

North East Derbyshire District Council

Cabinet

28th September 2016

Vehicle Replacements - Streetscene Services

Report of Councillor M Gordon With Portfolio Responsibility For The Environment

Purpose of the Report

- To seek Executive approval to purchase commercial fleet vehicles operated by the Council's Streetscene Services Team.

1 Report Details

- 1.1 Streetscene Team operate a mixed fleet of heavy and light commercial vehicles which have previously been procured under finance lease arrangements.
- 1.2 2No grounds maintenance tractors fall due for replacement in the 2016/17 financial period; in anticipation of which, tenders have been received via the Council's shared procurement unit further to advertising on Source Derbyshire.

2 Conclusions and Reasons for Recommendation

- 2.1 The vehicles (2No Tractors) identified in this report have reached the end of their contract hire period and are the last two vehicle previously procured from Essential Fleet Services (formerly Translinc). It is proposed they are replaced by way of prudential borrowing.
- 2.2 The Council has previously relied of finance lease\contract hire arrangements for vehicle acquisitions; however, over more recent years the Council has changed its approach from one of using contract hire to one of acquiring vehicles by outright purchase. The switch in approach reflects the fact that a combination of low interest rates, the fact that most modern vehicles can operate effectively beyond a 5 year period; together, with the greater flexibility afforded by ownership rather than leasing hireing, making ownership the more cost effective option.
- 2.3 It is proposed that the vehicle replacements are funded via prudential borrowing which provides the Council with greater flexibility throughout the course of the loan; in particular, if at some stage in the future it was considered appropriate to take vehicles out of use or if a decision is made to extend their operational life then this can be accomplished in a more cost effective fashion.

3 Consultation and Equality Impact

- 3.1 Streetscene has consulted staff on suitability of vehicles proposed to help ensure they are appropriate to meet service delivery requirements.

4 Alternative Options and Reasons for Rejection

4.1 The replacement of vehicles by way of contract hire/lease arrangements was not considered to offer good value to the Council and reduces the scope for flexibility concerning how vehicles are managed throughout the course of their anticipated life; in particular, where vehicles may require releasing from the leasing agreement prior to their natural end date.

5 Implications

5.1 Finance and Risk Implications

5.1.1 Tenders received for the supply and delivery of 2No grounds maintenance tractors were evaluated on 60\40 (price\quality) basis in line with the Council's specification. Evaluation outcomes therefore reflect price and quality in order of combined magnitude to assess 'best value' to the Council, as follows:

Tender	Requirement	£\Per	£\Total
A	Supply and delivery of 2No 115HP to 140HP Agricultural Tractors, complete with specified ancillary equipment.	47,050.00	94,100.00
B		45,500.00	91,000.00
C		47,015.60	94,013.20
D		44,125.00	88,250.00
E		53,950.00	107,900.00
F		58,095.00	116,190.00

Note: additional costs for new signage\livery will be £350 (approx.) per vehicle (£700) with further option of changing agricultural tyres for turf flotation type for use in playing field and green open applications at £4,000 (approx.) per vehicle (£8,000). Additional cost for counter balance weights and screen protector will be £1,200 (approx.)

5.1.5 It is recommended that **Tender A** is accepted through providing the Council with the 'best value' purchase solution.

5.1.6 Approval has previously been secured to meet vehicle replacements proposed in this report via the approved Capital Programme, funded by prudential borrowing as agreed as part of the Council's Treasury Management Strategy.

5.1.5 Prudential borrowing provides the Council with greater flexibility concerning the period of utilisation of the vehicle. While the main advantage of this flexibility is the ability to extend the working life of the vehicle at a relatively low cost, it can also help avoid the heavy costs associated with an early return of a vehicle. Contract hire and leasing are relatively inflexible arrangements and changes during the course of the contract would clearly have potential costs for Housing Repairs and the Council

5.1.6 The table below summarises areas of risk associated with management of fleet vehicles:

Risk Type	Risk Detail	Control Measure
Corporate Ambitions and Priorities	Service delivery supports Council Priorities which would be undermined by ineffective and inefficient fleet vehicles. Progress of Strategic Alliance (Fleet Review) delays vehicle replacement program.	Vehicles and specialist bodies specified to meet service need. Standardised vehicle specification may facilitate wider joint working with the Council's Strategic Partner; in particular, benefits arising from fleet maintenance and procurement.
Regulatory	European emission standards not met.	Specify vehicles which meet current EU emission standards. Maintenance of vehicles meets Council's statutory Duty of Care.
Operational	Service performance and standards affected by fleet reliability.	Vehicle replacements sourced within effective utilisation period. Appropriate vehicle specification. Planned maintenance and safety inspections undertaken.
Financial	Increased cost of vehicle replacements place service budgets under greater pressure.	On the basis of the procurement exercise this risk is mitigated through effective purchasing. Service specification included requirements re fuel efficiency, maintenance costs and operational flexibility which will minimise ongoing revenue costs
Reputation	Customer satisfaction with services has a significant impact on the Council's reputation.	Ensure vehicles employed meet needs of service and are maintained to high standards.
Staff	Changes in vehicle types and specification could affect the staff using them for service delivery.	Consult with staff and users on vehicle specifications and types to ensure fit for purpose.

5.2 Legal Implications including Data Protection

5.2.1 The value of vehicle replacements considered by this report exceeds the European Procurement thresholds for supply of goods and services (£164,176 or €209,000; hence, why procurement is undertaken via the Council's Shared Procurement Partnership (Source Derbyshire) and established ESPO and Nottinghamshire Procurement Partnership Framework Contracts, meeting European requirements.

5.3 Human Resources Implications

5.3.1 None arising directly from this report.

6 Recommendations

6.1 2No grounds maintenance tractors, as set out at 5.1.1 of this report, are procured in line tenders received via Source Derbyshire.

6.2 Financing of the vehicles is undertaken by way of Prudential Borrowing, as previously approved within the Council's Capital Programme and Treasury Management Strategy.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
District Wards Affected	All District Wards
Links to Corporate Plan priorities or Policy Framework	<ul style="list-style-type: none"> • Supporting Our Communities to be Healthier, Safer, Cleaner and Greener • Providing our Customers with Excellent Services

8 Document Information

Appendix No	Title
N/a	N/a
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Steve Brunt	01246 217264\593044

AGIN8 CAB 0928 – Vehicle Replacement