

## PFCC Decision Report

**Report reference number:** 077-24

**Classification:** OFFICIAL

**Title of report:** Vehicle Replacement Programme 2024/25 and 2025/26

**Area of county / stakeholders affected:** County-wide

**Report by:** David Stovell – Finance Business Partner

**Date of report:** 24<sup>th</sup> May 2024

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### 1. Executive Summary

Transport Services has a rolling vehicle replacement programme to ensure the ability of Essex Police to maintain the vehicle asset base so that it is fit for purpose and able to support ongoing delivery of the policing service to the people of Essex. The vehicle replacement programme will continue on from that carried out over previous financial years in providing investment in the fleet to replace vehicles that will reach the end of their useful operational lives during the MTFS period.

This decision report is seeking approval for a two-year vehicle replacement programme to aid fleet planning, so that the force is able to provide the most appropriate level of operational vehicle availability across that period. It also recognises that, in recent years, there have been unprecedented factors affecting the ability of the vehicle manufacturing industry to fulfil some orders within a 12-month timeframe, including changes made to some models. A two-year plan provides the necessary flexibility to ensure those replacement vehicles due in year two can be delivered before the end of 2025/26.

For 2024/25, £2.825m has been earmarked in the 'subject to approval' category of the capital programme for the vehicle replacement programme and £4.5m has been earmarked for 2025/26; this amounts to funding of £7.325m over the two-year budget period. This decision report seeks the approval of the Police, Fire and Crime Commissioner (PFCC) of the £7.325m two-year capital funding allocated within the MTFS for 2024/25 and 2025/26 in order to undertake the next phase of vehicle replacements.

## **2. Recommendations**

The recommendation is that the PFCC approves funding for the two-year vehicle replacement programme, allocating capital for 2024/25 of £2.825m and for 2025/26, £4.5m.

## **3. Background to the proposal**

Transport Services are responsible for the entire lifecycle management of the Essex fleet, on the road and water. The department provides a range of services in support of delivering a complex fleet lifecycle.

The vehicle replacement programme is essential for the delivery of operational policing, ensuring vehicles are safe and fit for purpose. Fleet vehicles are replaced at the appropriate time within their serviceable life and warranty not only to ensure Essex Police has the most appropriate resources at its disposal, but also to minimise potential adverse impact on revenue budgets for maintenance and repair that may result from prolonged usage of individual vehicles.

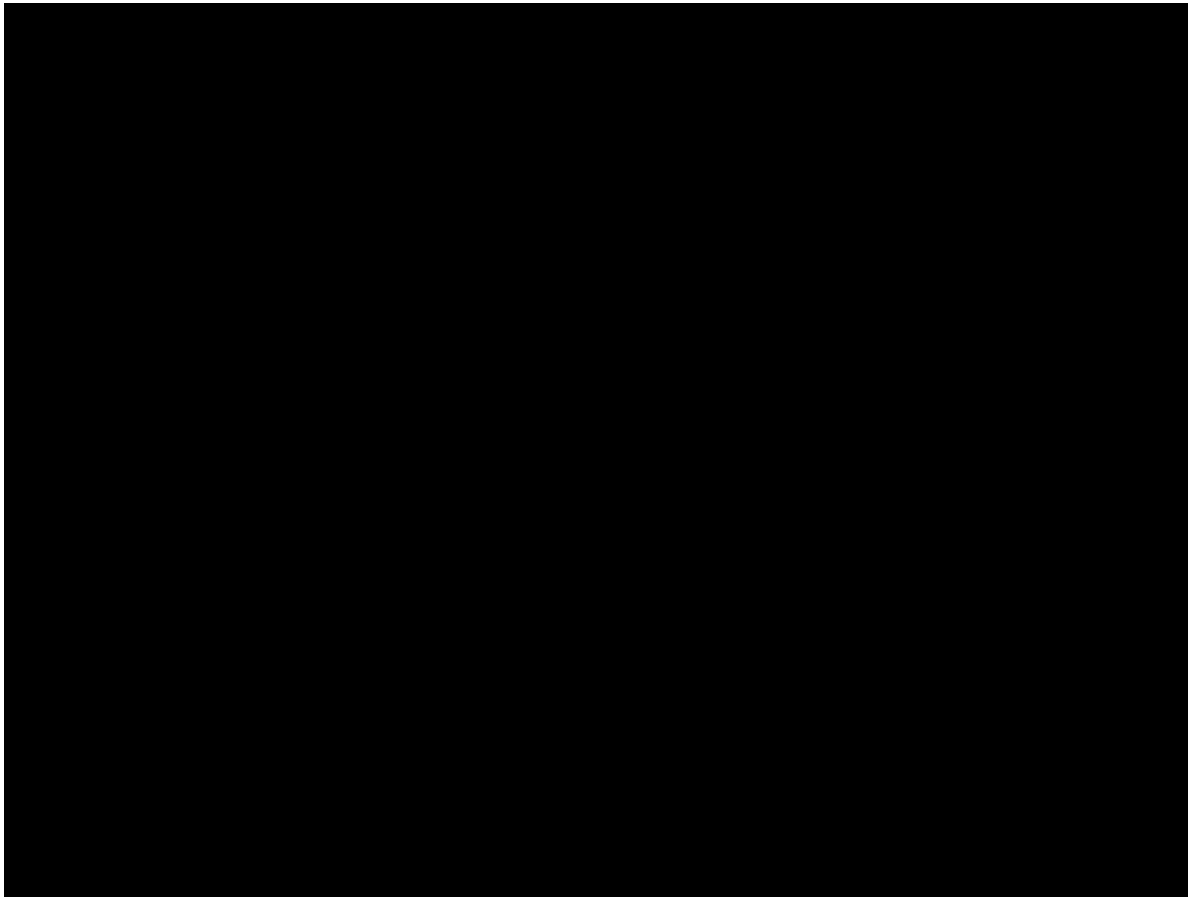
A key element of the programme is that the vehicle fleet is constantly reviewed and assessed by the fleet management team, looking at utilisation and ensuring assets are allocated appropriately to maintain efficiency. The vehicle replacement programme is projected using the force fleet database, identifying replacement timescales, plus utilisation.

## **4. Proposal and associated benefits**

This proposal provides the funding to deliver a continuation of the rolling vehicle replacement programme for 2024/25 and 2025/26. The programme allows the force to maintain asset value and operational availability of the force fleet. Transport Services have sought to provide a long-term and balanced programme, designed specifically to maintain stability and economy within our fleet to support front line policing.

A summary of the proposed scale of the replacement programme, by vehicle type is as per Table 1 which follows. Pertinent points to note are that the variance in budgetary requirement across the two years largely relates to two areas; firstly, a substantial increase in the number of marked response vehicles that will need to be replaced in 2025/26 as opposed to the previous year, and secondly, the expansion of the force drive towards moving the fleet away from traditionally fuelled vehicles and into electric vehicles (EVs). The increase in the expected number of EV vehicles alone accounts for £1.345m of the £1.7m difference in budgetary requirement between the two financial years.

**Table 1**



**5. Options analysis**

The vehicle replacement schedule is based upon the optimum time period for replacing each vehicle as it reaches the end of its useful operational life.

The option of early replacement of existing fleet vehicles has been considered but was discounted because it does not offer the force best value in the use of our assets.

The option of deferring replacement of fleet vehicles was also considered, but this was rejected as it would pose a threat to the force's ability to deploy appropriate numbers of vehicles should lengthening their operational lives lead to more frequent equipment failures and time spent under maintenance and repair. In addition, such an option would increase pressure on revenue budgets allocated for vehicle servicing and maintenance as older vehicles are likely to require an increasing quantity of replacement parts and time spent maintaining them.

The preferred option is to utilise available analytical data that identifies the optimal timescale to replace fleet vehicles when they reach the end of their useful operational life. This is allied to a procurement approach through the NPCC fleet portfolio that ensures the force achieves best possible pricing and economies of scale in purchasing fleet vehicles.

The preferred option, therefore, is that the Commissioner endorses the recommendation contained within this decision report, allocating capital funding for 2024/25 of £2.825m and for 2025/26, £4.5m, allowing the vehicle replacement programme to maintain and improve available vehicle resources for the force.

The Commissioner has the option not to approve funding for the vehicle replacement programme. However, this option is not recommended on the basis that it will leave the

force vulnerable to having a fleet of ageing vehicles, increasing financial pressures on the revenue budgets allocated for maintenance and repair, as well as potentially reducing vehicle reliability and ability to support policing in the county.

## **6. Consultation and Engagement**

Police vehicles are developed to meet the specific operational needs of the force. These align to national standards and requirements, which are developed by the National Association of Police Fleet Managers, through the NPCC Fleet Portfolio.

NPCC portfolio leads and UK police fleet professionals are engaged in defining operational fleet requirements. It is appropriate this is dealt with as a national consultation, given the significant changes in the fleet industry (e.g. transition to EVs and the implementation of ADAS, Advanced Driver Assistance Systems). This approach also means the UK police service can benefit from the significant procurement economies of scale, of a 40,000-vehicle fleet. This replacement program is based on the discounts achieved through that process.

Within the force, we engage with the corporate road risk and user groups to discuss and refine vehicle specifications and how the fleet is being utilised. These groups include representation from Chief Officers, operational practitioners, the Police Federation / Unison and fleet / engineering leads.

More locally, we provide operational leadership teams with flexibility and choice from a catalogue of available fleet options. These are based on role specifications that have been defined with users. The choices available derive from the national work and are therefore tested and approved for police use.

## **7. Strategic Links**

The recommendations within this decision report support the ongoing delivery of the force-wide capital programme, which in turn supports the priorities in the Commissioner's Police and Crime Plan 2021-24. They also align with the objective within the Police and Crime Plan "to ensure that the officers, staff and volunteers in Essex Police ... receive the support they need to keep delivering an outstanding service to the public, ... and can go about their work safely."

## **8. Police operational implications**

The vehicle replacement programme directly correlates to vehicle availability and delivery of service. It is critical that adequate budget is allocated to the programme to ensure that Transport Services can continue to deliver a modern fleet to the force.

## **9. Financial implications**

The capital expenditure identified within this report has been incorporated within the overall capital programme and MTFS.

This decision report seeks the approval of capital funding for the vehicle replacement programme of £2.825m for 2024/25 and £4.5m for 2025/26. Transport Services will commit to ordering vehicles in 2024/25 to the value of £2.825m as per the vehicle replacement programme but recognise the difficulties for the vehicle manufacturing industry in fulfilling orders within a single 12-month period, particularly certain vehicle types such as vans. Thus, capital costs for the 2024/25 programme are forecast to be spent across both 2024/25 and 2025/26, with £0.706m from the 2024/25 programme forecast to slip into 2025/26. This aligns with the budget earmarked for the vehicle replacement programme in the 'subject to approval' category of the capital programme,

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as summarised in Table 2 below. A similar scenario applies to the £4.5m capital funding for the vehicle replacement programme for 2025/26, with slippage of £1.125m forecast from 2025/26 into 2026/27.

**Table 2**

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29	Total
CAPITAL COSTS	£000'	£000'	£000'	£000'	£000'	£000'
(ESSEX ONLY)						
Stage B - budget setting VRP 2024/25	2,118.80	706.20				2,825.00
Stage B - budget setting VRP 2025/26		3,375.00	1,125.00			4,500.00
<b>Stage B - budget setting Total</b>	<b>2,118.80</b>	<b>4,081.20</b>	<b>1,125.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,325.00</b>
Stage C - VRP 2024/25	2,118.80	706.20				2,825.00
Stage C - VRP 2024/26		3,375.00	1,125.00			4,500.00
<b>Stage C Total</b>	<b>2,118.80</b>	<b>4,081.20</b>	<b>1,125.00</b>	<b>0.00</b>	<b>0.00</b>	<b>7,325.00</b>
Total Variance: Stage B compared to budget setting provision	0.00	0.00	0.00	0.00	0.00	0.00

The above figures exclude the costs associated with borrowing in respect of this project however it should be noted that this will lead to an increase in the force's capital financing requirement (CFR). This will result in charges to the revenue account relating to minimum revenue provision (MRP) and interest payable. For this project these costs will equate to the capital investment value of £7.325m being charged as MRP in instalments over the useful economic life of the related asset. In respect of interest payable for external borrowing it is assumed that the force will incur financing costs of approximately 5.75% for a period of seven years. On the assumption the principal is not repaid in full until the end of the borrowing term, this will result in total charges to the revenue account of proceeding with this project of £10.273m, incorporating both the MRP and interest elements.

For this programme, the year-on-year breakdown of the interest and MRP would be as per Table 3.

**Table 3**

	Year 1 2024/25	Year 2 2025/26	Year 3 2026/27	Year 4 2027/28	Year 5 2028/29	Year 6 2029/30	Year 7 2030/31	Year 8 2031/32	Year 9 2032/33	Year 10 2033/34	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest											
VRP 2024/25	121.83	162.44	162.44	162.44	162.44	162.44	162.44	40.61			1,137.08
VRP 2025/26		194.06	258.75	258.75	258.75	258.75	258.75	258.75	64.69		1,811.25
<b>Interest sub-total</b>	<b>121.83</b>	<b>356.50</b>	<b>421.19</b>	<b>421.19</b>	<b>421.19</b>	<b>421.19</b>	<b>421.19</b>	<b>299.36</b>	<b>64.69</b>	<b>0.00</b>	<b>2,948.33</b>
MRP											
VRP 2024/25		302.69	403.57	403.57	403.57	403.57	403.57	403.57	100.89		2,825.00
VRP 2025/26			482.14	642.86	642.86	642.86	642.86	642.86	642.86	160.70	4,500.00
<b>MRP sub-total</b>	<b>0.00</b>	<b>302.69</b>	<b>885.71</b>	<b>1,046.43</b>	<b>1,046.43</b>	<b>1,046.43</b>	<b>1,046.43</b>	<b>1,046.43</b>	<b>743.75</b>	<b>160.70</b>	<b>7,325.00</b>
<b>Total Interest &amp; MRP costs</b>	<b>121.83</b>	<b>659.19</b>	<b>1,306.90</b>	<b>1,467.62</b>	<b>1,467.62</b>	<b>1,467.62</b>	<b>1,467.62</b>	<b>1,345.79</b>	<b>808.44</b>	<b>160.70</b>	<b>10,273.33</b>

It should be noted that the above financing costs are included in the MTFS as part of the 'subject to approval' capital projects, and these values are being provided in this report to ensure there is a clear understanding of the full cost implications to the force of proceeding with this project.

**10. Legal implications**

There are no specific legal implications associated with the recommendations contained within this decision report nor the approval of the stated funding.

**11. Staffing implications**

There are no direct staffing implications associated with the recommendations contained within this decision report nor the approval of the stated funding.

**12. Equality, Diversity and Inclusion implications**

There are no equality, diversity and inclusion implications associated with the recommendations contained within this decision report. There will be no disadvantages to people with protected characteristics.

**13. Risks and Mitigations**

There are no direct risks identified that would arise as a result of the PFCC's endorsement of the recommendations contained within this decision report.

If the PFCC were not to support the recommendations, there would be insufficient capital funding available to maintain the current fleet. This will likely impact on the ability of the force to continue to deliver frontline operational policing, if fleet assets suffer a reduction in availability and quantity.

**14. Governance Boards**

The requirement to produce a submission for funding for the vehicle replacement programme has been identified as part of the operation of the Capital Programme Management Board.

This decision report was considered by the PFCC's Strategic Board on 10 June 2024.

**15. Links to Future Plans**

This decision report and the recommendations contained therein are intrinsically linked to current and ongoing plans for operational policing, as well as the provision of capital resources to support the force-wide capital programme.

**16. Background Papers and Appendices**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Report Approval**

The report will be signed off by the PFCC's Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.



Chief Executive / M.O.

Sign:

Print: P. Brent-Isherwood

Date: 30 May 2024

Chief Financial Officer

Sign:



Print: Janet Perry

Date: 31 May 2024

**Publication**

Is the report for publication?

YES

NO

If 'NO', please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State 'None' if applicable)

None

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

**Redaction**

If the report is for publication, is redaction required:

1. Of Decision Sheet?

YES

2. Of Appendix?

YES

NO

NO

If 'YES', please provide details of required redaction:

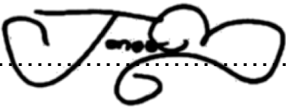
Redact entire contents of Table 1 in Section 4 – deemed operationally sensitive.

Appendix has been protectively marked Official-Sensitive so is not suitable for publication.

Date redaction carried out: .....

**Treasurer / Chief Executive Sign Off – for Redactions only**

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

Sign:  .....

Print: ...Janet Perry.....

~~Chief Executive/Treasurer~~ Chief Financial Officer

Date signed: 1 July 2024.....

**Decision and Final Sign Off**

I agree the recommendations to this report:

Sign:  .....

Print: ...Roger Hirst.....

**PFCC**

Date signed: 25/06/2024.....

I do not agree the recommendations to this report because:

.....  
.....  
.....

Sign: .....

Print: .....

**PFCC/Deputy PFCC**

Date signed: .....