

REPORT TO: SHAREHOLDER SUB COMMITTEE

DATE: 11 MAY 2023

TITLE: REFERENCE FROM HTS (PROPERTY AND ENVIRONMENT) LTD – REPLACEMENT OF HTS (PROPERTY AND ENVIRONMENT) LTD FLEET

LEAD OFFICER: JOHN PHILLIPS, MANAGING DIRECTOR HTS (PROPERTY AND ENVIRONMENT) LTD (01279) 446673

RECOMMENDED that:

- A** The proposal to replace 74 vehicles by HTS (Property and Environment) Ltd is approved.
- B** The proposal to seek to replace a further 34 vehicles and 14 mowers that will fall due for replacement from April 2024 is also approved.
- C** That the Council as sole shareholder agrees to support the acquisition of the replacement fleet through the provision of loan financing of up to £2.8million subject to the outcomes of the vehicle procurement process.
- D** That the details relating to loan finance and loan agreements are delegated to the Deputy Chief Executive/Director of Finance to finalise alongside the procurement exercise.

BACKGROUND

1. At its meeting on 5 December 2022, the HTS Group Board approved a recommendation from its HTS (P&E) Board to proceed with the purchase of new vehicles in line with its agreed Business Plan. The purchase is required to replace 5 vehicles which are now uneconomical to maintain and repair and 69 where the already extended lease arrangements will expire in April 2024. The report setting out the business case for the procurement is attached at Appendix A to this report.
2. Due to the requirement for further analysis and additional scrutiny of the options appraisal to be carried out to achieve satisfactory reassurance, the initial decision required from the SSC to finance the replacement vehicles was delayed. As a result HTS have secured a lease extension for 12 months but will commence a new procurement process to secure suitable replacement vehicles from April 2024.

ISSUES/PROPOSALS

3. The Scheme of Delegation requires the Share Holder Sub Committee to approve any borrowing by HTS over the value of £100,000.
4. Whilst being higher cost than traditional diesel vehicle options, this cycle of fleet replacement will include 10 electric vehicles. This will continue to move HTS towards a green fleet commitment and will further help in the evaluation of the use of such vehicles against current HTS operating model and is linked to company's wider electrification plans having regard to the Shareholders 'Climate Emergency' commitment.
5. The fleet of 69 vehicles, currently leased under an agreement with Alphabet Leasing at a monthly cost of £18,535 has been extended to April 2024. Prior to this extension 22 Leases were due to expire in April 2023, 45 in May 2023 and 2 in June 2023.
6. In addition to the vehicles above a further 34 vehicles and 14 mowers are also now due for replacement and these will also be included in the procurement process.
7. HTS will identify a suitable procurement framework to undertake the tendering process.
8. In seeking to raise the funding through the Council it is anticipated that the total costs of the procurement will be in the region of £2.4 -£2.8million subject to the vehicle costs at the time of the tender process. The financing will be structured such that 25% of the final cost will be met from funds set aside by HTS for that purpose and that the remaining 75% will be required to be met through loan financing from the Council. The interest rate applied will be determined both by the prevailing interest rates available to the Council at the time of the advance and giving due consideration to the requirements of State Aid regulations. The loan term will be for 5 years.

IMPLICATIONS

Strategic Growth and Regeneration

None Specific.

Author: Andrew Bramidge, Chief Executive

Finance

HTS (P&E) Ltd have factored the financing costs of the fleet replacement programme into the company business plan and associated financial plans accordingly.

Author: Simon Freeman, Deputy Chief Executive and Director of Finance

Housing

As outlined in the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

The maintenance of an effective fleet is an essential pre-requisite for the delivery of a high quality environmental service to local residents.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

The decision accords with the revised terms of reference approved by Cabinet in December 2018.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – HTS (P&E) Ltd Special Board report – Fleet Renewal

Appendix B – Minutes of the HTS Group Board 5 December 2022

Background Papers

None.

Glossary of terms/abbreviations used

HTS – HTS (Property and Environment) Ltd