

By: Alex King, Deputy Leader
Mary Cooper, Member Liaison Manager

To: Selection and Member Committee – 13 October 2009

Subject: Member Car Fleet

Summary: This report sets out the options for the Member Car Fleet when the current leases expire this month.

For Decision

(1) The Member car fleet at present consists of three Volvo S80 diesel cars, the leases for which are due to expire this month. In addition, there is a Volvo estate, which was purchased for the fleet in 1997 and has been retained as a “work-horse” primarily being used in an emergency or when transporting Members with their luggage. This car has a residual value of approximately £350.

(2) Options for the future of the car fleet are set out below together with costings. The current car lease budget is £21,000 pa (£84,000 over four years) so any option costing over that will require additional budget allocation.

Option 1 – Replacing with New Vehicles

To replace the current fleet with identical cars the annual leasing charge would be £6,144 per annum per vehicle which, over a 4 year period would amount to £73,728 (inclusive of routine maintenance, breakdown assistance, annual road fund licence and MOTs, but exclusive of insurance or a relief vehicle).

Option 2 – Extending the Present Lease

The lease company has offered to extend the contracts on the current cars but at a vastly increased rate due to the age and recorded mileage of the vehicles. The annual charges would be as follows:

1XKT	GJ55 FWF	GJ55 FWD
£16,175.38	£19,475.52	£19,475.52

Giving a total annual cost for all three vehicles of £55,126, which over a 4 year period would amount to £220,506 (inclusive of routine maintenance, breakdown assistance, annual road fund licence, MOTs and insurance).

Option 3 – Buying the Existing Vehicles

To purchase the vehicles direct when the lease expires would cost £20,620:

1XKT	GJ55 FWF	GJ55 FWD
£6,090.00	£7,265.00	£7,265.00

The routine running of the cars would be carried out by the Chauffeur/Administrator (who already looks after the Volvo estate) by arranging car tax, MOTs, servicing, insurance, etc.

Under the present lease scheme the cars have all recently been serviced, have MOTs from August 2009 and have been taxed for a year from 1 October 2009.

Members should note that if this option is selected, the only costs in years 2, 3 and 4 would be that of servicing, car tax, insurance and MOTs together with any unforeseen expenditure, e.g. tyres, wiper blades, exhausts etc.

An additional cost would be cover for a breakdown recovery service to include homestart and the AA have quoted £321.48 pa for all four cars.

Details of Commercial Services servicing

1XKT	GJ55 FWF	GJ55 FWD
£850.00	£1065.00	£1065.00

Total servicing cost for Year 1: £2,980.

Based on one major service and two intermediate services for 1XKT and two major services and one intermediate service for both GJ55 FWF and GJ55 FWD.

(Please note that GJ55 FWF and GJ55 FWD may require replacement cam belts in the next 12-18 months. These costs have been included in the routine servicing which is why their estimated costs are greater.)

The servicing costs for the second year would be:

1XKT	GJ55 FWF	GJ55 FWD
£1,100.00	£720.00	£720.00
(4 services)	(3 services)	(3 services)

Total servicing cost for Years 1 and 2: £5,520.

Details of Lipscomb servicing plan

For comparison Lipscomb Cars Volvo have also been contacted and in their view 1XKT would need two services in the first year and the other two vehicles one service at a cost of:

1XKT	GJ55 FWF	GJ55 FWD
£695.30	£343.14	£343.14

Total servicing cost for Year 1: £1,381.58.

However Lipscomb do offer a 2 year service plan for cars of this age and, accepting that the need for cam belts on both GJ55 FWD and GJ55 FWF, the costs would be:

1XKT	GJ55 FWF	GJ55 FWD
£1391.29	£1313.59	£1313.59
(4 services)	(3 services)	(3 services)

Total servicing cost for Years 1 and 2: £4,018.47.

Over a 4 year period this option could cost £20,620 + services = c.£30k. The initial outlay in buying the cars will require capital financing as the cost cannot be met wholly from this year's budget but the cost can be spread over two years.

Option 4 – Kent Fleet buying the existing vehicles and leasing them to KCC for a period of 12 months

1XKT	GJ55 FWF	GJ55 FWD
£7860.00	£6704.00	£6704.00

Giving a total annual cost of £21,268. (cost over 4 years a minimum of £85,072).

If we agree to lease the cars for a period of 2 years the costs pa would reduce to:

1XKT	GJ55 FWF	GJ55 FWD
£6,226.00	£6441.00	£6441.00

Giving a total annual cost of £19,108 (cost over 4 years a minimum of £76,432).

These costs include routine maintenance, tyres, exhausts, road fund licence, MOTs and a recovery service.

Recommendations

The Committee is invited to approve Option 3 above (buying the existing vehicles), together with the Lipscomb servicing plan and that the total costs be capitalised over two years.