

Officers Car Capital Purchase and Fleet Environmental Improvements

Report of the Chief Fire Officer

For further information about this report please contact Rod Hammerton
Chief Fire Officer, on 01743 260201 or Andrew Kelcey, Head of Resources on 01743
260240.

1 Purpose of Report

This report request members to consider the establishment of a capital scheme to enable the future purchase and ownership of officers cars in place of the current leasing arrangement. The report also requests that members consider additional funding for the introduction of a number of hybrid and electric vehicles in to the fleet.

2 Recommendations

The Committee is asked to:

- a) Consider the business and financial benefits associated with purchase of future officers' cars, and agree the establishment of an ongoing capital scheme for provision and replacement.
- b) Consider the merits of the introduction of electric and petrol-electric hybrid cars in to the Services fleet, recognising the forecast costs.
- c) Note the proposed installation of charging points, initially at Shrewsbury.

3 Background

The Service is required to provide response officers with vehicles that are capable of proceeding under emergency conditions to provide operational command – which is essential for the safe and effective management of incidents. These vehicles have been issued to individuals, rather than working as a pool, in order to provide maximum flexibility and benefit to the service in terms of operational response, managerial duties and recall to duty.

Up until this point these vehicle have been procured through leases and officers who chose to use these vehicles for private use were both able specify the cars they preferred, with additional costs borne by them, and were subject to a tax charge for receiving a “benefit in kind”.

These vehicle are provided to 26 officers and the current costs of the leasing arrangements are based on Skoda Octavia or Superb cars depending on role. These allowances are currently, £3,492 for Officers, and £4,304 for executive officers.

Officers have taken this base allowance and sourced a range of vehicles, which meet both the officers’ and the Service’s needs, through the Services lease contract. This has resulted in a large number of 4x4 vehicles being leased at the Officers expense, which has to some extent masked the lack of resilience within the provided fleet.

Recent changes to the way in which operational officers cars are taxed has resulted in increased cost for personal use, in some cases of more than 100%, and a number of officers declining to take up the option to use the vehicle privately. This change gives the Service an opportunity to review its car provision to:

- Review the performance standards of the provided vehicles, and formally introduce 4-wheel drive vehicles in to the fleet, increasing safety and attendance in difficult road conditions
- Review the environmental impact of provided cars, and evaluate hybrid car performance in use
- Standardise the fleet in order to minimise provision and adaptation (blue light and radio installation) costs
- Move to the position of taking ownership and full control of our assets
- Minimise the cost of vehicle provision

A full review of Officers car provision has recently been carried out by Hereford and Worcester Fire and Rescue Service (H&WFRS), which has identified purchase of the Volvo XC60 diesel 4x4 as the best value provision for their officers. Through our collaborative working arrangements, the Service has reviewed the H&WFRS evaluation and purchase process and endorse it as an appropriate approach for use within Shropshire. The H&WFRS documentation, which includes some commercially sensitive information, is attached as an exempt appendix to this report.

The Head of Resources is also contractually provided with a lease vehicle to undertake their role. It is planned to include this vehicle within the procured fleet to reduce costs and increase flexibility, although for taxation purposes it will continue be treated under “company car” rules.

4 Environmental Impact

The Service operates a fleet which is primarily diesel fuelled, and maintains stocks of diesel to ensure resilience in the event of fuel supply issues.

There are increasing environmental concerns about the air quality impacts of diesel fuel use which has resulted in a decline in demand for diesel vehicles, and an increase in demand for petrol vehicles, however this change results in increased CO2 emissions.

This conflict can be partially managed through a move to electric or petrol-electric plug-in hybrid vehicles. With the exception of very expensive premium vehicles (Tesla) fully electric vehicles are not currently available which will meet the operational needs of the Service. The Volvo XC60 is available in a hybrid petrol-electric configuration, which enables the vehicle to travel up to 30 miles on a full electric charge, with a petrol engine supplementing electric when more power is required or for longer journeys.

Recognising the drive towards alternatively fuelled vehicles, the Service believes it is appropriate that a proportion of vehicles (2 of 12) within the first year should be of this model to enable the Service to assess their real-world performance and costs. The purchase of more vehicles of this type in later years may then be considered.

In considering the move to hybrid vehicles, Members are requested to note that the light vehicle (pool car) replacement programme (covered in a separate paper) includes a similar option to introduce 2 fully electric vehicles in to the fleet. The operating range of these vehicles has recently been improved to the point that we believe they are capable of meeting the needs of the Service. The learning from these vehicles will also be used to assess the possibility of introduction of fully electric vehicles as 'stores' vans, which are among the highest mileage vehicles in the fleet, and due for replacement in 2019/20.

Additionally, the Service is planning for the installation of electric vehicle charging points at Shrewsbury as part of its environmental management improvements in the area of 'travel to work'. These will be funded through the environmental improvement budget. The Service is considering how best to make these available to members of the public as a chargeable resource, thus increasing the development of electric vehicle charging infrastructure. Following review of use, the Service will consider installation at other sites.

5 Financial Impact and Risk

Purchase prices for the Volvo XC60 Diesel are approximately £27,000, including four years maintenance, with an anticipated resale value of £18,000 after 3 years. Other operating costs, including fuel and insurance are not expected to change. Hybrid petrol-electric technology is currently more expensive than diesel and, for marketing reasons, only offered on higher specification XC60 models. The cost increase over the proposed model is approximately £14,000 (£41,000), while the anticipated resale value is £26,000.

Fully electric Nissan Leaf vehicles are available at £16,000 compared with £10,000 for a Vauxhall Corsa. This additional funding option is included within a separate capital scheme paper. These vehicles have a very low resale value, approximately £4,000 after 3 years, however it is anticipated that the Service will operate these vehicles for at least 7 years, after which point both vehicle types would have almost no value.

There will be anticipated savings in both fuel and maintenance costs for these vehicles but again it is difficult to be precise without experience. Regardless of these cost reductions the benefits from this additional investment are:

- A clear commitment from the Fire Authority to minimise the environmental impact of its fleet operations.
- Visible demonstration of leadership in the early adoption of these technologies.
- A learning opportunity to understand the real-world costs and benefits of this technology prior to the market compelling a wider introduction.

It is therefore proposed that the Authority establish a capital scheme to enable purchase of vehicles as the current leases expire. It should be noted that a very limited adoption of hybrid or electric vehicles is planned within this timescale. Experience and a developing market will dictate whether there is value to increasing this provision:

Year	1	2	3	4	5	6
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Bfwd	0	27	37	129	36	54
Capital funding	350	150	150			
Purchase yr1*	-352					
Resale yr1**				232		
Replacement 1 yr1				-352		
Purchase yr2		-189				
Resale yr2					126	
Replacement 1 yr2					-189	
Purchase yr3			-135			
Resale yr3						90
Replacement 1 yr3						-135
Purchase yr4				-54		
Resale yr4						
Replacement 1 yr4						
Total capital spend	-2	-12	52	-45	-27	9
Leasing budget saving	29	49	77	81	81	81
Cfwd	27	37	129	36	54	90

- * Yr 1 purchases include an enhancement for 2 of the purchases to be hybrid vehicles
- ** Yr 1 resales include an enhancement for 2 of the sales to be hybrid vehicles

It can be seen from the table that an investment of £600,000 would be required to fund the rolling programme of vehicles, which would be funded from the Earmarked Capital Reserve.

It is clear that this move from a leasing programme to a capital purchase requires an initial outlay from the Authority, which would otherwise not have been necessary. However, once this outlay has been covered, the difference between cost and resale value as vehicles are purchased and sold should be covered by lease savings in the revenue account.

Future resale values are estimated by H&WFRS using trade data, however they are predictions and not guaranteed. The hybrid model data has been taken from the same source.

It should be noted that the reduced demand for diesel cars may reduce future sale prices. Similarly, the complexity and risk of 'early adoption' hybrid vehicles or the increasing supply as they become more popular may reduce future demand and value. Alternatively the demand for both types of vehicle may be strong and resale values higher than predicted.

6 Collaboration

This initiative clearly demonstrates the Services commitment to exploit collaborative opportunities. SFRS has adopted and relied on the market research and testing undertaken by colleagues in Hereford and Worcester FRS and propose to use an established Crown Commercial Services "framework" to procure the vehicles. Both of these approaches have reduced costs through savings in time and money.

Although it is initially proposed that the vehicles will be serviced through the Volvo dealer network, the choice of vehicle allows the service to continue with, and extend, its existing arrangement with West Mercia Police for light vehicle servicing.

Additionally, the decision will serve to incrementally standardise the fleet of officer's response vehicles between the two services and will bring together future procurement cycles.

7 Financial Implications

The financial implications are included within the report.

8 Legal Comment

There are no legal implications arising from this report.

9 Initial Impact Assessment

An Initial Impact Assessment has been completed.

10 Equality Impact Assessment

There are no equality or diversity implications arising from this report.
An e-EQIA is not, therefore, required.

11 Appendix

Exempt Paper 15

Hereford & Worcester Fire and Rescue Service Senior Management Board
Report, 5 December 2017, Replacement Officer Car Review

12 Background Papers

There are no background papers associated with this report.