

**ENVIRONMENT PDG  
5 MARCH 2019**

**VEHICLE SINKING FUND – EARMARKED RESERVE**

**Cabinet Member** Cllr Clive Eginton  
**Responsible Officer** Andrew Jarrett, Deputy Chief Executive (S151)

**Reason for the report:** To update the PDG on the position of the Earmarked Reserve and suggest plans for the use of the residual funds

**RECOMMENDATION:** To note the content of the report and make suggestions where appropriate.

**Relationship to the Corporate Plan:** To deliver our Corporate Plan’s priorities within existing financial resources.

**Financial Implications:** This is a financial update and the implications are contained within the report.

**Risk Assessment:** The Council has taken a prudent approach to setting aside vehicle sinking funds. The availability of these residual funds can be used to mitigate the risks associated with the new contract arrangements.

**Equality Impact Assessment:** There are no Equalities Impact implications relating to the content of this report.

**1.0 Introduction**

- 1.1 Members will be aware that we have been working alongside Exeter City Council to award a contract to deliver our vehicle fleet. A report of the results of this tender will be presented to Cabinet on 7 March.
- 1.2 We have prudently, for some years, been setting aside funds in the General Fund to replace our vehicles on a rolling basis at the end of their economic lives. The move to a lease arrangement has changed the need from this Earmarked Reserves and has the potential to free up some funds to be committed elsewhere.

**2.0 Vehicle Sinking fund – Current position**

- 2.1 We have analysed the spend to date from the reserve and allocated the funds accordingly. The following table shows the current uncommitted position.

**Table 1- Earmarked Reserve Balance**

	<b>Amount £k</b>
<b>Balance as at 11 Nov 2018</b>	2,121
As per 2018-19 Capital Programme	(204)
2018-19 Street cleansing vehicle hire	(35)

Committed to items within the 19/20 budget	(485)
Telehandler	(80)
Hire of telehandler in waste	(5)
<b>Uncommitted Balance as at 5 March 2019</b>	<b>1,312</b>

### 3.0 Residual Balance

- 3.1 It is fortuitous that due to the success of the tendering exercise that we no longer have the reactive pressures of the ongoing maintenance and replacement of our fleet. We are mindful, however, that this is a new contract and that we should ensure that we have adequate funds set aside to “smooth” the pressures which have been identified (c£250k over the 7 year contract term) and any unforeseen pressures e.g. excessive costs for “unfair wear and tear”, i.e. our own liability.
- 3.2 We are also aware that we may need to give ourselves options as regards our service delivery base and would therefore recommend retaining adequate funds to allow us to pursue various options.

### 4.0 Conclusion

- 4.1 It is recommended that the residual balance is maintained to mitigate the identified pressures over the term of the contract and also to provide a “buffer” for unforeseen damage/wear and tear costs. The remaining amount should be held to provide a source of funding should the Council decide to explore relocating or changing the service delivery model.
- 4.2 This position will be discussed in more detail within the year end outturn report which will be considered by the Cabinet at its June meeting, where formal recommendations will be required to re-allocate these funds.

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**Circulation of the Report:** Leadership Team  
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