



Funding Memo

*Project: Fleet Replacement Programme
Funding Drawdown for FY2021/22:
Tranche 2*

Initiative ID: ICL - 14

Senior Responsible Owner: Business
Manager, Asset Management - Kirit Parbhu
Benefits Realisation Owner: Fleet Manager –
Dave Jacobs

Prepared by: Bill MacDonald

Date: 8 June 2021

Version: 10



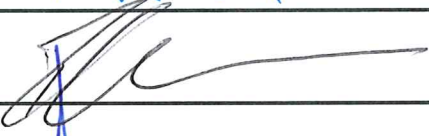
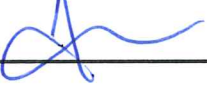
Status: FINAL

RPA rating: Low

Template Version: 1.4



1. Endorsement Status

Name	Date & Signature
Senior Responsible Owner (SRO): Kirit Parbhu, Business Manager, Asset Management	 8/6/2021
Benefits Realisation Owner (BRO): David Jacobs – Fleet Manager DJ	 8/6/2021
Finance Business Partner: Peter Kearney	 8/6/21
EPMO Investment Management Lead: Jacklyn Burke-Flockton	 8/6/21

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Category	Rating
Scale Assessment	Select from drop down..
Risk Assessment	Select from drop down..
Hōkai Rangī Alignment	Select from drop down..
EPMO Recommendation	Select from drop down..
Comments	<Insert Text>

2. Background and Investment Purpose

The Fleet Replacement Four Year Programme (FRP) for the replacement of a diverse range of 360 at risk fleet assets requiring replacement by 2024, was approved by the Investment Committee (IC) in June 2020 for a total of \$27,200,000. The delivery of current four-year FRP has been developed based on the existing capability and resources available within the Fleet Team. The FRP has been divided up into the following tranches.

- Tranche One - 89 assets at an estimated cost of \$7,700,000
- Tranche Two - 83 assets at an estimated cost of \$6,500,000
- Tranche Three - 87 assets at an estimated cost of \$6,500,000
- Tranche Four - 101 assets at an estimated cost of \$6,500,000

During the four-year programme, focus will be given to exiting older at risk assets from the fleet that would further reduce longer replacement pressures.

To identify the assets needing replacement over the next four years from 2020/21 through to 2023/24, structured risk assessments, which are updated annually, have been completed against all asset types on the Fleet Asset Register that have been identified as requiring consideration for replacement.

For Tranche One of the FRP, 89 planned fleet asset replacements within 2020/2021 FY at an estimated capital cost of \$7,700,000 comprising of the below elements:

- \$6,000,000 for Fleet Renewals 2020/21
- \$1,200,000 for the replacement of two 22 Cell Prisoner Escort Vehicles
- \$500,000 for supplementary renewals funding where fossil fuelled cars are replaced with electric cars.



A Project Change Request was approved by the Senior Responsible Owner in December 2020, reprioritising the replacement of the 22-cell Prisoner Escort Vehicles (PEVs) providing an opportunity to replace the next eleven most at-risk generation 1.1 PEVs. Tranche One of the FRP was amended to reflect this change.

Note: The replacement of the 22 Cell Prisoner Escort Vehicles will now be considered as part of Tranche Three of the FRP (2022/23) and is likely to be 10 cell Prisoner Escort Vehicles based on the Generation 3 specification.

In addition, there was \$1,796,765 of capital Carry Forward from the 2019/20 FY resulting in a total fleet asset replacement programme of \$9,496,765 to be procured in 2020/21.

All procurement activities associated with the 2019/20 Carry Forward and Tranche One of the FRP are due for completion at the end of June 2021 and the following elements will have been committed with purchase orders placed for 134 assets with a total committed cost of \$9,454,022;

- \$1,613,090 for fleet carry forwards from 2019/20
- \$5,885,132 for fleet renewals 2020/21
- \$1,455,800 for replacement of eleven generation 1.1 Prisoner Escort Vehicles
\$ 500,000 for electric vehicles

Of the amount committed \$3,014,934 had been goods receipted by 30 April 2021 with a further \$3,319,150 expected to be accrued by 30 June 2021 – representing 99% of the Carry Forward and Tranche 1 fully committed with purchase orders issued. This leaves a balance of \$3,088,165 to be paid in respect of fleet assets, predominantly PEVs, minibus vans and trucks where the engineering works are works in progress and due for completion by January 2022.

Note: that unlike in previous years all procurement activity associated with the 2019/20 Carry Forward and Tranche One of the FRP will be completed before the end of the financial year with a residual; underspend of \$42,743 available as additional contingency for Tranche Two.

The estimated cost of \$6,500,000 for assets to be procured in Tranche Two in the 2021/22 FY aligns with the approved Capital Plan allocation for the Fleet Replacement Programme 2021/22 and includes replacement of 94 assets ranging in cost from \$7,000 - \$250,000 per asset with an average value of \$62,000. See Appendix Two for the Fleet Risk Assessment Model used to identify the assets which require replacement and Appendix Three for a detailed list of the 83 fleet assets identified for replacement in Tranche Two.

Significant disruptions to supply chains in a post-covid-19 environment have significantly extended lead times for the delivery of fleet assets which are sourced from overseas. This has resulted in an additional lag between obtaining approval and a fleet asset coming into service. Consequently, the cashflow for Tranche One has been pushed out over nineteen months and is reflected in the \$3,088,165 carry forward identified previously. Considering the carry forward for Tranche One and to provide better information for decision making, a cashflow forecast for Tranche Two, based on current extended process and lead-time assumptions has been included at Appendix Four.

The key milestones/governance decisions for the Four Year FRP that have been made to date are listed in the following table:

Milestone	Date
Investment Case approved by IC for draw down of Year One capital funding and approval of the Four-Year Programme	June 2020
Procurement of replacement of 91 Tranche One fleet assets is due for completion	30 June 2021

Subject to approval of this memo the milestones for Tranche Two are:

Milestone	Date
Tranche Two of the FRP to commence	1 July 2021
All procurement activity up to and including ordering of assets estimated to be completed	February 2022
All Tranche Two fleet assets estimated to be commissioned into service	December 2022



What previous approvals has this Project had?	<ul style="list-style-type: none">• In June 2020, the IC approved the FRP and released \$7,700,000 of capital funding in the 2020/21 FY to undertake Tranche One of the FRP. <p>The June 2020 Investment Case also noted Funding Memos will be submitted to Infrastructure & Facilities Portfolio Governance Committee (IFPGC) prior to the subsequent financial years revalidating the investment and seeking the release of the capital funding to complete the procurement of that financial year's identified replacements.</p> <p>This proposed staged funding release approach will provide the Department with control of the capital spend and if there was any significant shift in Government/Department priorities or the ability to achieve the benefits then a new investment case would be submitted.</p>
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3. Strategic Case

Why is funding required?	This memo is seeking draw down of the 2021/2022 FY capital allocation of \$6,500,000 to commence Tranche Two of this project in FY 2021/22.
Reconfirm which Hōkai Rangi strategic area(s) this initiative supports?	<p>The Fleet Replacement Four Year Programme aligns with the following Hōkai Rangi strategic areas:</p> <p>Humanising and Healing – Those in our care gain the skills, encouragement and support they need through respectful and value led interactions, while not being further harmed or traumatised by their experiences with our systems and environments.</p> <ul style="list-style-type: none">• <i>This initiative will reduce the risk of harm and improve conditions – ensuring the health and safety of people in our care.</i> <p>Foundations for participation – We will create an environment that improves the ability of people in our care to transition back into society upon release.</p> <ul style="list-style-type: none">• <i>People in our care will be using fit-for-purpose vehicles while undertaking training and education, enabling them to gain certification which will be transferable when they transition back into the community.</i> <p>This programme also aligns with the following investment priorities which are detailed in section 1.4 of the June 2020 investment case:</p> <ul style="list-style-type: none">• Managing and responding to core volume changes• Modernising the way we work• Supporting rehabilitation, reintegration and transitioning prisoners / offenders• Managing/maintaining asset resilience, service levels and capacity• Enhancing business value, efficiency and effectiveness. Lead transformation of the Criminal Justice Sector People in our care will be using fit-for-purpose vehicles while undertaking education, enabling them to gain certification which will be transferable when they transition back into the community.



4. Economic Case

4.1 Preferred Option

Has the approved preferred option changed?	No. The approved option as detailed in the Investment Case has not changed the target is still to replace 360 at risk fleet assets by 30 June 2024. 89 fleet assets were replaced in Year One and 83 fleet assets are to be replaced in Year Two.
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4.2 Benefits

The benefits as listed in the Investment case relate to the delivery of the Four Year FRP as outlined in the Investment Case which are still valid, achievable and have not changed.

However, it is too soon to determine the baseline for Benefits 2, 3, and 4 level of benefits achieved. The plan is to determine the baseline for all the identified benefits, against which future actuals will be measured. Initial reporting of the benefits as measured against that baseline will start from June 2022 with the final benefits being measured after the four year FRP has been completed.

Benefit 1 – Improving Policy Safety Compliance - Light Commercial Fleet ANCAP Safety Rating

The performance measure for the above benefit is:

The programme will see 190 ANCAP 5 replacements by 2024, made up of:

Tranche	Planned Replacements	Actual Replacements	Notes
One	44	On Target	In the process of being delivered and will be reported in December 2021
Two	41	TBA	
Three	52	TBA	
Four	53	TBA	
TOTAL	190	TBA	

Benefit 2 – Reduction in CO2 Emissions within the Fleet

The performance measure for the above benefit is:

The 190 light commercial vehicle replacements, will support the potential emissions reduction of 372,000 tonnes of CO2 over the four year programme, made up of:

Tranche	Planned Reduction in Emissions	Actual Reduction in Emissions	Notes
One	35,000	On Target	In the process of being delivered, need twelve months data to report and will be reported in July 2022
Two	71,000	TBA	
Three	116,000	TBA	
Four	150,000	TBA	
TOTAL	372,000	TBA	



Benefit 3 – Reduction in Fleet Fuel Costs

The performance measure for the above benefit is:

Of the 190 light commercial vehicle replacements, there are estimated fuel savings of \$176,000 over the four year programme, made up of:

Tranche	Planned Fuel Savings	Actual Fuel Savings	Notes
One	\$15,000	On Target	In the process of being delivered, need twelve months data to report and will be reported in July 2022
Two	\$33,000	TBA	
Three	\$56,000	TBA	
Four	\$73,000	TBA	
TOTAL	\$176,000	TBA	

Benefit 4 – Reduction of Reactive Maintenance Costs

The performance measure for the above benefit is:

The programme will see 360 vehicle replacements by 2024, where annual repair costs will be reduced by:

Tranche	Planned Replacements	Actual Replacements	Notes
One	\$263,000	On Target	In the process of being delivered, need twelve months data to report and will be reported in July 2022
Two	\$122,000	TBA	
Three	\$99,000	TBA	
Four	\$63,000	TBA	
TOTAL	\$547,000	TBA	

5. Commercial Case

5.1 Required Services

These remaining as per the investment case as detailed in the following table:

Service Required for Delivery	Identified Resource	Internal/External	Procurement Requirements	Available Capacity
Overall management and delivery of the Fleet Replacement Programme	Fleet Manager	Internal	N/A	Existing resource within Fleet team, with dedicated capacity
Day to day management of the programme	Fleet Specialist	Internal	N/A as covered under existing Contract	Dedicated role within the Fleet team
Supply of replacement assets	External Suppliers	External	Existing contracts and new contracts (see below in Procurement Strategy)	Available supplier capacity will be assessed on an asset type basis.



6. Financial Case

6.1 Overview

<p>Is the initiative on the Capital Plan?</p>	<p>Yes – this memo is seeking the drawdown of FY 2021/22 funding for Tranche Two of the four year programme.</p> <table border="1" data-bbox="335 403 1305 526"> <thead> <tr> <th></th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> </tr> </thead> <tbody> <tr> <td>Funding Allocation</td> <td>\$6,500,000</td> <td>\$6,500,000</td> <td>\$6,500,000</td> </tr> </tbody> </table>		2021/22	2022/23	2023/24	Funding Allocation	\$6,500,000	\$6,500,000	\$6,500,000																																		
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<p>Have the WOLC changed?</p>	<p>The Whole of Life Cost in the Investment Case was estimated at \$20,420,000 representing the present value of the cash costs of purchasing the fleet assets identified as needing to be replaced plus the costs of implementation. While this has not been recalculated for this funding memo the cashflow deferment caused by the longer than planned lead times identified in the Lessons Learned Section of this paper would provide a small reduction in the WOLC for the programme as a whole.</p>																																										
<p>What is the position on contingency and return of contingency to date?</p>	<p>As this is a four-year programme any savings achieved during the process of procuring fleet assets will be added to the contingency available for later tranches in the programme. As previously noted, there was a small underspend of \$42,743 from Tranche One (FY 2020/21) which will be requested to be carried forward into FY 2021/22 so it is available as additional contingency for Tranche Two (FY 2021/22).</p>																																										
<p>What are the ongoing costs? Have these changed since the original Investment Case?</p>	<p>The ongoing costs have not changed and remain as per the investment case as detailed in the table below:</p> <table border="1" data-bbox="335 1052 1465 1500"> <thead> <tr> <th>Operating costs</th> <th>FY 2020/21</th> <th>FY 2021/22</th> <th>FY 2022/23</th> <th>FY 2023/24</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Current (status quo) operating cost (ongoing BAU)</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> </tr> <tr> <td>Post-programme operating cost (ongoing BAU)</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> </tr> <tr> <td>Variance between Current (status quo) operating cost (ongoing BAU) and Post-programme</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> <td>N/a</td> </tr> <tr> <td>Impacted Cost centre (ongoing BAU)</td> <td>neutral</td> <td>neutral</td> <td>neutral</td> <td>neutral</td> <td>neutral</td> </tr> <tr> <td>Capital Charge</td> <td>\$351,255</td> <td>\$644,663</td> <td>\$856,517</td> <td>\$1,032,530</td> <td>\$2,884,964</td> </tr> <tr> <td>Depreciation impact</td> <td>\$276,228</td> <td>\$868,298</td> <td>\$1,235,476</td> <td>\$1,929,062</td> <td>\$4,309,064</td> </tr> </tbody> </table> <p>Delivery of the asset replacements will be reflected as overall reductions in fleet operating expenses and will allow the Fleet Team to have a greater level of control in preventing increased reactive maintenance costs, which will be achieved by replacing the underperforming 360 at risk assets. The 91 fleet assets for Tranche One of the programme are on track to be completed by 30 June 2021 and the replacement of the 94 fleet assets for Tranche Two is scheduled to start 1 July 2021.</p>	Operating costs	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total	Current (status quo) operating cost (ongoing BAU)	N/a	N/a	N/a	N/a	N/a	Post-programme operating cost (ongoing BAU)	N/a	N/a	N/a	N/a	N/a	Variance between Current (status quo) operating cost (ongoing BAU) and Post-programme	N/a	N/a	N/a	N/a	N/a	Impacted Cost centre (ongoing BAU)	neutral	neutral	neutral	neutral	neutral	Capital Charge	\$351,255	\$644,663	\$856,517	\$1,032,530	\$2,884,964	Depreciation impact	\$276,228	\$868,298	\$1,235,476	\$1,929,062	\$4,309,064
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6.2 Funding Approach

Funding required for Tranche Two

Cost Element	Cost Type	Prior Approval – Tranche One		Funding sought this memo - Tranche Two		Future funding drawdowns				Four Year Programme Costs	
		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		Total	
		Qty	\$	Qty	\$	Qty	\$	Qty	\$	Qty	\$
Northern Region	Estimate	16	\$815,000	19	\$1,124,000	19	\$1,348,000	22	\$1,231,000	74	\$4,772,000
Central Region	Estimate	21	\$1,961,000	28	\$1,919,500	29	\$1,941,500	23	\$1,417,500	93	\$6,596,000
Lower North Region	Estimate	29	\$2,532,000	20	\$1,286,000	18	\$1,452,000	20	\$1,174,000	89	\$7,232,000
Southern Region	Estimate	23	\$1,593,000	26	\$1,422,000	21	\$1,311,000	30	\$1,837,500	96	\$5,998,000
Tactical Operations	Estimate							5	\$257,000	5	\$257,000
National Office	Estimate	2	\$82,000	1	\$53,000			1	\$52,000	3	\$134,000
Project Management Costs	Estimate		\$260,000		\$380,000		\$120,000		\$12,000		\$620,000
Subtotal		91	\$7,243,000	94	\$6,186,500	87	\$6,172,500	101	\$6,089,000	360	\$25,609,000
Contingency	\$		\$457,000		\$313,500		\$327,500		\$411,000		\$1,591,000
	%		5.94%		4.82%		5.04%		6.32%		5.85%
Total Programme Costs			\$7,700,000		\$6,500,000		\$6,500,000		\$6,500,000		\$27,200,000

Funding	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	Total
Renewals	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$24,000,000
Electric Vehicle Uplift	\$500,000	\$500,000	\$500,000	\$500,000	\$2,000,000
Two 22 Cell PEV Replacements	\$1,200,000	-	-	-	\$1,200,000
Prior Approvals	-	-	-	-	-
Total Programme Funding	\$7,700,000	\$6,500,000	\$6,500,000	\$6,500,000	\$27,200,000
Funding required this Funding Memo	-	\$6,500,000	-	-	\$6,500,000
Impact on Capital Programme	-	-	\$6,500,000	\$6,500,000	\$13,000,000

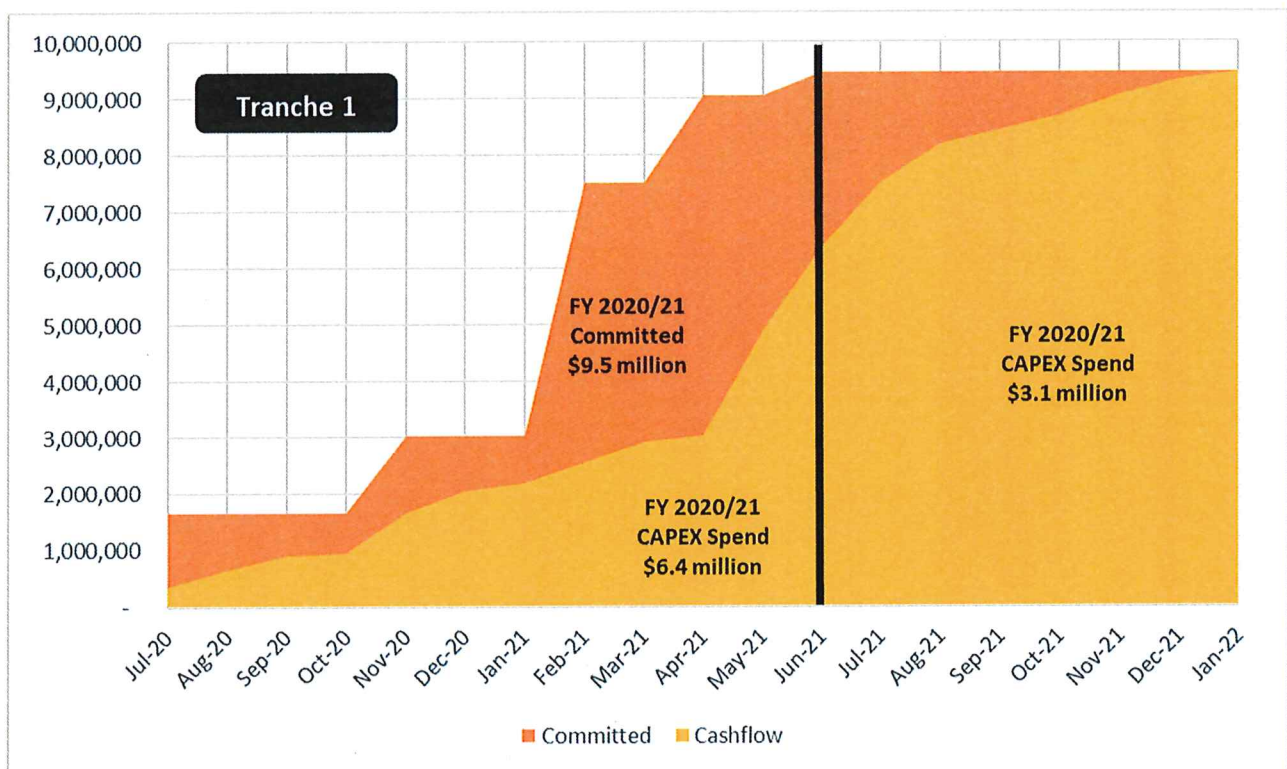


Any underspend from Tranche Two (inclusive of contingency) will be carried forward into Tranche Three and the funding for Tranche Three would be adjusted to reflect the carried forward amount and the funding required for the work scheduled for Tranche Three.

As this is a four year programme any savings achieved during the process of procuring fleet assets will be added to the contingency available for later tranches in the programme. As previously noted, there was a small underspend of \$42,743 from Tranche One (FY 2020/21) available as additional contingency for Tranche Two.

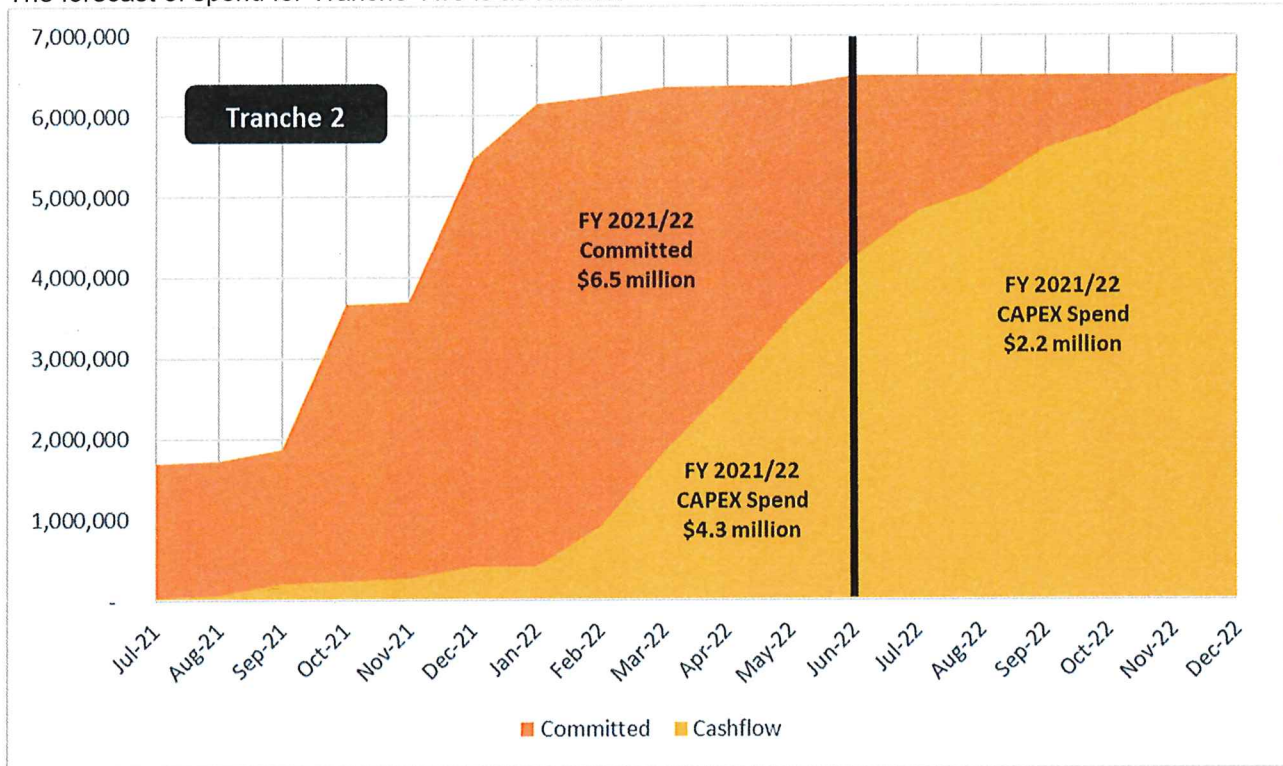
Lessons Learned

The main lesson learned from the delivery of Tranche One is that Covid-19 has had major impact on supplier engagement processes and delivery times. This has meant that even though commitment of orders for all fleet assets identified in Tranche One, there will be a significant cashflow carry-forward from FY 2020/21 to FY 2021/22. This has prompted a detailed review of the process and assumptions used to forecast the cashflow for Tranche Two attached in Appendix Four.





The forecast of spend for Tranche Two is as follows:



7. Management Case

Is the scope of the project still achievable?	<p>The original scope of 360 fleet asset replacements across the four year programme is still achievable and has not changed. 91 assets are on target for replacement for Tranche One. No management changes are required to deliver Tranche Two works.</p>																					
What are the remaining milestones for Year One? What are the milestones for Year Two.	<table border="1"> <thead> <tr> <th colspan="2">Milestones Remaining - Tranche One</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Goods Receipted</td> <td></td> <td>January 2022</td> </tr> <tr> <td>Fleet Assets commissioned into service</td> <td></td> <td>January 2022</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">Milestones - Tranche Two</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>All orders placed</td> <td></td> <td>February 2022</td> </tr> <tr> <td>Goods Receipted</td> <td></td> <td>December 2022</td> </tr> <tr> <td>Fleet Assets commissioned into service</td> <td></td> <td>December 2022</td> </tr> </tbody> </table>	Milestones Remaining - Tranche One		Date	Goods Receipted		January 2022	Fleet Assets commissioned into service		January 2022	Milestones - Tranche Two		Date	All orders placed		February 2022	Goods Receipted		December 2022	Fleet Assets commissioned into service		December 2022
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What is the overall status of the risks? Have any new key risks or issues arisen?	<p>The critical risks remain for the future years' programme.</p> <table border="1"> <thead> <tr> <th>Risk Type</th> <th>Description</th> <th>Mitigation</th> </tr> </thead> <tbody> <tr> <td>Supply Chain</td> <td>There are potentially significant risks of extended lead times between the placement of a purchase order and delivery. Covid-19 has added extra uncertainty to delivery times of fleet assets that come from overseas.</td> <td> <p>Significant progress was made in 2020/21 to establish supplier agreements to expedite the acquisition of fleet assets that are not on the AoG panel (e.g. agricultural equipment, engineering services and PEVs). This is expected to reduce the lead times for future purchases.</p> <p>Supply chain interruption and uncertainty due to Covid-19 are beyond the control of</p> </td> </tr> </tbody> </table>	Risk Type	Description	Mitigation	Supply Chain	There are potentially significant risks of extended lead times between the placement of a purchase order and delivery. Covid-19 has added extra uncertainty to delivery times of fleet assets that come from overseas.	<p>Significant progress was made in 2020/21 to establish supplier agreements to expedite the acquisition of fleet assets that are not on the AoG panel (e.g. agricultural equipment, engineering services and PEVs). This is expected to reduce the lead times for future purchases.</p> <p>Supply chain interruption and uncertainty due to Covid-19 are beyond the control of</p>															
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	<p>Major factors causing depleted inventory held by suppliers:</p> <ul style="list-style-type: none"> • Almost no stock held in New Zealand • Limited stock held overseas • Order ahead of manufacture • Extended shipping times • Reduced shipping to New Zealand. 	<p>the Department however the certainty provided by the above contracts has enabled suppliers to look at ways to improve their access to base vehicles which are all manufactured overseas which may be of benefit to the Department in future years.</p>
Cashflow Management	<p>In 2020/21 the supply chain risks identified above have resulted in a mismatch between the capex budget, and the actual spend. While it has been possible to complete all procurement activity before the end of the financial year there is a long tail in when the actual cost is recognised in the Department's financial system.</p>	<p>The mismatch between capex budget and actual cash expenditure for Tranche One demonstrates that it is prudent to clearly separate milestones for commitments (i.e. when purchase orders are raised) and actual expenditure (i.e. when the goods can be receipted).</p> <p>For Tranche One all purchase orders were expected to be placed within FY 2020/21, but the final payments will not be made until after all the assets are delivered which is expected to be by January 2022.</p> <p>All future funding memos, including this one, will clearly identify a programme of replacements that are capable of being procured within the specified period and an associated cashflow forecast of actual expenditure that will extend beyond that period.</p> <p>Opportunities to bring the approval of future Tranches will also be identified through six-monthly reviews of the FYP which may result in the need to bring approval forward.</p>
Quality, Resource and Schedule	<p>Quality: If there are product defects.</p> <p>Scheduling: If local stock availability is limited, on time project delivery could be affected.</p>	<p>Quality: All supply contracts have warranty and defect provisions.</p> <p>Scheduling: Regular Supplier meetings are held where the forecasted renewal's programme is discussed ensuring agreed lead delivery times verified at the time orders are placed.</p>
Financial	<p>If after orders have being placed and product variation occur i.e. additional requirements.</p>	<p>With each purchase order written fixed quotations are obtained and checked with provisions in the Supply Contract including variation provisions. All variations required prior written agreement.</p> <p>The Mobile Plant and pending Engineering's Services Contacts have robust secondary procurement processes where supplied all quotations are founded detailed written requirements, supplier site assessment and fit for purpose warranty statement.</p>



	<p>Stakeholder and Health and Safety</p>	<p>If the delivery vehicle is not fit for intended purposes.</p> <p>If staff are not familiar with the feature of supplied vehicle</p>	<p>For each vehicle purchase a detailed fit for purpose assessments are undertaken with the cost centre owner of their designated person prior orders been placed.</p> <p>Set delivery, handover and induction provisions are set out in the supply contracts requiring dated and signed evidencing documentation. The Mobile Plant and pending Engineering's Services Contacts have robust secondary procurement processes where supplied all quotations are founded detailed written requirements, supplier site assessment and fit for purpose warranty statement.</p> <p>Fleet has taken the following additional steps to improve driver awareness:</p> <ul style="list-style-type: none"> • Updated operating manuals • Online EV inductions • Managing mobile plant inductions <p>The Department has identified 11 Critical Risks, these are the organisational risks that have the greatest potential to cause significant harm if not managed effectively. Vehicles is one of these CR's. The Safety and Wellbeing Function are in the process of developing a Critical Control Protocol that once approved will introduce a series of mandatory and supporting controls across the Department, this is due to be rolled out to the business in FY 2021/22.</p> <p>The Fleet Replacement Programme supports the implementation of two CC's identified within in the CCP for Vehicles: Vehicle Fitness and Vehicle Suitability.</p> <ul style="list-style-type: none"> • Vehicle Fitness - the objective of these controls is to provide safe, road worthy vehicles that are fit-for-the purpose intended across all Department work activities involving any vehicle(s). • Vehicle Suitability - Department vehicles must be designed and certified to drive on a NZ Public Road and has specific safety features i.e Airbags, Antilock Braking System, Reversing Cameras and Parking Sensors
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<p>Are there any resource impacts?</p>	<p>No impact. All required resources remain available.</p>
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Are there any Change Management impacts?	<p>There are no additional or changes to the Change Management as detailed in the investment case.</p> <p>The scale of change for this initiative over the four year programme has been assessed as very low to low. This is a continuous annual programme impacting on users at national office, 63 community service centres and 16 prison sites.</p> <p>Assets are being replaced that are at end-of-life or no longer compliant. The impact of change is low on the sites and the people operating or monitoring the asset.</p> <p>Change will be minor with the introduction and familiarisation of new modern vehicle technologies with the replacements. This will be mitigated through documented and signed supplier handover, induction and familiarisation processes overseen by the change lead. This is backed up with each asset been supplied with an owners operating manual.</p>
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8. Recommended Actions & Approvals

Approval to Proceed		
1.	Approve this funding memo for the delivery of the Year Two (2021/22 FY) Fleet Replacement Programme, subject to any amendments recorded in minutes.	YES/NO
2.	Note the prior work done to date on this initiative to replace 91 fleet assets (Year One) in FY 2020/21 at a total estimated capital cost of \$7,700,000 as approved in August 2020.	YES/NO
3.	Note a funding memo will be submitted to IFPGC prior to each subsequent financial year for the release of funding for annual planned replacements.	YES/NO
Financial Approvals		
4.	Note the estimated Whole-of-life Cost of this initiative is still estimated at \$20,420,000 as per the Investment Case.	YES/NO
5.	Note the estimated total cost to complete Year Two of this initiative is \$6,500,000 in FY 2021/2022.	YES/NO
6.	Note the Capital Plan allocation for this initiative is \$6,500,000 per annum in FY2021/22, FY2022/23 and FY2023/24.	YES/NO
7.	Approve the release of \$6,500,000 capital funding required to complete Year Two of the Fleet Replacement Programme in the FY 2021/22.	YES/NO
8.	Note as per the June 2020 Investment Case there is an increase in depreciation costs relating to the replacement assets. There are no identified ongoing Opex costs associated with fuel or maintenance costs for this Programme of work.	YES/NO
9.	Note the requested carry forward of \$3,088,165 from FY20/21 to FY21/22 for committed assets due for completion by January 2022.	YES/NO
Delegation Approvals		
10.	Authorise the Fleet Manager to expend the approved capital funding of \$6,104,500 (not including contingency) for costs elements set out in section 4 – Funding Approach.	YES/NO
11.	Authorise the SRO to enter into contract negotiations and sign contracts for the scope and cost elements included in this funding memo.	YES/NO
12.	Authorise and allocate the contingency of \$395,500 to the SRO to expend.	YES/NO

Approvals

Name	Role
Andrew Robertson	Infrastructure & Facilities Portfolio Governance Committee Chair
Signature: 	Date: 16/6/21



Appendix One: Document Control

Document Information	
Document ID	Fleet Replacement Four Year Programme – release of Tranche Two funding FY 2021/22.
Release Date	11 June 2021

Document History		
Version	Issue Date	Changes
1	13 April 2021	Initial draft SBCA
2	14 May 2021	Changes and updates made by Bill MacDonald
3	17 May 2021	Review carried out by SBCA
4	18 May 2021	Changes and updates made by Bill MacDonald including feedback from Fleet Manager.
5	19 May 2021	Review carried out by SBCA
6	25 May 2021	Includes feedback from Finance
7	25 May 2021	Includes additional feedback from Finance & amended formatting
8	31 May 2021	Feedback received from EPMO and incorporated
9	31 May 2021	Additional info from Finance and version sent back to EPMO
10	8 June 2021	Feedback incorporated from EPMO second review and H & S. Version finalised for submission to IFPGC.

Document Reviewers

Name	Title	Review Date	Status
Kirit Parbhu	Senior Responsible Owner	24 May 2021	No feedback provided
David Jacobs	Benefits Realisation Owner	17 May 2021	Comments Incorporated
Peter Kearney	Senior Business Partner Finance	25 May 2021	Comments Incorporated
Jacklyn Burke-Flockton	EMPO	8 June 2021	Comments Incorporated
Elle Pullar	Senior H & S Advisor	1 June 2021	Comments Incorporated

Definitions and Acronyms (include Māori names)	
Acronym	Definition
IFPGC	Infrastructure and Facilities Portfolio Governance Committee
PEV	Prisoner Escort Vehicle
FRP	Fleet Replacement Programme



APPENDIX TWO: FLEET RISK ASSESSMENT MODEL

Weighted Multi Criteria Decision Making Process Used To Determine Fleet Assets Requiring Prioritised Replacement

Summarised overview: Each asset is risk ranked using multiple criteria and is then distributed by its asset class.

Ranked prioritisation is determined from multiple criteria: condition, safety, environmental sustainability, user and business requirements with discretionary override influences by the Fleet Manager. Using the ranking list, the distribution is then proportioned by applied weightings across the 5 asset categories.

Scored Criteria

Asset Replacement Framework			
Condition / Asset Life Consumed (Using the below proxies)			
Age	<input checked="" type="checkbox"/>	Fleet Register - NZTA	Used
Kilometres	<input checked="" type="checkbox"/>	Custom Fleet	Used
Hours	<input checked="" type="checkbox"/>	Custom Fleet	Used
Reactive Repair Costs	<input checked="" type="checkbox"/>	Custom Fleet	Used
Annual Risk Profile	<input checked="" type="checkbox"/>	Custom Fleet	Used
Safety			
ANCPAP	<input checked="" type="checkbox"/>	Fleet Register - NZTA	Used
Technology	<input type="checkbox"/>	Fleet Management	Considered
Sustainability			
Fuel	<input type="checkbox"/>	Fleet Register	Considered
Fuel Economy	<input type="checkbox"/>	Fleet Register	Considered
CO2 Emissions	<input checked="" type="checkbox"/>	Fleet Register	Used
User			
Transmission	<input type="checkbox"/>	Fleet Register	Considered
Class Driver License	<input type="checkbox"/>	Fleet Register	Considered
Business			
Risk	<input checked="" type="checkbox"/>	Refer Risk Table	Used

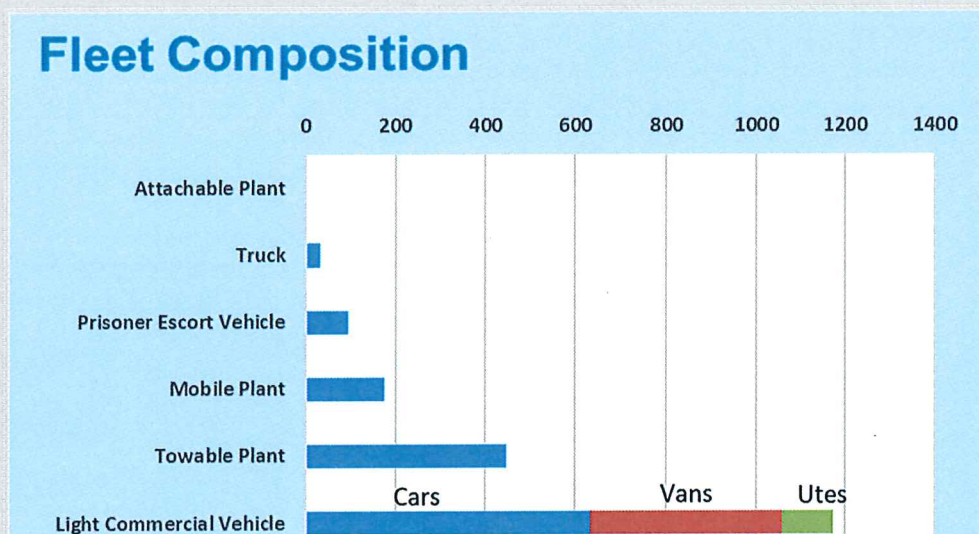
Scoring Rated 10 (Very Unfavourable) to 0 Very Favourable)

Applied Weightings

Weighting Attributes	Weightings
Must Replace - Score (Over Ride)	20.0%
Age Normalised	15.0%
KM Normalised	15.0%
RM Score Normalised	10.0%
CF Risk Normalised	10.0%
ANCAP Score Normalised	20.0%
CO2 Normalised	2.5%
Business Importance Normalised	7.5%
	100.0%

The process includes overrides where assets are prioritised for immediate replacement and other deferred.

Apportionment of allocated funding across the various fleet asset classes





Applied Apportionments

Asset Class	Qty	2021		2022		2023		2024
		\$6,983,000		\$5,984,500		\$6,052,500		\$5,969,000
Attachable Plant	3	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Light Commercial Vehicle	1159	\$2,112,358	35.25%	\$2,109,536	45.25%	\$2,738,756	45.25%	\$2,700,973
Mobile Plant	176	\$1,326,770	17.00%	\$1,017,365	17.00%	\$1,028,925	17.00%	\$1,014,730
Prisoner Escort Vehicle	93	\$3,002,690	32.50%	\$1,944,963	30.00%	\$1,815,750	30.00%	\$1,790,700
Towable Plant	448	\$17,458	0.25%	\$14,961	0.25%	\$15,131	0.25%	\$14,923
Truck	31	\$523,725	15.00%	\$897,675	7.50%	\$453,938	7.50%	\$447,675
		\$6,983,000	100.00%	\$5,984,500	100.00%	\$6,052,500	100.00%	\$5,969,000



APPENDIX THREE: DETAILED LIST OF FLEET ASSETS TO BE REPLACED FY 2021/22

Replacemnt Schedule : FY21/22

Region	Location	Rego	FAMP Asset Class	FAMP Asset Type Group	FAMP Asset Type Detailed Descriptor	Replacement Value
Central	LSE Greerton - 320Chadswick Rd	FJW271	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Hamilton, 150 London St	FSQ987	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Hamilton, 150 London St	FSU387	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Hamilton, 150 London St	FJH439	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Hamilton, 150 London St	FQ3988	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Huntly-2 Glasgow St	FHT358	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Huntly-2 Glasgow St	FSR895	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Mt Maunganui RC33Glcestr Rd	FSR885	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Opoitiki, 107 St John Street	FES456	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Rotorua-1232 Haupapa St	FHE973	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Te Puke RC-10 King Street	FSQ991	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Central	LSE Tokoroa, 16-18 Anchor Place	FYG971	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Tokoroa, 16-18 Anchor Place	FVL925	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	LSE Whakatane-165 Commerce St	FES454	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	SHCF	FEH960	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Central	SHCF	HMS863	Prisoner Escort Vehicle	Minibus Van - PEV	Minibus van Escort 4 Cell	\$200,000
Central	SHCF	GRE752	Prisoner Escort Vehicle	Truck - PEV	Truck Escorts 8 Cell	\$275,000
Central	SHCF	VCORRR	Towable Plant	Trailer - General Use \$3 to \$10K	3t Tipper Trailer	\$11,000
Central	Tongariro Prison	VCORRR	Towable Plant	Trailer - Special Purpose - Purpose undefined Over \$50K	6t Twin Axle tipper Trailer	\$11,000
Central	Tongariro Prison	HW6264	Truck	Truck - Light	Light Good vehicle (<3.5t)	\$75,000
Central	Tongariro Prison	VCORRR	Towable Plant	Trailer - General Use \$3 to \$10K	3t Tipper Trailer	\$7,000
Central	Walkeria	4425N	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Central	Walkeria	A6GWK	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Central	Walkeria	612GN	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Central	Walkeria	VCORRR	Towable Plant	Trailer - Special Purpose - has defined purpose	Feed-out Single Axl Trailer	\$50,000
Central	Walkeria	A4CUW	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Central	Walkeria	B9MTS	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Central	Walkeria	B3PKL	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Lower North	LSE - Hawera 91 Glover Rd	FEH982	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE Flaxmere, 22 Wilkes Place	FSQ986	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	LSE Gisborne, 156-158 Kahutia S	FEZ78	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE Hastings-101Lyndon Rd East	FD1749	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE Napier, 60-70 Station St	FSR96	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	LSE- NLC-20 Somme Rd Upper Hut	FHB610	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE Paraparaumu-7 Arko Pl	FSQ992	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	LSE Porirua-10 Prosser St	FSL879	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	LSE-3-15 Donningtn St Palm Nth	FT839	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE-3-15 Donningtn St Palm Nth	FJCS18	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	LSE-3-15 Donningtn St Palm Nth	FQ3983	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	OB-L-153Hakiahia St-Taumaranui	FUG261	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	OWN Upper Hutt-8 Railway Ave	FSR201	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Lower North	Rimutaka Prison	FZNS81	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Lower North	Rimutaka Prison	VCORRR	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Off Rd Use)	\$22,000
Lower North	Rimutaka Prison	VCORRR	Mobile Plant	Agricultural & Ground Care Plant	Ride On Mower	\$40,000
Lower North	Rimutaka Prison	B1MDL	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Lower North	Wanganui - Kaitoke Prison	88ZQF	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Lower North	Wanganui - Kaitoke Prison	AEL700	Truck	Truck - Medium	Medium Goods Vehicle (3.5 - 12t)	\$100,000
Lower North	Wanganui - Kaitoke Prison	BBC967	Truck	Truck - Heavy	Heavy Goods Vehicle (>12.1t)	\$150,000
National	Head Office	FSG134	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	ARWCF	A5ZGC	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Off Rd Use)	\$22,000
Northern	ARWCF	A1ZGC	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Off Rd Use)	\$22,000
Northern	ARWCF	19YGZ	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Northern	Auckland Prison	VCORRR	Mobile Plant	Agricultural & Ground Care Plant	Ride On Mower	\$40,000
Northern	Auckland Prison	DTF652	Truck	Truck - Heavy	Heavy Goods Vehicle (>12.1t)	\$150,000
Northern	LSE Dargaville, 37 Normanby St	FJU230	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Northern	LSE Henderson-92 Railside Ave.	FSR90	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	LSE Kaitiaki - 51 North Park Dr	FTP212	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Northern	LSE Otara, 25 Bairds Road	FHB635	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Northern	LSE Pukekohe, 5 Austen Place	FMR91	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Northern	LSE Whangarei, 26-30 Walton St	FSQ982	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	Northland Prison	VCORRR	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Northern	Northland Prison	B5AAU	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$22,000
Northern	OWN Henderson-17 Ratanui St	FSU388	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	OWN Manukau-9 Barrowdliffe Pl	GCZ31	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	OWN Manukau-9 Barrowdliffe Pl	FSU382	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	OWN Mt Eden-17-23 Boston Rd	FSR100	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Northern	OWN Otahuhu-21-23Ft Richrd Rd	FSM710	Light Commercial Vehicle	Car	Car - Sedan	\$53,000
Northern	OWN Panmure-118 Jellicoe Rd	GA5122	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Southern	Christchurch (Paparu)	31ZQF	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Southern	Christchurch (Paparu)	83ZUM	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Southern	Christchurch (Paparu)	A9DRR	Mobile Plant	Agricultural & Ground Care Plant	Tractor	\$115,000
Southern	Christchurch (Paparu)	B98WY	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Southern	Christchurch (Paparu)	B8NDD	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Southern	Christchurch (Paparu)	B6NDD	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$21,000
Southern	Christchurch (Paparu)	B5NDD	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Southern	Christchurch (Paparu)	B2NDD	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Southern	Christchurch (Paparu)	B1NGF	Mobile Plant	Site Specific Utility Vehicle	Utility Task Vehicle (Side by Side - Light prison Use)	\$15,500
Southern	Christchurch (Paparu)	FHN73	Truck	Truck - Medium	Medium Goods Vehicle (3.5 - 12t)	\$100,000
Southern	Christchurch (Paparu)	FKL269	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	Christchurch Womens	VCORRR	Mobile Plant	Industrial Plant	Forklift - Counterbalance	\$60,000
Southern	Christchurch Womens	FYS67	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE - Ashburton 5 Mona Square	FYU546	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE - Ashburton 5 Mona Square	FW465	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE - Timaru 55 North St	FTA886	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE Chch, 18 Winston Avenue	FUE917	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE Christchch-35 Kingsley St	FSU390	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Southern	LSE Richmond, 5a McIndoe Place	FWL884	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE Richmond, 5a McIndoe Place	FSU408	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE Richmond, 5a McIndoe Place	FAJ703	Light Commercial Vehicle	Minibus Van	Minibus Passenger Van	\$53,500
Southern	LSE-14B-JSP-40 Uichfield St CH	LUC907	Light Commercial Vehicle	Car	Car - Rem	\$30,000
Southern	OCF	DWY19	Light Commercial Vehicle	Minibus Van	Minibus Goods Van - Special Purpose (SERT) & Ground Mtnc	\$48,000
Southern	OCF	NP7925	Truck	Truck - Medium	Medium Goods Vehicle (3.5 - 12t)	\$100,000
Southern	Own 209 Annex Rd Christch	FSQ994	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
Southern	OWN Nelson - 323 Hardy St	FSR89	Light Commercial Vehicle	Car	Car - Hatchback	\$53,000
						\$5,806,500



APPENDIX FOUR: TRANCHE TWO CASE

FY2021/22 FLEET REPLACEMENT PROGRAMME - TRANCHE 2 : CA				Nov-22	Dec-22
Breakdown Structure of the Fleet Assets					
Fleet Asset Category					
Light Commercial Vehicle					
Car (Replacements will be Electric Vehicles)	Phasing				
	Qty	25			
	\$	\$1,302,000			
Minibus Van	Phasing				
	Qty	31			
	\$	\$1,653,000			
Mobile Plant					
Agricultural & Ground Care Plant	Phasing				
	Qty	13			
	\$	\$1,345,000			
Industrial Plant	Qty	1			
	\$	\$60,000			
Site Specific Utility Vehicle	Qty	12			
	\$	\$217,500			
Prisoner Escort Vehicle					
Minibus Van - PEV (Gen 3 - Prototype)	Phasing				
	Qty	1			
	\$	\$275,000			
Truck - PEV (Gen 3 - Prototype)	Qty	1			
	\$	\$200,000			
Towable Plant					
Trailer - General Use \$3 to \$10K	Phasing				
	Qty	2			
	\$	\$18,000			
Trailer - Special Purpose - has defined purpose	Qty	1			
	\$	\$50,000			
Trailer - Special Purpose - Purpose undefined Over \$10K	Qty	1			
	\$	\$11,000			
Truck					
Truck - Heavy	Phasing				
	Qty	2			
	\$	\$300,000			
Truck - Light	Qty	1			
	\$	\$75,000			
Truck - Medium	Qty	3			
	\$	\$300,000			
Subtotal Asset Purchases	Qty	94		1	
	\$	\$5,806,500		\$0.00	\$275,000.00
Project Management Costs					
Fleet Mgmt Specialist (12Mths)	\$	\$110,000			
Procurement Specialist (6 Mths) - Gen 3 PEVs	\$	\$140,000			
PEV GEN 3 Advisor - Jackson Engineer - HVAC	\$	\$75,000			
PEV GEN 3 Advisor - Tuho - Transport & Engineer	\$	\$30,000			
PEV GEN 3 Advisor - EFS - Auto Electrical	\$	\$20,000			
Business Mgmt	\$	\$5,000			
Subtotal project Mgmt Costs	\$	\$380,000			
Contingency	\$	\$313,500			
Total	\$	\$6,500,000		\$0.00	\$275,000
FY2021/22	\$	\$4,257,422			
FY2022/23	\$	\$2,242,578			