

Report of: Financial & Asset Management Business Manager

To: Executive Board – 8th January 2007
Council – 22nd January 2007

Item No:

Title of Report : Major Project Approval & Budget Approval for the Purchase of City Works Vehicles



Summary and Recommendations

Purpose of report:	To seek approval for purchase of replacement vehicles in 2006/07 to the value of £694,500
Key decision:	Yes
Portfolio Holder:	Stephen Tall
Scrutiny Responsibility:	Finance
Area(s) affected:	All
Report Approved by:	Mark Luntley, Strategic Director - F&CS Lindsay Cane (Legal Services Manager) Jean Fooks (Portfolio Holder, Cleaner City) (report also seen by Stephen Tall, Portfolio Holder, Better Finances)
Policy Framework:	
Recommendation(s):	Executive Board is asked to grant major project approval for purchasing the vehicles, conditional on Council approving the request to increase the capital budget on 22 nd January 2007.
	Council is asked to approve the increase in the 2006/07 capital budget for replacement vehicles to £694,500 and note the funding is in place. Council is further asked to note the revenue implications for budgets in future years if City Works need the same numbers of vehicles.



Introduction

1. City Works want to purchase replacement vehicles costing £694,500 in 2006/07. The approved Capital Programme figure is just £500,000. This report demonstrates that the required funding is in place to allow this to happen.

Summary

This report pulls together funding from the approved capital programme and revenue budgets to show that sufficient funding exists to purchase the required operational City Works vehicles.

Executive Board is recommended to: -

- (a) Give major project approval for the purchase of replacement vehicles in 2006/07

Council is recommended to: -

- (b) Approve an increase in the 2006/07 capital budget for replacement vehicles;
- (c) Note the funding available;
- (d) Note the implications for the revenue budgets in future years.

Vehicles Required by City Works

2. City Works require(d) 19 replacement vehicles as follows for operational dates as listed.

	Purchase Date	Price £	Quantity	Cost £
Volvo FL L 4x2 Chassis Cab	29/04/06	106,000	1	106,000
Schmidt SH09E/1653 Gully emptier	01/12/06	90,000	1	90,000
LDV* 400 2.5 en d	01/12/06	18,500	2	37,000
Ford* 1.8 d Escort 75	01/12/06	10,500	1	10,500
Jensen A528 turntable chipper with in-feed roller	18/12/06	20,000	1	20,000
Refuse Vehicle	12/01/07	135,000	2	270,000
LDV* 2.5 ft Convoy	01/02/07	23,000	1	23,000
LDV Convoy 3.5t Crewcab Tipper LPG	01/02/07	23,000	1	23,000
Volkswagen Transporter LWB Van	04/02/07	13,000	5	65,000
LDV* 1.9 di Pilot	01/03/07	12,500	4	50,000
			23	£ 694,500

These vehicles were previously leased and revenue budgets exist for leasing. The leasing budgets are now being used to fund Prudential Borrowing.

Funding of Vehicles - method

3. With the introduction of prudential borrowing, a purchase v lease model was developed. This concluded that purchase of vehicles was cheaper over the life of the vehicle than leasing.
4. The purchase of the vehicle has to be funded up front by borrowing, and this is repaid annually over the life of the vehicle generally 5/6 years.
5. The Council has no need to borrow externally and uses internal cash balances to fund the purchase. There is however a cost as these funds cannot be invested externally to earn interest. Part of the annual cost for repayment of the vehicle cost includes an element to cover this loss of interest.

Funding of vehicle purchase in 2006/7 and beyond

6. **Appendix A** summarises the purchase requirements for City Works vehicles from 2006/07 to 2010/2011 (assuming no change in service). It also shows the cost of vehicles and ancillary items purchased this year for the new Refuse and Recycling scheme, for which both budget and project approval have previously been granted.
7. The summary at the bottom of the appendix details: -
 - (a) The funding required to support all expenditure (including Refuse and Recycling scheme) on an annual basis (line ref. E). It also includes the anticipated costs for remaining lease commitments, all of which will have expired by 2009/10 (F);
 - (b) The funding available from existing Revenue Budgets (including a one-off contribution in 2006/07) (G)
8. The shortfall in 2008/09 (and onwards) arises because the annual cost of replacement (c. 1.4m) exceeds the budget available of £1.175m. This difference arises from replacing those vehicles previously owned by the Council rather than leased. There was therefore no leasing budget to cover replacement costs.
9. Appendix A reflects a prudent estimate of vehicle life. However the most likely life of each asset will be longer; this will allow purchases to be spread wider and hence the replacement programme to be extended to remain within budget. Although vehicle replacement in 2007/08 is currently high, a further review of vehicle life will be carried out in conjunction with City Works and changes will be incorporated into the capital budget for final approval in the 2007/08 budget process. The figures make no assumption for resale value.
10. Council is asked to approve the increase in the 2006/07 capital budget for replacement vehicles to £694,500 and note the funding is in place. Council is further asked to note the revenue implications for budgets in future years if City Works need the same numbers of vehicles.


11. Executive Board is asked to grant major project approval for purchasing the vehicles in 2006/07, on condition that Council approve the budget change.

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Background papers:

Working papers held by Accountancy:

- 1) Leasing Schedule
- 2) Replacement Vehicle Schedule
-  3) Capital Programme 2006/7
- 4) Final capital funding 2004/5
- 5) Final capital funding 2005/6

