

 <p><b>LEE VALLEY REGIONAL PARK AUTHORITY</b></p> <p><b>EXECUTIVE COMMITTEE</b></p> <p><b>25 JUNE 2015 AT 10:30</b></p>	<p><b>Agenda Item No:</b></p> <p style="text-align: center;"><b>6</b></p> <p><b>Report No:</b></p> <p style="text-align: center;"><b>E/409/15</b></p>
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**VEHICLE MANAGEMENT**

Presented by the Head of Parklands

**EXECUTIVE SUMMARY**

This report advises Members of the altering market that officers have been monitoring since the acquisition of the first phase of the Authority fleet in 2009 by Contract Hire. The report updates Members following the approval in March 2009 and recommends a flexible approach to acquiring vehicles in the future which will look at the most competitive option at the point of purchase, whether or not that is Contract Hire or Outright Purchase. The report recommends and seeks approval for the Outright Purchase of 13 Authority vehicles at this time which will be undertaken under a framework agreement through Hertfordshire County Council and requests approval to extend the life of the vehicles from 3 years to 5 years which is a change from the agreed position in 2009.

**RECOMMENDATIONS**

- Members Approve:
- (1) the renewal and replacement of the Authority's vehicle fleet as required using a Contract Hire or Outright Purchase method whichever provides the best value for money;
  - (2) extend the life of the vehicles from 3 years to 5 years;
- Members Note:
- (3) Subject to Members approval above, the Authority fleet of 13 vehicles will be replaced by Outright Purchase. The Trust will be invited to review their fleet at the same time.

**BACKGROUND**

1 The Authority is responsible for managing a range of different sites and facilities that require a variety of vehicles. The type and quality of its vehicles is an important consideration and it is increasingly important to project an appropriate and professional image of the Park.

- 2 The Authority currently has a road licensed fleet of 13 vehicles and the Trust has 7, a reduction from 26 vehicles in 2009. The current road fleet serves various roles, including patrolling the Park, moving materials, delivering stores and performing functions directly related to the sites within the Park. A review of Vehicle Management was reported to Members in October 2007 (Paper FA/139/07) and in March 2009 (Paper FA/188/09).
- 3 The Action Plan reported to Members in 2007 recommended a "Value for Money" approach for procuring vehicles based on an Option Appraisal exercise. An Option Appraisal was carried out in 2009 and the findings reported in October 2009 and the procurement of vehicles on a Contract Hire basis was agreed by Members on 26 March 2009.
- 4 Members approved and adopted a phased approach to vehicle replacement (Paper FA/188/09) with the first group of vehicles being replaced in 2009, consisting of 14 high visibility road going vehicles and vehicles which were most in need of replacement due to their condition.

### CURRENT SITUATION

- 5 As part of the sponsorship and naming rights project, the fleet was an area identified as a possible area where (category) sponsorship of the fleet could provide a financial benefit. During 2011/12 the sponsorship of the fleet including supply was discussed with a number of manufacturers and suppliers. While these discussions were taking place the current contract hire agreement was extended to allow the negotiations to take place. Unfortunately a sponsorship deal for vehicles has not materialised.
- 6 During the discussions for the possible sponsor's supply of the fleet, changes to the vehicles market highlighted the financial changes to the cost base of outright purchase compared to contract hire, whereby outright purchase had become the cheaper of the two options. A cost review analysis was carried out of markets between 2011, 2012, 2013 and again in 2015 for the replacement and acquisition fleet requirements with fluctuating results outlined in Table 1 below.
- 7 Table 1 highlights the fluctuating markets over the years between Outright Purchase and Contract Hire. These figures do not consider management costs or asset value in the case of Outright Purchase but are included to show how the markets alter in favour of each method.

Table 1 – Phase 2 Initiative

SITE(S) (Quotes 2011)	VEHICLE SPECIFICATION	No. OF VEHICLES	Outright Purchase	Contract Hire 3yrs
Vehicles 2011	Ford Ranger Double Cab 4x4	3	£39,472.21	£46,032.48
Vehicles 2012	Ford Ranger Double Cab 4x4	3	£41,706.25	£46,228.74
Vehicles 2013	Ford Ranger Double Cab 4x4	3	£53,871.76	£48,055.77
Vehicles 2015	Ford Ranger Double Cab 4x4	3	£56,846.76	£36,946.60

- 8 The 14 vehicles procured under the Phase 1 initiative in Spring 2009 are now on a rolling month extension with the Contract Hire company; these vehicles are currently divided between the Authority and Trust, 11 and 3 respectively.
- 9 Due to significantly less wear, tear and mileage within the fleet it has become apparent the minimum default replacement of 'all' vehicles at 3 years old is too short a period compared to the 5 year replacement as set out in Table 2 below. In addition to this the vehicle manufacturers now have generally extended the warranty periods from 3 to 5 years.
- 10 Table 2 – Outright Purchase Vs Contract Hire (3 & 5 Years)

SITE(S) (Quotes 2014)	VEHICLE SPECIFICATION	No.	Outright Purchase 3 Years	Outright Purchase 5 Years	Contract Hire 3 Years	Contract Hire 5 Years
Rangers	Ford Ranger Double Cab 4x4 (a/c) XL 2.2 TDCI 150ps	7	£134,602.44	£134,602.44	£84,944.16	£124,777.80
Rangers	Ford Ranger Double Cab 4x2 (a/c) XL 2.2 TDCI 150ps	2	£33,993.14	£33,993.14	£22,260.96	£32,313.60
Rangers	Ford Connect T240 LWB 1.6 TDCI 95ps	2	£26,973.06	£26,973.06	£18,586.80	£26,583.60
Fisheries	Ford Ranger Double Cab 4x4 (a/c) XL 2.2 TDCI 150ps	1	£19,113.92	£19,113.92	£12,549.24	£18,253.80
Farms	Ford Ranger Double Cab 4x4 (a/c) XL 2.2 TDCI 150ps	1	£18,618.92	£18,618.92	£11,848.12	£17,603.40
Management/ Servicing costs			£27,000.00	£45,000	£0	£0
Disposal Value			-£108,088.57	-£72,066.83	£0	£0
		13	£152,221.91	£206,234.45	£150,189.28	£219,532.20

- 11 The contract hire agreements for the fleet expired between July and September 2012 and the contract was extended by a further 2 years to avoid replacing during the London 2012 Games. In late 2014 work started on gaining the financial information to replace the fleet. Officers agreed a rolling monthly extension as detailed above to enable this to take place. The vehicles are now 6 years old require replacement. Initial discussions with manufacturers have identified up to a 3 month lead time for replacement of some vehicles. In order to identify the cheapest option for replacing these vehicles a new appraisal has been carried out to identify the value for money attached in Table 2. The Authority source vehicles using the Hertfordshire County Council Fleet Department, this covers both Contract Hire and Outright Purchase, who source vehicles for many Authority's including the Central Buying Consortium (CBC) and the process is fully compliant with the Public Contract Regulations 2006 (replaced by PCR2015) and relevant EU Procurement Directives and the prices in Table 2 were supplied by Hertfordshire County Council Fleet Section.

- 12 Contract Hire includes full service and maintenance, tyre cover, road fund licence, and road side assistance, however vehicle insurance is excluded and vehicles procured under this method are replaced or returned at the end of the contract period.
- 13 Vehicles purchased under the Outright Purchase method are owned by the Authority with servicing, maintenance, tyre cover, road fund licence and road side assistance managed internally; such management of servicing, repairs, breakdowns and general operative costs equated to approximately <sup>1</sup>£9k+/- pro rata for a fleet of up to 16 at 2015 rates. The majority of administration management is currently undertaken by officers with Contract Hire, but additional elements such as arranging and paying for the road fund licence and servicing reminders will be additional under Outright Purchase. These additional elements can be covered within current resources.

The projected disposal value of <sup>2</sup>46.33% and 30.89% for well maintained, average to low mileage vehicles after 3 and 5 years respectively are to be considered as a comparative offset.

Repair and Servicing costs and projected asset receipt are included in Table 2 above.

- 14 The above 2015 cost review, which includes the management costs of an Outright Purchased fleet off set with the projected asset receipt(s), shows a comparative difference of £2k+/- in favour of the Contract Hire option over a 3 year period and a £13k+/- comparative difference in favour of the Outright Purchase option over a 5 year period.

#### **NEXT STEPS**

- 15 Officers propose such fleet replacement and financing will be based upon the most competitive option at point of purchase.
- 16 Officers propose the replacement life for each vehicle is increased from 3 to 5 years and replacement of the current Authority fleet by Outright Purchase.

#### **FINANCIAL IMPLICATIONS**

- 17 The cumulative amount set aside within the "renewal and repairs" budgets would fund the £233k required for Outright Purchase of (13) Parkland vehicles in 2015, ongoing management will be within current financial resources.
- 18 The Trust fleet of vehicles (7) undertake work that is less arduous in workloads and mileage which results in vehicles that do not need replacing as often. Conversations with Trust officers indicate that the current vehicles are adequate for purpose. They are also considering their future requirements bearing in mind the length of the current contract and other options that maybe open to them.
- 19 Any vehicles purchased outright will be required to be maintained and serviced to the required standards and be deemed saleable assets at point of replacement,

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<sup>1</sup> \*£9k+/- per annum. Pro-rata calculation 2009

<sup>2</sup> Source(s):- Cap Val (Dagenham Motors) & Parkers Car Guide 2014  
2009-2011 average to low- mileage comparable vehicles

providing an asset receipt to the Authority, from disposal in-line with Financial Regulations.

Vehicles procured under a contract hire agreement are returned to the lessee at the end of term with zero asset value to the authority.

## **ENVIRONMENTAL IMPLICATIONS**

- 20 The choice of vehicles procured will give due consideration to non-combustible fuel driven alternatives, currently at present no vehicles are suitable for the Authority's requirements, but this position is subject to ongoing review. Therefore as highlighted in para 21, vehicle choice will be influenced by fuel economy, which is minimal.
- 21 There is nominal fuel efficiency to report between the current and proposed fleet of 3mpg – in part this is due to a reduction of 300cc in the model engine size. Based on an average of 90,534 miles being covered between the Parkland, Fisheries, Farms fleet, this equates to an approximate saving of £1407.14 per annum at 119.95ppl<sup>3</sup>.
- 22 A key aspect of the implementation of this project and the procurement of a modern road licensed fleet has and will provide an improvement in the environmental impact of our fleet operations especially:
- the fuel used by the fleet; and
  - the environmental impact i.e. fuel efficiency and lower carbon emissions.

## **HUMAN RESOURCE IMPLICATIONS**

- 23 The Authority will incur a slight increase in management resources when opting to utilise the Outright Purchase route. As already mentioned in para 13 each manager with a vehicle has the capacity to undertake this, which can therefore be contained within existing resources.

## **LEGAL IMPLICATIONS**

- 24 There are no legal implications arising directly from the recommendations in this report.

## **RISK MANAGEMENT IMPLICATIONS**

- 25 There are increased risks (and hidden costs, e.g., staff time) of fleet management to the Authority if vehicles are purchased out-right, but as the Authority currently undertakes the majority of these tasks (see para 13) officers' view is that these risks are very minimal. There are currently procedures in place that ensure that all vehicles are fit for purpose when acquired and managed through daily checks (before vehicles are taken onto the road) and servicing that follows manufacturers recommendations, therefore outright purchase adds minimal and manageable additional risks.

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<sup>3</sup> Source – [data.gov.uk](http://data.gov.uk) 16.04.15 National average fuel prices

**PREVIOUS COMMITTEE REPORTS**

Finance & Audit Committee	FA/23/04	Annual Report on Work of Internal Audit Section 2003/4	24 June 2004
Finance & Audit Committee	FA/139/07	Vehicle Management	25 October 2007
Finance & Audit Committee	FA/188/09	Vehicle Management	26 March 2009

**LIST OF ABBREVIATIONS**

CBC                      Central Buying Consortium