

<b>TITLE:</b>	<b>VEHICLE RENEWAL GENERAL SERVICES 2007/ 2008</b>
<b>TO/ON:</b>	<b>EXECUTIVE</b>
<b>PORTFOLIO:</b>	<b>ENVIRONMENT / HEALTH</b>
<b>BY:</b>	<b>DIRECTOR OF ENVIRONMENTAL SERVICES</b>
<b>STATUS:</b>	<b>REPORT</b>

## **STRATEGIC FACTOR CHECKLIST**

The Council's Corporate Management Team has confirmed that the Strategic Factor Checklist has been applied to the development of this report and there are no key issues over and above those set out in the body of the report that need to be brought to Members' attention.

### **1.0 SUBJECT MATTER AND PURPOSE**

1.1 The purpose of this report is to advise Members of the operational requirements for the replacement of vehicles within the General Services Division for the financial year 2007/ 2008, and recommend the necessary replacement of vehicles in order to meet operational requirements and fulfil statutory duties.

### **2.0 BACKGROUND**

2.1 The operating leases for the following vehicles are due to expire in February 2008.

2.2 The Grounds Maintenance/ Street Scene Service require the replacement of 7 Mechanical road sweepers (February 2008).

2.3 Highway Maintenance requires the replacement of 2 Winter Maintenance Gritters for the coming season (October 2007). These vehicles at present are not subject to an operating lease but need to be included in the report.

2.4 This report identifies the options available and recommends that these vehicles are acquired through the most favourable financial options determined by the Finance Directorate. These would be for varying periods, dependant on the vehicle type, the use to which the vehicle is put and the expiry of existing operating leases.

### **3.0 MATERIALS CONSIDERATIONS/AVAILABLE OPTIONS**

3.4.1 The Council's fleet includes 7 vehicles detailed above which are subject to operating lease agreements, and which are approaching their termination date. At the end of the lease period the vehicles are returned to their owner, i.e. the lease company, who then dispose of them for a value which accrues to them.

- Five Scarab Minors (February 2008)
- Two Scarab Merlins (February 2008)

- 3.2 These are required to deliver the outputs of Grounds Maintenance / Street Scene Operations. The existing revenue budget will meet the operating lease costs of these vehicles.
- 3.3 The Highways Maintenance vehicles are required to replace existing equipment. A total of 2 vehicles are required, comprising;
- Two Winter Maintenance Gritters (October 2007)
- 3.4 The Winter Maintenance Vehicles are again required to replace existing equipment. The annual leasing costs are met through the recharge to Durham County Council. If the County Council were to withdraw the Winter Maintenance arrangements with Derwentside, the costs of the gritting vehicles would be passed on to the County Council. The option of a 7 year lease is recommended for these vehicles as effectively they only operate for 26 weeks per annum which permits a longer life span for this type of vehicle.
- 3.5 An evaluation has been carried out in order to determine that these vehicles are all necessary, and after considering transport provision in other areas in an effort to reduce the financial impact of transport costs.
- 3.6 Throughout the current lease period, trials have been carried out with various other sweeper vehicles to compare with our fleet of Scarab vehicles. After consulting with the Operatives, Managers and the Transport section with regard to maintenance issues, the preferred option is to continue to operate the same make of vehicle, which has proved to be very reliable and fit for purpose.

#### **4.0 RELEVANT CONSIDERATIONS**

- 4.1 Health and Safety: The Winter Maintenance fleet currently have only 2 four wheel drive vehicles. In view of the terrain in which they operate it is felt that it is necessary to specify the four wheel option for the new vehicles.
- 4.2 Environmental Impact: The Winter Maintenance gritting vehicles represent the most expensive and complicated part of the Council's fleet per unit and as such the improvements and re-design of these vehicles are constantly under review via the manufacturers. These improvements come online through the continuous process when the current vehicles are required. Significantly, emissions from these vehicles are now subject to a filtering system which dramatically reduces the particulates contained in the exhaust fumes engines, which are now Euro 5 standard, using ultra low sulphur diesel or bio diesel.
- 4.3 The Winter Maintenance vehicles would have the new computerised management systems for delivery salt, providing an efficient method of recording activities and controlling salt usage preventing wastage and over salting with its environmental consequences.

4.4 Consultations: The process of selection of suitable vehicles has involved extensive consultation with officers within other authorities and also in discussions with our customers with regard to Service Delivery. This process has resulted in the recommendations for the vehicles as described as being the most suitable for their purpose taking into account the specific local conditions prevailing within Derwentside.

## 5.0 OPTIONS

5.1 As explained in the body of this report, the type and manufacture of these vehicles has been subject to ongoing analyses of effectiveness. The most appropriate vehicles have been selected taking into account the topography of the District, access limitations (i.e. vehicle size) and cost per unit. The options for procuring these vehicle are primarily related to the way in which they are acquired financially as the size and type of the fleet has been determined previously;

- The Street Sweepers through the review of the Street Cleaning Services
- The Winter Maintenance through the County Council's review of the service

5.2 The Financial options are:

5.3 Operating Lease: This has been the Authority's main procurement method for vehicles, plant and equipment in recent years. The goods are procured by ourselves, and tenders are invited for the drawdown of leasing facilities over the most appropriate lease period. Annual lease rentals are generally met from within the service division's current revenue budgets.

Operating leases are not classed as Capital Expenditure, and are not shown in the Balance Sheet.

In order to qualify as an operating lease, the balance of risk must remain with the lessor. Ownership of the asset never passes to the Authority. The goods are returned to the lessor at the end of the lease, and the residual risk on disposal remains with the lessor.

5.4 Finance Lease: These are all leases that do not qualify as Operating Leases. They are classed as Long Term Borrowing and must be shown as a liability on the Authority's Balance Sheet.

5.5 Contract Hire: Contract Hire is effectively a long-term hire agreement.

5.6 Capital Programme or Prudential Borrowing: For option appraisal purposes the costs are the interest charges on the amount borrowed or, in the case of Capital Receipts, the potential investment income foregone. The residual risk and costs of disposal would be borne by the Authority. Utilising the Capital Programme resources for the purchase of a fleet of vehicles would have the added disbenefit of taking up a limited resource that could be spent on other Council priorities.

## 6.0 RECOMMENDATIONS

6.1 That Members approve the acquisition of these vehicles.

6.2 The funding of these vehicles is subject to an options appraisal by the Finance Directorate and the most advantageous to the Council is selected over the specified period of time.

## **7.0 REASONS**

7.1 The recommendations contained within this report will provide the Council with a modern fleet of Street Cleansing / Winter Maintenance vehicles, which would have the least environmental impact for those reasonably obtainable, whilst providing the flexibility needed to address future environmental issues. The Winter Maintenance vehicles would provide a safer working environment through the introduction of additional four wheel drives and the additional salt management system to ensure the good site control of winter maintenance operations.

## APPENDIX OF FINANCIAL IMPLICATIONS

	<b>Annual Rental</b>	<b>Lease Period</b>	<b>Expiry Date</b>	<b>Purchase Price 2007</b>
1. K 242 BVM Gritter	N / A	7.0	OCT 07	£67,000
2. K 243 BVM Gritter	N / A	7.0	OCT 07	£67,000
3. NT 04ZDG Scarab Merlin	£18,651	3.0	Feb 08	£67,000
4. NT 04ZDF Scarab Merlin	£18,651	3.0	Feb 08	£67,000
5. NT 04 ZX Scarab Minor	£14,507	3.0	Feb 08	£54,000
6. NT 04 ZXB Scarab Minor	£14,507	3.0	Feb 08	£54,000
7. NR 04 AWZ Scarab Minor	£14,507	3.0	Feb 08	£54,000
8. NX 54 HRA Scarab Minor	£14,507	3.0	Feb 08	£54,000
9. NX 54 HRC Scarab Minor	£14,507	3.0	Feb 08	£54,000

The Annual Rental is **the current** cost. Future costs depend on purchase price, financing method and prevailing interest rates.