

## DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	20 NOVEMBER 2017	7
<b>FLEET REPLACEMENT - DIRECT PURCHASE OF PREVIOUSLY HIRED VEHICLES</b>			

### PUBLIC ITEM

This item is for consideration in the public part of the meeting.

### SUMMARY

This report requests approval to a fully-funded capital budget increase for Vehicle Purchases of £136,024 in 2018/19, fully-funded from virements from the revenue budgets for vehicle hire costs in 2018/19 and future years as detailed within the report.

This item is to be considered at the meeting of the Operational Management Committee on 14<sup>th</sup> November 2017.

The proposed purchase is of two Transit Tipper vehicles and three triple mowers as described in this report to replace similar vehicles which are currently on hire arrangements. The vehicles are used by the parks services in respect of the Blackpool Coastal Housing (BCH) contract for which a new 5 year contract (plus a 2 year extension option) was agreed in April 2017. It is timely and appropriate to now consider the options available for the provision of vehicles in respect of this contract. This report proposes that these vehicles are now purchased outright, in line with current fleet procurement practices, the cost of which would be met from revenue savings on the hire costs.

### RECOMMENDATIONS

The Committee is requested:

1. To note the recommendation of the Operational Management Committee of 14<sup>th</sup> November 2017 with regard to the proposed vehicle purchases as described within this report; and
2. Subject to the recommendation of the Operational Management Committee of 14<sup>th</sup> November 2017 to approve a fully-funded capital budget increase for Vehicle Purchases of £136,024 in 2018/19, fully-funded from virements from the revenue budgets for vehicle hire costs in 2018/19 and future years.

### SUMMARY OF PREVIOUS DECISIONS

No previous decisions have been taken on this issue.

CORPORATE PRIORITIES	
Spending your money in the most efficient way to achieve excellent services ( <b>Value for Money</b> )	✓
Delivering the services that customers expect of an excellent council ( <b>Clean and Green</b> )	✓
Working with all partners ( <b>Vibrant Economy</b> )	✓
To make sure Fylde continues to be one of the most desirable places to live ( <b>A Great Place to Live</b> )	✓
Promoting Fylde as a great destination to visit ( <b>A Great Place to Visit</b> )	✓

## REPORT

### 1. BACKGROUND

- 1.1 The Fylde Council Parks Service have previously carried out the Grounds Maintenance function on behalf of Blackpool Coastal Housing (BCH) on a short term contract subject to annual renewal at the end of each period. Consequently, the vehicles employed on this contract have been procured through short-term hire agreements with the result that older, less reliable equipment being provided. In April 2017 the Parks Service was successful in its bid for a 5 year contract (with a 2 year extension option) for this work. Now that a longer term agreement is in place, therefore, it is prudent to consider alternative means of vehicle provision. It is therefore proposed that these vehicles are now purchased in line with current fleet procurement practices, to be fully-funded through revenue savings in the vehicle hire costs.

### 2. SCHEME DETAILS

- 2.1 Despite the move away from short term hire and lease agreements for most recent vehicle procurements, these particular vehicles and machines above have not been included in the core fleet procurement framework due to the short period of known future work, the arrangement being subject to single year contract extensions. This has contributed to ever-increasing hire costs and unreliable, outdated equipment.
- 2.2 The security of a long term contract for the BCH grounds maintenance work has now provided an opportunity to consider other options. It is recommended that the Council purchase the required vehicles outright. This would not only result in cost-savings but would also ensure that the council obtains better equipment to deliver the contract.
- 2.3 The capital costs of the vehicles to be purchased is shown in the table below:

Vehicle	Cost - £
Transit Tipper	24,932
Transit Tipper	24,932
Triple mower	28,720
Triple mower	28,720
Triple mower	28,720
<b>Total Capital Costs</b>	<b>136,024</b>

### 3. FINANCIAL IMPLICATIONS

- 3.1 The financing options detailed in Appendix A shows the relevant budgets for the current position and the corresponding budgets for the proposed option displaying the full financing of the proposal. This solution includes the provision of an annual budget for the required maintenance of the acquired vehicles to ensure their useful life is maintained and extended where possible. The proposal results in revenue savings of approximately £5,000 per annum, equating a total of £30,000 over the remaining 6 years of the contract period. In addition the disposal of the vehicles at the end of their predicted useful life is expected to generate sale proceeds of approximately £13,000.

3.2 Although the proposed addition to the Capital Programme will increase the Council's underlying need to borrow, expressed as the Capital Financing Requirement (CFR), no actual borrowing is anticipated as the expectation remains that the unfunded element of the Capital Programme can be financed by internal borrowing i.e. use of the Council's reserves, balances and cash flow. This strategy is prudent from a treasury management perspective as investment returns are low and counterparty risk remains relatively high, whilst the financing and maintenance costs for the vehicles are lower than the costs of hiring the vehicles resulting in a revenue saving to the Council.

3.3 If approved the financial implications of the proposal will be reflected in future updates to the financial forecast. The proposal detailed in the report essentially involves using existing revenue budgets allocated for vehicle hire to meet the revenue cost of borrowing to purchase additional vehicles for grounds maintenance contract work.

#### 4. CONCLUSION

4.1 The proposal is to purchase the vehicles as specified in this report, to reduce hire costs as a long term agreement is now in place for the Blackpool Coastal Housing contract. Direct purchase of these vehicles is recommended in line with current fleet procurement practices, to be fully funded through budgeted hire costs.

IMPLICATIONS	
Finance	The Committee is requested to approve a fully-funded capital budget increase for Vehicle Purchases of £136,024 in 2018/19 fully-funded from various Revenue Budget virements from 2018/19 and future years as detailed within the report. If approved the financial implications of the proposal will be reflected in future updates to the financial forecast. The proposal detailed in the report essentially involves using existing revenue budgets allocated for vehicle hire to meet the revenue cost of borrowing to purchase additional vehicles for grounds maintenance contract work.
Legal	None unless contract not met
Community Safety	New machines will meet current health and safety requirements and the latest emissions.
Human Rights and Equalities	None
Sustainability and Environmental Impact	New machines will meet the current emissions standards, machines will be maintained in-house to high standards.
Health & Safety and Risk Management	New machines will have the latest health and safety standards (inc Chapter Eight livery) which will reduce risk both staff and public. In house maintenance to high standards

LEAD AUTHOR	CONTACT DETAILS	DATE
STEVE FULTON	steve.fulton@fylde.gov.uk & Tel 01253 658659	01/11/17

BACKGROUND PAPERS		
Name of document	Date	Where available for inspection