

**RAMSEY TOWN COMMISSIONERS
PETITION REPORT
ACQUISITION OF THREE FLEET VEHICLES UNDER A 5-YEAR FLEET
REPLACEMENT PROGRAMME**

The Ramsey Town Commissioners have submitted a petition to the Department of Infrastructure for approval under Section 51 of the Local Government Act 1985 to borrow a sum not exceeding £100,000 repayable within a period not exceeding 5 years to defray the cost of acquisition of:

The purchase of three new fleet vehicles under a 5-year fleet replacement programme set up during the 2021-22 budget discussions:

- A diesel tipper vehicle with rear tail-gate lift - £34,550,
- A high-sided diesel tipper vehicle with rear tail-gate lift - £33,550, and
- A diesel tipper vehicle with tool pod - £30,600.
- Estimated delivery - £1,300.

The borrowing facility would be provided by HSBC under the Local Authority Borrowing Agreement, with annual payments (averaged over the 5-year period) estimated at £22,726 being a charge against the rate fund. Budgetary provision for the borrowing has been made within the rate set by the authority for the 2023-24 financial year and will be provided for in the following 4 financial years.

During their 2021-22 budget meetings it was noted that many of the Commission's fleet vehicles were 10+ years old and that maintenance costs were increasing steadily. At that time the Commission set up a 5-year replacement plan to ensure all fleet vehicles were fit for purpose, provide value for money and satisfy modern emission regulations. An anticipated additional benefit of setting up the replacement plan was reduced annual maintenance costs. The replacement plan included the purchase of 3 new vehicles in the 2023-24 financial year.

The Commission believe that in order to fulfil the set 5-year replacement plan external financing (either bank borrowing, hire purchase or finance leasing) would be necessary during each financial year of the plan to enable the acquisition of the various vehicles. Furthermore, the Commission feel that at the conclusion of this 5-year replacement plan the Commission will ultimately be in a position whereby future replacement acquisitions (subject to unexpected and major price increases) will be able to be acquired from reserves and auction proceeds.

Various methods of financing over a 5-year period were investigated and these include:

- A finance leasing agreement – total repayments calculated at £124,434.
- A fixed rate hire purchase agreement – total repayments calculated at £126,450.
- A variable rate hire purchase agreement – total repayments calculated at £124,023 (but being subject to changes in the Base Lending Rate).
- HSBC variable loan under the Local Authority Borrowing Agreement – total repayments calculated at £113,630 (but being subject to changes in the Base Lending Rate).

The calculations suggest that the HSBC variable loan under the Local Authority Borrowing Agreement is the financing option which is the most suitable and cost-effective method.

If the borrowing facility were to be provided by HSBC under the Local Authority Borrowing Agreement, averaged annual repayments are calculated at £22,762 (or the quarterly equivalent of £5,681.50) with these being a charge against the rate fund and based upon a recent 3-month SONIA rate of 4.50% plus a Margin of 0.65% (total 5.15%). Budgetary provision for the borrowing has been made within the rate set by the authority for the 2023-24 financial year.