

**WEST OXFORDSHIRE DISTRICT COUNCIL**  
**FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE:**  
**WEDNESDAY 3 OCTOBER 2018**

**INVESTMENT IN UBICO FLEET HIRE SCHEME**  
**REPORT OF THE GROUP MANAGER COUNCIL ADVISORY SERVICES**

**(Contact: Claire Locke, Tel: (01993) 861344)**

**1. PURPOSE**

To seek one-off funding for the trial of an invest to save initiative to create a Ubico fleet pool. The Council will fund the repair, maintenance and servicing costs of operational vehicles which can then be hired to any Ubico partner, reducing the lease costs to the partner, whilst providing a return on investment for West Oxfordshire District Council.

**2. RECOMMENDATION**

That the Committee considers the proposal outlined below and provides the Cabinet with its views.

**3. BACKGROUND**

- 3.1. Seven local authorities now contract services from Ubico Limited, each of which purchase vehicles which Ubico then use to deliver the various Environmental services on behalf of the respective Council. Work has been completed to better align and forward plan procurement taking into account fleet age and repair costs and the point at which replacement becomes more cost effective than high maintenance and repair costs. However as a result of service changes, peak demand periods, vehicle breakdowns, aging fleet and occasional vehicle accidents, each partner regularly pays for Hire vehicles to support its core fleet. Hire costs are high, with a standard RCV weekly hire between £850 - £1,000 and hire vehicles are not always immediately available which can then impact on service delivery.
- 3.2. Ubico have identified an opportunity to create a Ubico Hire pool of vehicles. From time to time vehicles which have been fully depreciated may be replaced or service changes may warrant existing fleet surplus to requirements. The value of second hand vehicles if sold through auction houses is not that high and greater value could be achieved by maintaining them in a fleet pool which can then be hired to internal Ubico contracts.
- 3.3. Ubico are looking to identify partners who would be willing to invest in some second hand fleet, meet refurbishment costs and the costs associated with continuing to MOT, service and maintain these vehicles, effectively funding the retention of that vehicle. This creative scheme would initially be trialled with a small pool of vehicles, reducing the financial risk, but if successful could lead to growth in this area with a large vehicle hire pool negating the need for Ubico to hire any vehicles externally and offering the opportunity for Ubico to hire vehicles to third parties.
- 3.4. A number of vehicles which they have fully depreciated by other Ubico partners are now available which WODC could choose to invest in, to place into the Ubico fleet pool. The cost for one vehicle over a three year trial period would be an estimated £64,000, with an estimated net profit from income of £36,000 over three years.
- 3.5. Hire costs recharged to each partner would be around 20% lower than that charged by Hire companies, incentivising use of the Hire pool.

#### **4. ALTERNATIVES**

The Council can choose to either:

- Option 1 – Invest in this trial, which should achieve service savings and provide a return on investment, or,
- Option 2 – Not invest in the trial, in which case it may still benefit in some hire charge reduction if other Ubico partners support this initiative but would not generate any income.

#### **5. RISKS**

5.1. The Council needs to consider the following key risks:

- Any additional costs, above the modelled costs of £128,000 over three years, would need to be met from the waste service revenue budget during that period
- The model assumes that the vehicles will be hired out in excess of 50% of the time in order to break even over three years. In order to achieve the anticipated profit of £36,000 per vehicle, the vehicle needs to be utilised for at least 80% of the time

5.2. However performance would be reviewed six monthly, throughout the trial period and if income projections or profit forecasts were not being met the vehicles may be sold or scrapped to mitigate the financial risk to the council.

#### **6. FINANCIAL IMPLICATIONS**

6.1. In June 2018 the Council endorsed Cabinets recommendations (Cabinet Minute 19 refers, Council minute 18 refers) to transfer underspend from 2017/18 to Earmarked Revenue Reserves. A sum of £1 million was set aside in an Invest to Save Reserve for the provision of initiatives which will provide a revenue saving or income stream to the Council. This report seeks to utilise one-off funding of £128,000 from that revenue reserve to fund the acquisition, repairs and maintenance of two vehicles over a three year period. The investment is expected to generate income over the three year period of £100,000 per vehicle, £200,000 in total. (The net return on the investment being £72,000 over three years).

6.2. Assuming that the trial is successful and the return of £36,000 is achieved per vehicle, this represents a return on investment of 56% and a payback period of 1.9 years.

6.3. Should this trial be successful a business case will be made for further investment against projected returns which could generate a more significant revenue saving and income for the Council long term.

#### **7. REASONS**

To manage the Councils revenue expenditure and generate income to support the delivery of essential council services, using a creative invest to save initiative contributing to the delivery of efficient, value for money services.

Claire Locke  
Group Manager, Council Advisory Services

(Author: Claire Locke, Tel: (01993) 861344; EMail: [claire.locke@westoxon.gov.uk](mailto:claire.locke@westoxon.gov.uk))

Date: 20 September 2018

Background Papers:

None