

Report to the Cabinet

Report reference: C-073-2009/10
Date of meeting: 1 February 2010



Portfolio: Environment
Subject: Replacement of Vehicles – Grounds Maintenance.
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 1 Ford Transit LWB Double Chassis Cab 2.4 TDCI to replace the present leased vehicle; and**
- (2) That, in order to fund the purchase, a supplementary capital estimate in the sum of £26,000 for 2009/10 be recommended to the Council for approval.**

Executive Summary:

The present 7-year lease on a Ford Tipper Truck used by the Grounds Maintenance section expires in February 2010 and therefore a new vehicle is required.

In accordance with Contract Standing Orders the proposed purchase has been subject to a competitive tendering process via the Essex Procurement Hub. A vehicle from Haynes Trucks Ltd was found to be the most cost effective purchase. The cost has then been subjected to a capital/lease comparison which has shown that on this occasion capital spend would be more cost effective than leasing. On previous occasions the operating lease option has proven to be the most cost effective therefore capital provision was not made within the 2009/10 capital programme. This therefore means that consent is required for the £26,000 to be added to the 2009/10 capital programme.

The CSB budget currently includes the necessary funding for lease/capital costs relating to the replacement of vehicles.

Reasons for Proposed Decision:

That the capital purchase option is proven at this time to be the most cost effective option.

Other Options for Action:

Not to renew vehicles and extend the present lease - the vehicle has provided 7 years of reliable service and fulfilled operational requirements. However, due to its age and heavy usage, 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 purchase by a Lease agreement – would increase the annual cost to the Council; by £1,048.

To await the next finance capital report as a request for funding - 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 thereby costing the Council more to purchase the vehicle.

Report:

1. In 2003, the Council's Grounds Maintenance Service entered into a lease agreement for the purchase of 1 Ford Transit tipper-truck in order to meet the requirements of the Council's grounds maintenance contracts. This is lease expires in February 2010. The age and heavy usage of the vehicle means that it is not practical to extend the existing lease due to the risks of breakdown and lack of availability.

2. It had originally been intended to replace the vehicle through leasing and the revenue funding for that was included in the 2009/10 budget. However, a re-evaluation has strongly indicated that better value for money will be obtained through outright purchase using capital monies. If this recommendation is accepted it will be necessary to seek approval for a supplementary capital budget to enable the purchase to take place in the current financial year. The financial details are included in the resource section of the report which follows.

3. The vehicle has been sourced using the Essex Procurement Hub in accordance with Contract Standing Orders.

Resource Implications:

The funding comparison between leasing and capital purchase is as follows:

	Total Costs	NPV	Annual Costs	NPV Costs
Funded from Capital	25,705	20,932	2,937.86	2,990.34
Operating Lease	28,610	24,991	4,087.10	3,570.10
Difference			1,149.24	579.96

By adopting the capital purchasing option there is an estimated annual saving over the leasing costs of £579.76 per year based on net present values (NPV) and an average interest rate of 3.5% over the expected seven year life span of the vehicle. The saving based on annual cost is £1,149.24 per annum.

In order to purchase the vehicles outright, a supplementary capital allocation of £26,000 will be required for the current financial year's capital programme. The current annual budget

provision within Ground Maintenance is £3,039 for the existing vehicle and this will be saved but replaced with an annual depreciation charge of £2,940. The original leased asset cost of the vehicle was £20,452 in February 2003.

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 increasing the life of the vehicle and, because they are also lighter, there is an improvement in 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 as being part of the Safer Cleaner Greener initiative.

The Ground Maintenance Service plays a key role in maintaining local grassed and planted areas in a good condition.

Consultation Undertaken:

Fleet Operation Transport Manager
Haynes Trucks Ltd

Background Papers:

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

Impact Assessments:

Risk Management

If the vehicle is not replaced, due to its age and workload, service interruptions may arise due to breakdown and lack of vehicle availability.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
N/A.

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A.