

REPORT TO: Executive Board Sub Committee

DATE: 18th October 2007

REPORTING OFFICER: Strategic Director – Environment

SUBJECT: Preliminary Estimates for the Replacement of the Council's Fleet of Vehicles and Plant

WARD(S): Borough wide

1.0 PURPOSE OF REPORT

1.1 This report requests agreement to the replacement of part of the Council's Fleet of Vehicles and Plant by various acquisition methods rather than through the current Contract Hire supply contract. It is proposed that sourcing through an appropriate Procurement Organisation with established framework agreements is used for the procurement process.

2.0 RECOMMENDED: That: -

- (1) the Operational Director for Highways, Transportation, & Logistics in consultation with the Operational Director Financial Services, Executive Board Member for Environment, Leisure and Sport and the Executive Board Member for Corporate Services be authorised to procure *Vehicles and Plant* through the most advantageous financial funding method;**
- (2) Council be recommended to include Vehicle and Plant Replacement in the Capital programme at a cost of £1.192m in 2007/8; and**
- (3) Procurement is undertaken through a *Central Purchasing Body complying with the requirements of the Public Contracts Regulations 2006.***

3.0 SUPPORTING INFORMATION

3.1 The Council currently operates 109 vehicles, and 88 Items of plant and machinery acquired through tendered contracts on a Contract Hire basis. 48 of these fleet items with a combined capital value of £1.5million are now approaching their respective contract expiry *dates*.

3.2 Whilst there is an existing supply contract in place until December 2007, which could be used for the replacement of these fleet items, an

alternative procurement approach has been explored which has highlighted alternative, more cost-effective acquisition methods than under the current arrangements.

- 3.3 During September, Sector Treasury Management were commissioned to carry out an Options Appraisal on different financial methods of fleet acquisition and compare these against the cost of the Contract Hire. The alternative methods suggested are: - Operating Lease, Finance Lease & Borrowing.
- 3.4 Appendix 1 provides a snapshot of the appraisal exercise and demonstrates that a 'one size fits all approach' would not be in the Council's interest, but the flexibility of using all of the different methods depending on a number of factors including interest rates, residual values, vehicle capital cost, repayment term and the number and type of vehicles required, would provide the least expensive way forward.
- 3.5 The purchasing of these fleet items is governed by European procurement rules. It is therefore proposed that further efficiencies on procurement process could be made if the Operational Director Highways, Transportation & Logistics is authorised to agree terms with an established Central Purchasing Body (CPB) under the Public *Contracts* Regulations 2006. Provided the Council purchases from a CPB under arrangements that have themselves complied with the 2006 Regulations (advertising in EU etc) then there is no requirement on Halton to go through the advertising process again. The Council's Procurement Standing Orders (1.16) include a similar exception so there is no need for waiver of Standing Orders. When these CPB's advertise in the Official Journal of the EU they make it clear that they are seeking prices for vehicles and equipment for their own needs and to meet the needs of other public bodies.
- 3.6 A number of Local Authorities and Central Government departments have set up Procurement Organisations that have established fleet procurement frameworks that fully comply with the Public Contracts Regulations 2006. These include Eastern Shires, Yorkshire Purchasing and The Office of Government Commerce.

4.0 POLICY IMPLICATIONS

- 4.1 The Procurement Arrangement would be in line with the Council's Procurement Standing Order 1.15 and with key Objective 2 of the corporate Procurement Strategy: *"Deliver consistent and significantly better quality services that meet the identified needs of individuals and groups within Halton and develop mixed economy, through strategic partnerships, framework agreements and collaboration with a range of public, private and voluntary suppliers"*.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The lowest cost options are highlighted in the funding appraisal in Appendix 1. A mixture of operating lease and borrowing produce the lowest revenue cost in all but one case where the Net Present Value was lowest, although in this case the differential is negligible.
- 5.2 Repeat funding by Contract Hire would cost more than £50,000 extra but the borrowing options would produce capital receipts estimated at £115,000.
- 5.3 The cheapest revenue option is still £27,000 more than current costs, all due to increased specification of the Welfare Fleet, however, this additional cost will be met by savings from extended use of Council vehicles and a reduction in the use of Taxis.
- 5.4 To ensure best value, the appraisal process will be repeated annually to identify the cheapest financing options.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

N/A.

6.2 Employment, Learning and Skills in Halton

N/A.

6.3 A Healthy Halton

N/A.

6.4 A Safer Halton

N/A.

6.5 Halton's Urban Renewal

N/A.

6.6 Corporate Effectiveness and Efficient Service Delivery

The proposals contained within this report will contribute to this Council Priority, in particular, Area of Focus 35 "Implementing and further developing procurement arrangements that will reduce the cost to the Council of acquiring its goods and services".

7.0 RISK ANALYSIS

7.1 The main risks associated with not replacing the contract expired fleet items would result in additional expenditure being incurred as a result of increasing maintenance and extended contract hire payments. Not replacing these vehicles on a timely basis will also risk non-compliance with Council's Carbon Management Programme in terms of the need to reduce exhaust tailpipe emissions. Inspecting the CPB's contract and advertising documentation would manage the risk that the intended Central Purchasing Body was offering arrangements that had not complied with the Public Contracts Regulations 2006.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no specific issues that are not addressed by following the approved and established procurement processes.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Working documents	Lowerhouse Lane Depot	Geoff Hazlehurst