

Report to the Cabinet

Report reference: C-124-2008/09

Date of meeting: 20 April 2009



**Epping Forest
District Council**

Portfolio: Environment.

Subject: Replacement of Grounds Maintenance Vehicles when present lease ends in July 2009.

Responsible Officer: John Gilbert (01992-564062)

Democratic Services Officer: Gary Woodhall (01992-564470)

Recommendations/Decisions Required:

- (1) That the Council's Grounds Maintenance Section purchase 6 Ford Transit LWB Double Chassis Cabs 2.4 TDCI;**
- (2) That, to fund this purchase, a supplementary capital estimate in the sum of £154,000 be recommended to the Council for approval; and**
- (3) That the revenue estimate be subsequently amended for the £17,500 of leasing costs currently included.**

Executive Summary:

The present 7-year Lease on the 6 Ford Tipper Trucks used by the Grounds Maintenance section expires in July 2009 and therefore new vehicles are required.

In accordance with Contract Standing Orders the new vehicles have been subjected to a tendering process via the Essex Procurement Hub. Vehicles from Allen Ford are the most cost effective purchase. The cost has then been subjected to a capital/lease comparison by the Accountancy Division and this has shown that on this occasion capital spend would be more cost effective than leasing. On the previous two occasions the Operating Lease option has been the most cost effective therefore a capital commitment was not put within the 2009/10 Capital Programme. Therefore, consent is required for the capital spend of £154,000 to be added to the 2009/10 Capital Programme.

The Portfolio Continuing Services Budget (CSB) revenue budget currently includes annual leasing costs of £17,500 for these vehicles.

Reasons for Proposed Decision:

The capital purchase option is currently the most cost effective option.

Other Options for Action:

Not to renew vehicles and extend the present lease. However, the vehicles have provided 7 years reliable service and fulfilled operational requirements, but due to the age and heavy usage of the vehicles the general wear and tear is starting to take its toll with one-off running repairs and associated 'downtime' becoming more frequent and scheduled service costs on

the increase. In the long-term this trend can be expected to continue and the adverse effect of this on both budget provision and operational needs of the Service is deemed to be unacceptable. In view of these findings, an extension of the existing lease is not considered a viable option.

To obtain via an Operating Lease agreement. However, this would increase the CSB revenue cost by £7,000 per year.

To await the Capital Programme update report to request funding. However, this would mean a delay of some months and the present vehicle lease would need to be extended. The present tender price will not be held by the company for this length of time and they have stated that this would increase thus this would cost the Council more to purchase the vehicles.

Report:

1. In 2002, the Council's Grounds Maintenance Service entered into a lease agreement for the purchase of 6 Ford Transit tipper-trucks in order to meet the requirements of the Council's grounds maintenance contracts. This agreement comes to an end in July 2009.

2. To procure new vehicles the specification has been subjected to a tender process via the Essex Procurement Hub and the cost of the cheapest tender is £154,000. Previously, when a capital / operating lease comparison has been made, leasing has been the most favourable option. On this occasion however it is shown that the most beneficial option is capital purchase. A residual value of £30,000 has been used in both the leasing and capital purchase calculations set out below:

Summary of Costs:

The lease/capital comparison outcome was as follows:

	Net Costs	NPV	Annual Costs	NPV Costs
Funded from Capital	£123,531	£125,705	£17,647	£17,957
Operating Lease	£170,880	£146,519	£24,411	£20,931
Difference			£6,764	£2,974

By adopting the capital purchasing option there is an annual saving over the leasing costs of £2,974.

The cost comparisons show the revenue implications between capital purchase and Operating Lease over seven years.

Resource Implications:

The current CSB revenue leasing budget of £17,560 will no longer be required and can be removed when the budgets are revised.

The capital cost of £154,000 is not included in the current Capital Programme and so a supplementary estimate is required.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

More up to date vehicles thus using latest cleaner, greener technology.

The bodies are aluminium therefore this increases the life of the vehicle and they are also lighter which therefore increases fuel efficiency whilst increasing the payload carrying capacity.

Vehicles will be sign written with the new Safer Greener Cleaner livery and therefore will be recognisable like other vehicles from the service as part of the Safer Cleaner Greener initiative.

Consultation Undertaken:

Fleet Operation Transport Manager.
Allen Ford Company.

Background Papers:

The Fleet Operations unit undertook the Tender process and they hold papers.

Impact Assessments:

There are no equalities impacts.

The main risk in not replacing the vehicles is if they become unreliable and cause the service to deteriorate.