

Nottingham City Council Delegated Decision



Nottingham
City Council

Reference Number:

2946

Author:

Andrew Smith

Department:

Commercial and Operations

Contact:

Andrew Smith

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Subject:

Purchase of a loading shovel to replace failed machine

Total Value:

£48,500 (Type: Capital)

Decision Being Taken:

To grant dispensation from Contract Procedure Rule 5.1.1, in accordance with Financial Regulation 3.29, to enable a replacement (used) loading shovel to be purchased.

Reasons for the Decision(s) The loading shovel in use at the Eastcroft Waste Transfer station was due for replacement in July 2017, however, the machine suffered a major mechanical failure that was beyond economic repair. The old machine was due to be replaced during this financial year under the vehicle replacement programme.

A hired machine is currently in place to the correct specification. The hire agreement is on a rolling 6 month hire. A replacement to the same specification now needs to be sourced in order to permit the Waste Transfer Operations Team to continue to safely deliver this service and reduce the financial impact.

A cost analysis project was undertaken to determine the best way to replace this machine this involved comparing long term hire (the max term offered for a hire from suppliers is 3 years) with the outright purchase of a new machine and the outright purchase of a used machine. It was concluded that the most cost effective way was to purchase a used machine up to a maximum value of £40,000 and no more than 4 years old. An extra £8,500 has been included for foam filled tyres which will add to the reliability of the machine as they cushion the vibrations that can cause damage to the vehicle transmission. This would depreciate over a 4 year life span and then a similar machine purchased. A new machine would cost £95,000 but would suffer large initial depreciation and would have a life spans of 7 years and depreciate accordingly. Maintenance costs were very similar for maintaining a new machine and a good quality used machine, as they have the same service regime - service every 500 hours of use.

Value for money has been assessed informally in terms of research into the market by looking at alternative vehicles and associated costs in relation to the age of the vehicle.

A suitable machine has been identified and, subject to a satisfactory inspection, the authority would like to purchase it as soon as possible. Other similar loading shovels have been looked at but there is nothing on the market at present that is suitable and within the price and age range the authority requires.

Briefing notes documents: Loading Shovel Costs Comparison.xlsx

Other Options Considered: Purchasing a new machine was rejected, as it would cost £95,000 and would suffer large initial depreciation and further depreciate over its 7 year life span.
Long term hire was rejected as it is too expensive and would leave the authority without the asset at the end of the term.

Background Papers: N/A

Unpublished background papers:

Published Works: None

Affected Wards: Citywide

Colleague / Councillor Interests: None

Dispensation from Financial Regulations: Yes

Consultations:
Date: 04/09/2017
Other: Alvin Henry - Head of Service - Waste Services Angela Curtis - Commercial Waste Manager John Marsh - Head of Street Scene and Waste Ady Cawrey - Commercial Operations Manager (Fleet)
All senior managers responsible for the operation at the Transfer Station approve of the method of replacement and the type of machine being sought. Along with the Commercial Operations Manager for the Vehicle Fleet.

Those not consulted are not directly affected by the decision.

Crime and Disorder Implications: N/A

Equality: EIA not required. Reasons: As a vehicle purchase this does not impact on equality

Social Value Considerations: N/A

Decision Type: Portfolio Holder

Subject to Call In: Yes

Call In Expiry date: 25/09/2017

Advice Sought: Legal, Finance, Procurement

Legal Advice:
This decision raises no significant legal issues. The client department should ensure that they have gain from the supplier the appropriate level of warranties for a used machine of this type.
Advice provided by Connie Green (Solicitor) on 08/09/2017.

Finance Advice:

At February 2016 Executive Board the Vehicle Replacement Programme was approved a budget of £3.500m for financial year 2017/18. Replacing a loading shovel meets the requirements of the vehicle replacement programme and the costs can be charged against capital project 13530.

Dispensation from contract procedure rule 5.1.1 is required under financial regulation 3.29 for operational reasons.

Fleet Service to manage the expenditure within the Vehicle Replacement Programme and ensure that all 2017/18 expenditure is with the £3.500m budget.

Advice provided by Tom Straw (Senior Accountant - Capital Programmes) on 06/09/2017.

Procurement Advice:

This report seeks approval, using clause 3.29 of the financial procedure rules on grounds of operational issues for a value below key decision level, to dispense with the requirement under clause 5.1.1 under the contract procedure rules to seek three quotes. If dispensation is granted, then the requirements of the contract procedure rules will be satisfied and there will be no procurement concerns.

Having discussed the background with the report author, value for money has been assessed informally in terms of research into the market by looking at alternative vehicles and associated costs in relation to the age of the vehicle. The cost of continuing to hire the current vehicle on a weekly basis is £28,600 per annum which would not be value for money when its equivalent could be purchased for only 42% more. It is for these reasons that procurement supports this proposal. Advice provided by Rosalie Parkin (Category Manager) on 06/09/2017.

Signatures

Sally Longford (PH for Neighbourhood Services & Local Transport)
SIGNED and Dated: 18/09/2017
Andrew Vaughan (Corporate Director Commercial and Operations)
SIGNED and Dated: 18/09/2017
Geoff Walker (Strategic Director Finance/CFO) - Dispensation from Financial Regulations
SIGNED and Dated: 13/09/2017
Chief Finance Officer's Comments: