

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	BUDGET MATTERS – JUNE 2022		
<b>DATE OF DECISION:</b>	14 JUNE 2022		
<b>REPORT OF:</b>	CABINET MEMBER FOR FINANCE AND CHANGE		
<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title:</b>	Executive Director for Finance, Commercialisation & S151 Officer	
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### **BRIEF SUMMARY**

This paper identifies that there are options on how the council procures its fleet vehicles, basically through direct purchase or via leasing.

These options are kept under review to ensure whatever option is being used provides the Council with the optimum value for money. This report seeks permission for delegation to take place to decide the best way forward for the council when taking decisions on acquisitions, using a business case to inform which option represents the best value for money.

### **RECOMMENDATIONS:**

	Cabinet
i)	Delegates authority to the Executive Director – Finance and Commercialism, to decide on whether purchase or lease arrangements offer the best value for money for procuring council fleet vehicles. This delegation will be exercised following consideration of a business case and after consultation with the Executive Director of Communities, Culture and Homes and the Cabinet Member for Finance and Change.

### **REASONS FOR REPORT RECOMMENDATIONS**

1.	To ensure the Council obtains the best value for money when acquiring vehicles or any other asset, based on reviewing the options of lease or direct purchase.
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### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2.	Not considering the option of leasing vehicles would rule out a route that may provide enhanced value for money and greater operational efficiency.
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### **DETAIL (including consultation carried out)**

3.	The council has within its capital programme expenditure to purchase vehicles for the council to use and operate to deliver a variety of services. Over the next 3 years, around £7.6M has been included and approved (see table below).
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4.	A number of older vehicles within the council fleet have experienced high maintenance costs and reliability issues, being retained for significant periods of time. Hence a replacement programme is essential to both ensure service continuity and reduce overhead costs such as maintenance.
5.	In recent years the council, when it has replaced existing fleet vehicles has operated under an approach of outright purchase of the vehicles. The council finances this via borrowing, as the vehicles are an asset and therefore a capital programme item.
6.	An alternative would be to acquire the vehicles via a finance lease. Currently a business case assessment is being developed to assess if this would provide improved value for money and/or operational advantages across the fleet. For example, lease vehicles tend to run under a 5 year lease deal before replacement and this regular 'turnover' may add to the flexibility and adaptability of the fleet and (for example) ensure a quicker response to electrification of vehicles.
7.	It is proposed that a business case is worked up, comparing acquisition through outright purchase (the current method) with leasing to establish which offers the best value for money to the council. This case will be assessed by the Executive Director – Finance and Commercialism, who has a responsibility to ensure good value for money is obtained, following consultation with the Executive Director of Communities, Culture and Homes and the Cabinet Member for Finance and Change. Fleet acquisitions will be kept under regular review via this mechanism.

## RESOURCE IMPLICATIONS

### Capital/Revenue

8.	The existing programme of vehicle replacement over the three years to 2024/25 is given in the table below, as detailed and agreed in the capital programme agreed at the February 2022 Council meeting.										
9.	<p><b>TABLE: Existing Capital Programme</b></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23 Budget £M</th> <th>2023/24 Budget £M</th> <th>2024/25 Budget £M</th> <th>Total Budget £M</th> </tr> </thead> <tbody> <tr> <td>Purchase of vehicles</td> <td>3.61</td> <td>2.00</td> <td>2.00</td> <td>7.61</td> </tr> </tbody> </table>		2022/23 Budget £M	2023/24 Budget £M	2024/25 Budget £M	Total Budget £M	Purchase of vehicles	3.61	2.00	2.00	7.61
	2022/23 Budget £M	2023/24 Budget £M	2024/25 Budget £M	Total Budget £M							
Purchase of vehicles	3.61	2.00	2.00	7.61							
10	The programme is described as purchase, but direct purchase is not necessary for Council Fleet vehicles. Instead acquiring the vehicles currently planned for, within this agreed amount, can be assessed through a financing lease as an alternative. Going forward the item in the capital programme will be described as fleet vehicle replacement to reflect the different options available.										
11.	The revenue implications, based on the current approach of outright acquisition and the associated capital financing, are given below.										
12	<p><b>TABLE: Vehicles Acquisition Revenue impact - Current assumed costs within Capital Financing Budget</b></p> <table border="1"> <thead> <tr> <th></th> <th>2022/23 Budget £M</th> <th>2023/24 Budget £M</th> <th>2024/25 Budget £M</th> <th>2024/25 Budget £M</th> </tr> </thead> <tbody> <tr> <td>Financing Costs</td> <td>0.26</td> <td>0.64</td> <td>0.91</td> <td>1.05</td> </tr> </tbody> </table>		2022/23 Budget £M	2023/24 Budget £M	2024/25 Budget £M	2024/25 Budget £M	Financing Costs	0.26	0.64	0.91	1.05
	2022/23 Budget £M	2023/24 Budget £M	2024/25 Budget £M	2024/25 Budget £M							
Financing Costs	0.26	0.64	0.91	1.05							

### Property/Other

13.	The implications of the approach are around if fleet vehicles will be acquired via the
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	current outright purchase or via leasing.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
14.	Financial reporting is consistent with the Section 151 Officer's duty to ensure good financial administration within the Council and value for money.
<b><u>Other Legal Implications:</u></b>	
15.	n/a
<b>RISK MANAGEMENT IMPLICATIONS</b>	
16.	The agreed vehicle acquisition programme is already seeking to address risks around unreliable and out of date fleet vehicles by ensuring resource exist for fleet replacement. Operating under leasing arrangement is not expected to add any further risks.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
17.	This fits into the aims as outlined in the corporate plan and specifically the agreed aim of 'a council that work for you and with you' by optimising value for money when acquiring assets.

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
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### **SUPPORTING DOCUMENTATION**

#### **Appendices**

1.	N/A
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#### **Documents In Members' Rooms**

1.	None
2.	

#### **Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
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#### **Privacy Impact Assessment**

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?	No
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#### **Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be
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	Exempt/Confidential (if applicable)
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1.	The Revenue Budget 2022/23, Medium Term Financial Forecast 2022/23 to 2025/26 and Capital Programme 2021/22 to 2026/27 (Council 23 February 2022)	
2.		