

# Report to the Cabinet



**Epping Forest  
District Council**

**Report reference: C/037/2006-07.**

**Date of meeting: 4 September 2006.**

**Portfolio: Finance, Performance Management and Corporate Support Services.**

**Subject: Messenger Vehicles – Renewal.**

**Officer contact for further information: Mike Tipping (01992 – 564280).**

**Democratic Services Officer: Gary Woodhall (01992 – 56 4470).**

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## **Recommendation:**

**That a growth bid be made for capital provision in the sum of £16,000 for 2007/08 for the purchase of two new messenger vehicles.**

## **Report:**

1. The Council has two Ford Fiesta vans, which are used for the daily internal messenger service to Council premises around the District and for the twice-weekly hand delivery of Councillor's mail. The vehicles are also used to ferry archive filing to and from an off site store and for other general purposes where a van is more practical than a car.
2. The existing vehicles are leased and the leases expire in October and December 2006.
3. Following a review of the best method for replacing these vehicles the proposal is that two new vehicles be purchased rather than entering into new leasing or hire arrangements.
4. Therefore the Cabinet is asked to approve a bid for capital provision in 2007/08 to fund the purchase. In the meantime the existing leases will be extended for 6 months to ensure continuity of service until the new vehicles can be ordered and delivered.
5. Alternatives to purchasing have been considered to examine whether this is the most cost effective method of acquisition. The comparison figures below are based on a minimum life expectancy for the vehicles of 5 years.

| Vehicle           | Scheduled usage | Purchase/running expenses | Lease/running expenses | Hire    |
|-------------------|-----------------|---------------------------|------------------------|---------|
| 1                 | 5 days pw       | £12,595                   | £12,938                | £45,187 |
| 2                 | 2 days pw       | £12,595                   | £12,938                | £17,714 |
| Total 5 year cost |                 | £25,190                   | £25,876                | £62,901 |

6. Whilst the second vehicle is scheduled to be used for two days per week, in practice it will be used more frequently for non-scheduled activity.
7. Whilst there is not a lot of difference financially between purchase and leasing It can be seen from the above table that outright purchase nevertheless offers the best value for money. The options of purchase and leasing will provide greater operational flexibility.

8. Leasing is now generally more expensive in cash terms than internal capital funding. Termination penalties can be high particularly when a vehicle is written off in an accident or stolen. In these situations the entire value of the lease becomes payable as the lease is considered terminated. Lease extensions are also costly and tend to be negotiated at a similar level to the original lease costs. Lease terminations can be costly, where for instance, the mileage incurred is higher than that originally stated in the lease agreement.
9. If a vehicle is funded internally there are no external conditions attached to the purchase and operation of the vehicle other than those set internally. The vehicle can be used for as many years as considered viable and there are no onerous conditions and penalties, for instance in the event of theft or write off, where the insurance cover would meet the cost of replacement.

**Statement in support of recommended action:**

10. The vehicles are required to maintain the internal messenger service to Council premises around the District, for the twice-weekly delivery to Members and for other routine tasks.

**Options for action:**

11. In addition to the alternatives outlined in the above table the existing leases could be extended on a year-by-year basis or the existing vehicles could be purchased at the end of their leases. Neither of these options is considered to be cost effective compared with outright purchase of new vehicles.

**Consultation undertaken:**

12. No external consultation

**Resource implications:**

**Budget provision:** £16,000 capital provision in 2007/08. CSB saving on leasing costs of £2662 from 2007/08. £750 interest charge on Capital sum.

**Personnel:** No implications.

**Land:** No implications.

**Community Plan/BVPP reference:** No specific reference.

**Relevant statutory powers:** Nil.

**Background papers:** Nil.

**Environmental/Human Rights Act/Crime and Disorder Act Implications:** N/A.

**Key Decision reference (if required):** N/A.