

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee:
11 January 2012

Subject: Procurement of Replacement Roads Winter Maintenance Vehicles

1. Purpose

1.1 The purpose of this report is to seek approval to procure replacement Roads Winter Maintenance vehicles through the Scotland Excel framework agreement for heavy vehicles, and to initiate a tendering exercise through Sector Treasury Services for the provision of vehicle leasing facilities.

2. Background

2.1 Vehicle fleet reliability is a key issue for a number of direct service delivery functions within the Council. An initial assessment of the existing Roads Winter Maintenance vehicle fleet has identified particular reliability issues with a number of vehicles that are beyond their scheduled replacement date following two consecutive extremely cold winter periods which exposed these vehicles as being vulnerable to failure.

2.2 The process for future Council vehicle fleet procurement is currently being reviewed and a Vehicle Fleet Replacement Business Case is being prepared for consideration by Council, however, it is considered necessary to fast track the procurement of a number of Roads Winter Maintenance fleet vehicles to ensure continuity of service delivery.

3. Main Issues

3.1 The Roads Winter Maintenance vehicle fleet comprises a number of dual purpose vehicles that are adapted for gritting and snow ploughing in the winter months. The last two winter periods have been characterised by significant snowfall and prolonged sub zero day time and night time temperatures. The high level of winter maintenance activity over these two winters has accelerated the wear & tear and body corrosion on the vehicles which are already beyond their scheduled replacements dates. The vehicles being recommended for replacement are shown in Appendix 1.

3.2 Due to the Council's restricted capital resources and the expected cost of replacement Roads Winter Maintenance vehicles, estimated at £450,000, it is proposed that these vehicles should be procured through a leasing arrangement. The process for this is as follows;

- (i) the Council purchases the vehicles in order to take title of them.
- (ii) lease funding for the full cost of the vehicles will be procured through a third party (Lessor) and used to offset the initial cost of purchase.
- (iii) the Lessor will then purchase the vehicles from the Council at the same costs as the Council purchased the vehicles at through procurement.
- (iv) the Lessor will be repaid from revenue funds over a pre-determined number of years covering the length of the lease period.

3.3 It is proposed that the Council procure the vehicles, as indicated at 3.3 (i), through the Scotland Excel framework agreement for heavy vehicles.

3.4 It is proposed that the Council procures the Lessor as indicated at 3.3 (ii) through the Councils Treasury Advisers, Sector Treasury Services, and that they are engaged to provide specialist leasing advisory services including undertaking a tendering exercise on the Council's behalf to appoint a Lessor. This will generate a leasing agreement whereby the Lessor will purchase the vehicles from the Council and lease them back to the Council over the length of the leasing agreement.

4. People Implications

4.1 There are no people implications associated with this report.

5. Financial Implications

5.1 Based on the estimated cost of the vehicles requiring replacement i.e. £450,000, the estimated annual leasing charge to the Council of this agreement is as follows;

The cost of leasing will be dependant on the form and length of lease arrangement that is determined to be the best value option for the Council. The estimate annual cost for a 7 year finance lease is shown.	£74,100
Leasing Advisory Fees - 0.75% of the value of the assets financed	£3,375

5.2 The costs associated with these replacement vehicles will be reflected in the budget estimates for 2012/13 and future years and will take cognisance of any associated benefit from reduced maintenance costs as a consequence of this investment.

- 5.3** Income from the sale at public auction of the vehicles to be replaced is currently estimated at up to £57,000. This income could be used as match funding for procuring one or more all electric vehicles through the Scottish Government's Electric Vehicle Procurement Support Scheme, as a demonstration project, to inform future decision making on the suitability of electric vehicles in a Council service delivery setting. A report on this particular initiative will be brought to a future Housing, Environment and Economic Development Committee.

6. Risk Analysis

- 6.1** Failing to expedite the procurement of replacement Roads Winter Maintenance Vehicles could result in the Council being unable to comply fully with its winter maintenance programmes from 2012/13 onwards.
- 6.2** Vehicle leasing is a complex area and there is little in house experience in procuring these services. There is a financial risk therefore that if the Council does not use Sector Treasury Services to secure the lease funding; the Council may enter into a leasing arrangement that does not represent best value.

Using Sector Treasury Services for this procurement exercise will permit officers to gain the necessary experience which can be applied in any future tenders for vehicle leasing.

7. Equalities Impact Assessment (EIA)

- 7.1** No significant issues were identified in a screening for the potential equality impact of this report.

8. Strategic Assessment

Fit for Purpose Services

- 8.1** The Council's strategic priorities have been considered. Procuring replacement Roads Winter Maintenance vehicles will ensure that the winter maintenance service remains fit for purpose.

9. Conclusions and Recommendations

- 9.1** The replacement vehicles will be procured through utilising the Scotland Excel framework agreement for heavy vehicles which is currently the most economically advantageous method of procuring vehicles.
- 9.2** A tendering exercise conducted on behalf of the Council by the current Treasury Advisers, Sector Treasury Services, will provide competitive and transparent vehicle leasing rates for the Council facilitating the delivery of best value in respect of the purchase of the vehicles specified, and the onward rental of these vehicles to the Council for the period of the lease.

- 9.3** Committee is invited to approve the procurement of Roads Winter Maintenance Vehicles through the Scotland Excel framework agreement for heavy vehicles at an estimated cost of £450,000 and the use of Sector Treasury Services to perform a tendering exercise for an appropriate leasing agreement.

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Date: 12 December 2011

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Appendix: Vehicle Replacement List

Background Papers: None

Wards Affected: All