

## CABINET

21 May 2024

<b>Title:</b> Disposal of Redundant Vehicle Stock	
<b>Report of the Cabinet Member for Public Realm and Climate Change</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> None	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Rebecca Johnson, Director of Public Realm	
<b>Accountable Executive Team Director:</b> Leona Menville, Strategic Director of MyPlace	
<b>Summary</b>  There are currently 89 vans owned and maintained by LBBD but utilised by WeFix. These are no longer cost effective to own due to age and cost of maintenance.  This report seeks to obtain approval to dispose of 89 vans from the LBBD fleet via phased auction.	
<b>Recommendation(s)</b>  The Cabinet is recommended to approve the disposal of 89 vans via a phased auction approach (option 5) as detailed in the report.	
<b>Reason(s)</b>  Approving this report enables LBBD to provide greater value for money via the disposal of assets that are reaching end of life.	

### 1. Introduction and Background

- 1.1 The Council own 76 vans that have been utilised by WeFix (part of BDMS) as part of the maintenance service provided to HRA properties and a further 13 utilised by the Caretaking service. The vehicles are maintained by LBBD fleet and workshop services.
- 1.2 The vehicles have now reached an age where they are no longer fit for purpose due to mechanical and/or structural issues, whereby the cost of repairs and maintenance is resulting in a reduction in value for money.
- 1.3 As part of new contract arrangements, BDMS have procured their own lease and maintenance contracts for fleet operations, which means that they no longer require LBBD to provide a fleet.

## 2. Proposal and Issues

- 2.1 It is proposed to sell a total of 89 vehicles in a phased approach via auction avoiding saturating the market and realising a higher potential value.
- 2.2 Of the 89 vehicles, there are 24 which are no longer serviceable and currently off road. Of the remaining vehicles 65 it is the intention to repurpose 13 of the best vans to be utilised by the Caretaking service, which will enable the service to release the current non-ULEZ compliant vehicles. The final 52 vehicles are of deteriorating quality, increasing cost of maintenance and require a gradual removal from service.

## 3. Options Appraisal

- 3.1 **Option 1: Do nothing – Not recommended:** This is not considered viable due to the age and current quality of the vehicles, the cost of maintaining these will only increase. There will be further downtime of vehicles, resulting in further costs through additional hire vehicles to cover those off road.
- 3.2 **Option 2: Sell as one lot for a guaranteed price – Not recommended:** Whilst this is potentially a good option, it would require multiple dealers to price the vehicles and may result in a lower overall value.
- 3.3 **Option 3: Auction as one lot – Not recommended:** Whilst this would be the quickest option, it would risk flooding the market by diluting the value the vehicles would achieve at auction.
- 3.4 **Option 4: Sell individually at market value – Not recommended:** Whilst this could potentially deliver a higher overall value, it would be significantly time consuming and resource intensive.
- 3.5 **Option 5: Phased disposal at multiple auctions – Recommended:** This should realise the assets' potential without saturating the market.

## 4. Consultation

- 4.1 This report was considered and endorsed at Assets and Capital Board on 10 April 2024.

## 5. Financial Implications

Implications completed by: Sandra Pillinger, Finance Manager

- 5.1 There are 24 vehicles formerly used by WeFix which are no longer serviceable. The 65 remaining We Fix vehicles will be gradually removed from service and sold as they are replaced, other than 13 vehicles which will be repurposed by Caretaking. This will generate funding for the Council and will also enable Caretaking to release 13 non-ULEZ compliant vehicles which can then also be sold. There are 89 vehicles to be sold in total.

- 5.2 Each vehicle is anticipated to realise £3,000 on average at auction. The condition of each vehicle differs over the whole fleet so the sale proceeds will vary from vehicle to vehicle. The proceeds from the sale of an asset are classified as a capital receipt if the income from each individual asset sold is £10,000 or more. As the sale proceeds from each vehicle should be below this value, the income generated will be credited to the Fleet department's revenue budget. Costs of sale will be funded from the sale proceeds. The total anticipated sale proceeds from the disposal of both the We Fix vehicles, and the Caretaking vehicles will be in the region of £267,000.
- 5.3 There will a saving of £162.50 per day from no longer paying the congestion charge on the 13 non-ULEZ compliant Caretaking vehicles. This will result in a saving to the HRA.
- 5.4 Public Realm charge the HRA for the cost of maintenance of the WeFix fleet. In 2023/24 this cost was approx. £140,000. Public Realm will lose this income when the vehicles are sold but they will also no longer be incurring the maintenance costs. The HRA will no longer be charged for the maintenance costs of the vehicles to be sold but this cost will be replaced by the cost of the new vehicles to be leased by BDMS. BDMS charge the HRA for fleet costs as part of the BDMS contract as a variable charge. This cost will depend on the cost of leases entered into by BDMS for replacement vehicles and is not known at this time.

## 6. Legal Implications

Implications completed by: Dr Paul Feild, Principal Solicitor Standards & Governance

- 6.1 This report seeks Cabinet authority for the disposal by phased auction of obsolete commercial vehicles.
- 6.2 The Council Constitution at LBBB Constitution Part 4, Chapter 2 – Financial Regulations and Rules provides (see paragraph 5.14.4 'Disposals') that any asset of the Council deemed obsolete or surplus to requirements where the residual value exceeds £5,000 shall be subject to a report submitted to the Cabinet stating the reason for disposal and the recommended method of disposal. The Capital Finance team are to be informed of the disposal, as it may affect the Fixed Asset Register.
- 6.3 In all the circumstances, taking account the Councils processes and the Local Government Act 1999 duty to secure best value, the recommended option would secure compliance.

## 7. Other Implications

- 7.1 **Risk Management** – The current fleet of vehicles are either already off-road or of decreasing quality. By continuing to operate the current fleet it would lead to an increase in financial costs and risk of further structural or mechanical failure leading to operational risk
- 7.2 **Contractual Issues** – As part of the current contractual arrangements with BDMS, they are responsible for sourcing their own fleet and maintenance agreements.

Whilst there is a cost implication for this, it is factored into the BDMS contract arrangements accordingly.

- 7.3 **Staffing Issues** – The workshop service currently maintains the WeFix fleet, however the service has had challenges around sourcing staff due to a national shortage of mechanics. This has created capacity challenges for the service area. By disposing of the vehicles and ceasing maintenance requirements it will reduce capacity issues within the workshop service and enable improved maintenance of the remaining LBBB fleet.

**Public Background Papers Used in the Preparation of the Report:** None

**List of appendices:** None