in the fleet and have their replacement dates extended.

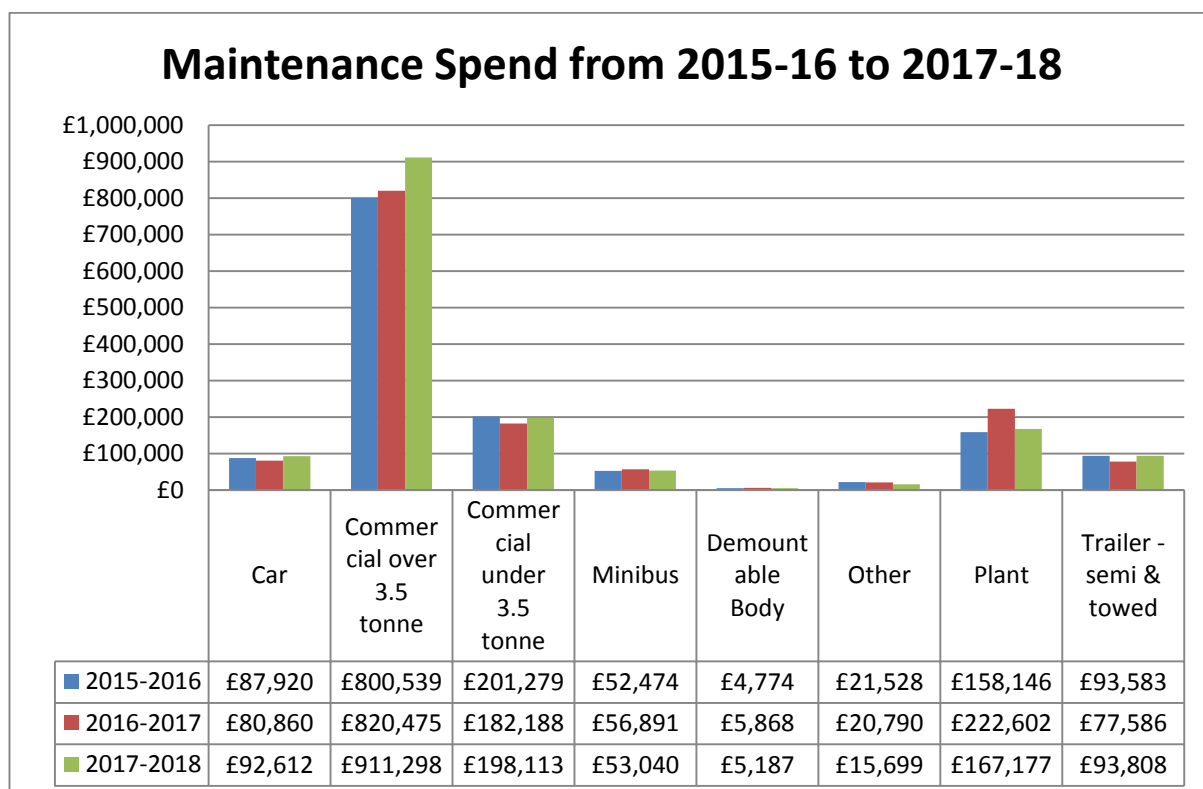
- 4.5 Vehicles which are not replaced on their due date will be re-assessed annually, in line with the set criteria, to ensure they are replaced at the most economically advantageous time.
- 4.6 The 2 axle hooklift and demountable bodies asset type were programmed for replacement in 2016/17 and were replaced in 2017/18 as outlined in 4.2 above.
- 4.7 Two refuse collection vehicles were purchased in 2017/18 to replace vehicles that had previously been extended but now require to be replaced.
- 4.8 In the other asset classification, 14 skips were replaced due to being beyond economical repair following annual inspection. These are funded through Waste Services.
- 4.9 In the plant classification, the table shows an increase in the quantity purchased. This is largely due to increased usage of battery operated equipment within grounds maintenance which is now classified in 3 parts ie replacing a single item is now counted as item, charger and battery. 18 pieces of old plant would now show as 43 when the item, charger and battery were included. This equipment also reduces the risk of staff developing hand arm vibration syndrome.
- 4.10 Appendix 3 shows the vehicle replacement programme for 2018/19. Fleet Management has identified that a large number of plant allocated to Community Greenspace is due for replacement and a full audit of condition and usage will be carried out during 2018/19.
- 4.11 When an asset reaches the end of its life, it will be disposed of in accordance with the Fleet Disposal Policy. If the asset is sold at auction or scrapped, this will result in a capital receipt which is used to offset prudential borrowing. The table below shows the capital receipts for the last 4 years.



- 4.12 The amount of capital receipts can vary substantially year on year depending on the number, type and value of the asset disposed. Appendix 4 gives a breakdown of asset types disposed of between 2014/15 and 2017/18.

## Maintenance

- 4.13 The ongoing revenue costs of maintaining the Council's FaME assets together with associated Fleet Management costs and prudential borrowing loan charges are met from Service budgets based on their asset use.



- 4.14 The maintenance spend for FaME assets over the last 3 years is detailed above and has been calculated using the Council's Key2 system, separated into asset type.
- 4.15 The chart clearly shows that commercial vehicles over 3.5 tonnes represent the highest costs. This is due to the frequency of inspections and subsequent repair and maintenance works arising from these highly utilised vehicles.
- 4.16 Additional costs of £268,000 for insurance and £91,875 for Road Fund Licences are excluded from the graph as these costs are determined by external sources to Fleet Management. However, these costs are recovered through the annual recharge to Services.
- 4.17 As part of the Council's Transformation Programme 2015-2020, the Committee has previously approved a Council Vehicle Fleet Utilisation and Optimisation Review (Report No: 15/397 refers). The review focuses on the use of the Council's smaller vehicle fleet. The annual mileage of these

vehicles varies with a large number of vehicles returning low annual mileages. The review objective is to identify route optimisation and more efficient utilisation of the vehicles through the use of technology, while also reducing business mileage payments from grey fleet users.

- 4.18 As from 18 September 2017, all council vehicles are fitted with trackers. The trackers provide detailed information on usage which will be used to identify efficiencies to meet the approved £150k savings target approved by Council.

## **5. Conclusion**

- 5.1 Expenditure on the FaME asset remains well managed and controlled in line with planned funding levels.
- 5.2 The fleet fully meets regulatory requirements and supports service delivery across the council. Fleet management will work with APSE performance networks to develop improvements in benchmarking with other local authorities.
- 5.3 It is recommended that the Committee:
- i. endorses the contents of the report.
  - ii. requests the Executive Director (Housing and Environment) to continue to submit an annual report on the performance of, and investment in, the Council's Fleet and Mechanical Equipment Assets in accordance with the approved Asset Management Plan including benchmarking information.

### **Authors**

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### **Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Barbara Renton	Executive Director (Housing & Environment)	13 November 2018

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>None</b>
Asset Management (land, property, IST)	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Strategic Environmental Assessment	<b>Yes</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>Yes</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The proposals relate to the delivery of the Perth and Kinross Community Plan/ Single Outcome Agreement in terms of the following priorities:

- (i) Promoting a prosperous, inclusive and sustainable economy;
- (ii) Supporting people to lead independent, healthy and active lives; and
- (iii) Creating a safe and sustainable place for future generations.
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for future generations

#### Corporate Plan

- 1.2 The Council's Corporate Plan 2013-2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resource allocation. These are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, health and active lives; and
- (v) Creating a safe and sustainable place for future generations.

- 1.3 This report contributes to objective (iii).

## **2. Resource Implications**

### Financial

- 2.1 There are no direct financial or resource implications arising from this report. Financial requirements for FaME maintenance and replacement will be addressed through the existing budget.

### Workforce

- 2.2 There are no workforce implications directly associated with this report.

### Asset Management (land, property, IT)

- 2.3 This report is the Fleet and Mechanical Equipment Asset Annual Status Report.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 Assessed as not relevant for the purposes of EqIA.

### Strategic Environmental Assessment

- 3.2 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 3.3 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

### Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.5 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### Legal and Governance

- 3.6 No direct legal implications within this report.

### Risk

- 3.7 There is a risk to the travelling public and reputational/legal risk to the Council if our Fleet is not maintained.

## **4. Consultation**

### Internal

- 4.1 Fleet Management and Corporate Finance Teams have all been consulted in the preparation of this report. The Head of Finance and the Head of Legal and Governance have also been consulted in the preparation of the report.

### External

- 4.2 No external communication took place.

## **5. Communication**

- 5.1 None.

## **2. BACKGROUND PAPERS**

- 2.1 There are no background papers with this report.

## **3. APPENDICES**

- 3.1 Appendix 1 – Summary of current DVSA performance indicators.
- 3.2 Appendix 2 - Historical Investment Breakdown by Asset Type.
- 3.3 Appendix 3 – Summary of capital replacement programme 2018/19.
- 3.4 Appendix 4 - Breakdown of assets types disposed of between 2014/15 and 2017/18.