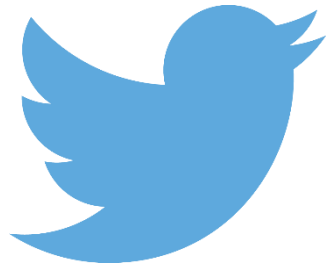




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## SUB-GROUP 2

# FLEET PROCUREMENT OPTIONS

Andrew Hunter

Service Lead – Transport & Logistics

Highland Council



# Purpose and Priorities of the Subgroup

## Purpose of the group

- To examine and discuss the procurement options in fleet with a view towards decarbonising

## Priorities of the group

- To discuss the options open to Local Authorities to procure fleet
- To feed back the contents of the subgroup discussions to interested parties



# Background – Funding Options

- Local Authority Capital funding
- Private sector funding
  - Operating Leases
  - Leasing with maintenance
  - Private sector finance to purchase
  - Short or Long term hire from supplier



# Funding Options – Capital

Pro's	Con's
Complete funding – asset owned	Finite resource – determined by budget levels
Cheaper interest rates	Tendency to keep asset longer
Minimal revenue budget impact	



# Funding Options – Operating Lease

Pro's	Con's
No Capital Spend	Can be cheaper than capital funding
Shorter timescale	Cost of lease dependent on perceived residual value of asset
Reduced maintenance costs	Potential revenue budget impact to pay lease costs
More reliable fleet	IFRS implications
Lower age profile of fleet	
Fixed payments	
Maintenance remains with LA	



# Funding Options – Lease with maintenance

Pro's	Con's
No Capital Spend	Cost of lease dependent on perceived residual value of asset
Fixed budget for duration of contract	Potential revenue budget impact to pay lease costs
Can be cheaper than capital funding	Maintenance controlled by lease company
More reliable fleet	Not suitable with low mileage vehicles or small fleet
Lower age profile of fleet	IFRS16 implications
Cheaper than short and longer term hires	
Potential income stream if LA services / maintains on behalf of lease company	



# Funding Options – Private sector finance

Pro's	Con's
No Capital Spend	Cost of finance higher than Capital loan costs
Asset is LA owned and maintained	





# Funding Options – Short or Long Term Hire

Pro's	Con's
No Capital Spend	Higher costs
Good for a quick fix	Lack of control over maintenance
May be a suitable option for specialist seasonal equipment	IFRS16 implications if meets IFRS16 criteria
Maintenance included	Revenue budget implications

## Example Costs – Leasing vs Capital

- Transit EV van vs Transit ICE van : leasing costs (including maintenance) up to 70% more.
- Transit EV van vs Transit ICE van: EV can be up to 60% more
- Typical car on lease EV vs Hybrid (including maintenance) 10 – 20% more for EV
- Typical car capital funding can be up to 20% more depending on model etc.



membership resources

# Discussion / Questions

## Contact details

- Andrew Hunter – [Andrew.Hunter@highland.gov.uk](mailto:Andrew.Hunter@highland.gov.uk)
- Bob Ritchie – [Bob.Ritchie@tayside-contracts.co.uk](mailto:Bob.Ritchie@tayside-contracts.co.uk)
- Paul Gray – [Paul.Gray@aberdeenshire.gov.uk](mailto:Paul.Gray@aberdeenshire.gov.uk)
- Louise Melville – [Lmelville@apse.org.uk](mailto:Lmelville@apse.org.uk)