

Full Business Case (FBC)								
1. General Information								
Directorate	Place	Portfolio/ Committee	Homes & Neighbourhoods					
Project Title	The purchase of grounds maintenance (GM) equipment via prudential borrowing	Project Code	TBC					
Project Description	<u>Purpose of Document</u>							
	This Full Business Case (FBC) relates to the purchase of £12.8m of equipment and vehicles needed to deliver a citywide Grounds Maintenance service. The vehicles will be a mixture of vans, pickups and trailers. The GM equipment in the main is mowing equipment. A summary is attached as Appendix 1.1. The capital purchase will be funded via Prudential Borrowing.							
	<u>Background</u>							
	In 2008 / 2009 Cabinet approved the award of 12 area based grounds maintenance contracts. The current contract areas and supplier split is shown in the table below and shows a mixed economy of internal and external service providers							
	<table><tr><td>Birmingham Parks & Nurseries (BPN) (in-house)</td><td>Quadron Services Ltd (external)</td><td>Glendale Grounds Mgmt Ltd (external)</td></tr><tr><td>1. Strategic Parks 2. Edgbaston 3. City Centre 4. Northfield</td><td>5. Hall Green 6. Ladywood 7. Selly Oak 8. Hodge Hill 9. Yardley</td><td>10. Perry Barr, 11. Sutton Coldfield 12. Erdington</td></tr></table>			Birmingham Parks & Nurseries (BPN) (in-house)	Quadron Services Ltd (external)	Glendale Grounds Mgmt Ltd (external)	1. Strategic Parks 2. Edgbaston 3. City Centre 4. Northfield	5. Hall Green 6. Ladywood 7. Selly Oak 8. Hodge Hill 9. Yardley
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	On 31 st July 2018 Cabinet approved the transfer of the current externalised Grounds Maintenance (GM) service back to the Council therefore creating a citywide GM service from 28th March 2019, and the subsequent opportunities to create an integrated maintenance solution for the wider public realm.							
	There are potential savings resulting from this of £1.34m from Parks Service Re-Design, efficiencies in grass cutting through new equipment, Policy Contingency Savings set aside for Contractual Indexation and the establishment of the new integrated Public Realm Service							
	Along with approving the transfer Cabinet noted that the additional investment in vehicles, machinery and equipment to deliver this service would be the subject of a separate Cabinet report (the subject of this FBC along with the replacement of BPN's existing equipment). The strategy for the procurement of vehicles and equipment needed to deliver the service was delegated to the Corporate Director of Place in conjunction with the Director of Commissioning and Procurement and in consultation with the Cabinet Member for Finance and Resources. It is the intention to follow this delegation and a report will follow in due course.							
	Numerous vehicles and GM equipment is needed by the Council in order to deliver a citywide GM service (both the current internal & external contract area) The GM equipment currently used by BPN is nearing the end of its							

useful life and needs to be replaced in order to maintain the standard of service required and initial indications are that the external providers do not have much if any equipment that could be purchased on a second hand basis.

An element of the potential saving set out above will be delivered through grass cutting efficiencies; in the main this will be from reducing the amenity grass cutting frequency from 12 cuts down to 10 cuts per annum. To maintain grass at this cutting frequency will require different equipment to that currently operated by BPN, rotary (or flail) mowers are needed as opposed to the current five or triple Unit Ride-on Cylinder Mowers (the grass will be longer at each cut and needs different cutting equipment to maintain it to the required standard)

The change in mowing equipment leads to the need for different types of vehicles to transport this, compared to BPN's existing vehicles fleet.

Financial implications

See budget summary below and the more detailed breakdown attached as Appendix 1.1. Capital expenditure proposed of £12.800m is split £10.000m to set up in-house services, the current externalised service from 28th March 2019 and £2.800m to replace BPN's existing vehicles and equipment all of which is beyond economic life. The age of the existing GM equipment ranges from 7-9 years and vehicles 5-10+ years old (plus 4 vehicles that are 4 years old). The industry standard for this type of service is for vehicles and equipment to be replaced every five years.

The revenue impact of £13.625m (£2.725m per annum) to cover repayment of Prudential Borrowing and interest. Provision to cover a sum of £2.900m (£0.580m per annum) for ongoing Repairs and Maintenance over 5 years, is already contained in the forecast budget under the Parks Service.

The revenue impact will be afforded through a combination of savings in client contract management services and savings from Parks service re-design and efficiencies in grass cutting through new equipment.

Appendix 1.1 illustrates the possible options for each item type along with indicative costs. The overall indicative financial figure for the total costs, demonstrates that outright purchase is best value. This will be addressed in more detail in the delegated Procurement Strategy report and actual costs confirmed following a tender competition. It should be noted that although hire costs have been included for illustrative purposes no vehicle or GM equipment hire company have the quantities that the Council is seeking. Initial indications are that all hirers will need to purchase the items for the Council to hire and will seek long term security e.g. in the form of a hire to buy arrangement.

In calculating the quantity and type of equipment and vehicles (see Appendix 1.1 below) needed, the service has taken into account the type and volume of GM work that will be required and a current estimate of staff TUPE transferring into the Council. The table below gives an indication of the scale of the work that will be undertaken in a citywide GM service

Work type	Volume per cut/occasion	Frequency
amenity grass cut (Parks & verges)	17.6m sq m	10 cuts per year
Enhance grass cutting (cemeteries, housing sites etc)	3 m sq m	More than 10 cuts per year & as dictated by the portfolio owner
Shrub bed maintenance	1.6m sq m	twice per year

	Hedge cutting		300,000 sq m	twice per year
	<u>Key risks</u>			
	<p>The key risk relating to this project is the availability of equipment and vehicles for 28th March 2019 due to manufacturing lead times. Due to the quantity of equipment and vehicles required no manufacturer or re-seller have these items readily available. Most if not all items will need to be manufactured to order. Actual lead times vary depending on the type of vehicle or item of equipment. As a guide the indicative maximum lead time for vehicles is 24 weeks and for GM equipment the maximum lead time is 5 months. Lead times may improve on this once the order has been placed and enquires are made with the manufacturer and their production schedule. A full risk register is included as Appendix 1.2</p>			
	<u>Alternative options</u>			
	<p>The alternative options of leasing and hire have, where available been included in Appendix 1.1. The lease option is not available for GM equipment as there is no demand in the industry for this. Similarly for the hire of GM equipment although costs have been included, where available this is a costly option. Demand in the market for the hire of equipment is limited to short term hires to fill peaks in workload and where outright owned equipment is temporarily out of service e.g. being repaired. Unlike vehicles there is a limited resale market for equipment that is beyond its useful life e.g. at the end of 5 years.</p> <p>Although hire costs have been provided here for both GM equipment and vehicles there is no supplier in the market that has available the quantities that the Council is seeking. Initial indications are that all hirers will need to purchase the items for the Council to hire and will seek long term security e.g. in the form of a hire to buy arrangement.</p>			
Links to Corporate and Service Outcomes	<p>Outcome 4: Birmingham is a great city to live in and Priority 4 : We will improve the environment and tackle air pollution</p> <ul style="list-style-type: none">▪ Through the provision of, and improved access to, outdoor recreational facilities and the creation of clean, green and safe open spaces.▪ Access to safe and green environments in parks, housing, school grounds, cemeteries and crematoria and other public open spaces, contributes to improving the health of our residents. The green waste is recycled contributing to the Council's sustainability agenda.			
Options Appraisal Approved by	Robert James Acting Corporate Director Place	Date of Approval	12.11.2018	
Project benefits	<p>The project benefits are:</p> <ul style="list-style-type: none">▪ To enable BPN to deliver a citywide GM service▪ Other benefits are set out in the Cabinet report of 31st July 2018			
Project Deliverables	<p>The project deliverables are:</p> <ul style="list-style-type: none">▪ The minimum fleet of fit for purpose vehicles and equipment required to support the efficient delivery of the service			
Key Project milestones				

Cabinet Approval of the FBC		December 2018	
Contracts Awarded		January 2019	
Orders placed		January 2019	
Delivery of vehicles & equipment		TBC as this is dependent on availability/manufacturing schedules at the time of order	
Taxation Implications	<i>The tax advice is that this proposal will have a minimal impact on the City's Partial Exemption status.</i>		
Achievability	<p>Soft marketing testing has been undertaken to assess the availability of vehicles and GM equipment. Due to the volume of requirements no re-seller or manufacturer currently has, in stock all of the Council's vehicle & equipment requirements.</p> <p>Most, if not all will need to be manufactured to order. Initial indications are that for vehicles the minimum lead is 12 wks and max 24 wks not including any modifications that maybe required to the vehicles. For GM equipment the lead times for individual items range from 6 weeks to 5 months for the main mowing equipment.</p> <p>Although lead times maybe lowered when there is more certainty around when orders will be placed and how this fits with the manufacturing programme at the time of ordering.</p>		
Project Manager	Steve Hollingworth		
Budget Holder	Gary McManus		
Sponsor	Rob James		
Project Accountant	Fazal Khan		
Project Board Members	Steve Hollingworth (Chair) Val Lecky/ Simon Smith/Phil Beville/Joe Hayden/ Sue Amey/Andy Williams (Parks) Fazal Khan (Finance) Sarah May/Tom Moffat/Russell Johnston (HR) Kevin Haynes/Gary McManus (BPN) Andrea Webster (Procurement)		
Finance Business Partner (FBP)	Parmjit Phipps	Date of FBP Approval:	19.11.18

2. Budget Summary (See detailed workings below)					
	Voyager Code	Financial Year 18/19	Financial Year 19/20	Later Years	Totals
Capital Costs & Funding		£000	£000	£000	£000
Expenditure: Development costs already approved					
Other Costs to complete project Capital		12,768			12,768
Totals		12,768			12,768
Funding Development costs funded by: (Please itemise)	Specify codes where budget is found on Voyager				
Other Costs Funded by: Service Prudential Borrowing – over 5 year (An annuity rate of 0.21339 per £1,000 has been used)			2,725	10,900	13,625
Totals			2,725	10,900	13,625
Revenue Consequences					
Expenditure (5 year prudential borrowing)			2,725	10,900	13,625
Income					
Savings					
Totals			2,725	10,900	13,625
Funded By:	Specify codes where budget is found on Voyager				
Current Budgetary Provision					
Other revenue resources identified: GM Insourcing			2,725	10,900	13,625
Totals			2,725	10,900	13,625
Planned Start date for delivery of the project	Dec 2018		Planned Date of Technical completion		March 2019

3. Checklist of Documents Supporting the FBC		
Item	Mandatory attachment	Number attached
Financial Case and Plan		
<ul style="list-style-type: none"> Detailed workings in support of the above Budget Summary (as necessary) 	Mandatory	Appendix 1.1
<ul style="list-style-type: none"> Milestone Dates/ Project Critical Path (set up in Voyager or attached in a spreadsheet) 	Mandatory	See above
Project Development products		
<ul style="list-style-type: none"> Populated Issues and Risks register 	Mandatory	Appendix 1.2
Other Attachments (list as appropriate)		
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Vehicles/Equipment and its proposed use

APPENDIX 1.1

Item	Proposed use	Indicative cost per Item	No Req'd	Indicative Total: PURCHASE Price (inc. R&M where applicable) ¹	Indicative PRUDENTIAL BORROWING: Annual (including interest)	Indicative LEASE: Annual Cost (inc.R&M) ²	Indicative HIRE: Annual Cost (inc. R&M) ³
		£	Number	£	£	£	£
Transits	People carriers, Rubbish removal, Machinery and tool moving	25,000	173	4,757,500	893,761	4,923,580 (£9000 per vehicle)	6,747,000
Pickups	Supervisory, Monitoring, Resource Transport,(materials) Heavy Plant and trailer recovery equipment, Off road,	18,500	30	630,000	114,691	972,300 (£9549 per vehicle)	553,800
Vans	Supervisory & servicing the	12,500	14	210,000	36,164	£260,750 (£5467 per	£327,600

¹ Included within the purchase figures is an estimated £500 per vehicle, per year for repairs & servicing. All figures exclude whatever the Council may recover from the sale of an item at the end of its 5 year useful life. For GM equipment an estimate of £5k has been included in the TOTAL cost to cover servicing & repair of the main mowing equipment (as highlighted in yellow)

² For vehicles the residual value, as indicated by the lease company is shown in italics. Where, due to general wear & tear a vehicle is returned in a lesser condition that Council will be required to cover the difference in residual value or repair the vehicle to bring it up to standard. Due to the nature of the work undertaken some damage is inevitable. There is a risk with the option that there will be a costly repair cost at the end of 5 years.

³ All hire costs exclude any estimate of the cost of repairing any damage that may occur to the vehicle during the hire period. Due to the nature of the work undertaken some damage is inevitable. There is a risk with the option that there will be a costly repair cost at the end of the hire period. For vehicles the hire cost has been based on a 5 day week & 52 weeks per year. For the GM equipment most of this has been based on the main mowing period of 30 weeks per year.

Item	Proposed use	Indicative cost per Item	No Req'd	Indicative Total: PURCHASE Price (inc. R&M where applicable) ¹	Indicative PRUDENTIAL BORROWING: Annual (including interest)	Indicative LEASE: Annual Cost (inc.R&M) ²	Indicative HIRE: Annual Cost (inc. R&M) ³
	contract with tools, supplies etc					vehicle)	
Trailers ⁴	Transport Kit around, large plant, and pedestrian Machines	3,000	88	264,000	54,556	n/a	n/a
Bowser	For watering Bedding, Hanging Baskets Flower towers, Trees, and Woodland Fires.	3,000	18	54,000	11,159	Unavailable for lease	Unavailable for hire
Mule	Utility Vehicle off road around large parks, transport for materials, rubbish tools and staff,	12,979	23	298,517	61,689	Unavailable for lease	£931,500
Commander	Mowing machine for sports areas 21 cut sites, schools, large areas 5 Unit machine. (10, cuts and above)..	57,000	9	738,000	106,011	Unavailable for lease	Unavailable for hire
Ride on Rotary	Amenity mowing small and large areas, for 10 cuts and less as	43,273	85	5,803,205	760,101	Unavailable for lease	8,797,500

⁴ No supplier can be located that can long term hire or lease trailers.

Item	Proposed use	Indicative cost per Item	No Req'd	Indicative Total: PURCHASE Price (inc. R&M where applicable) ¹	Indicative PRUDENTIAL BORROWING: Annual (including interest)	Indicative LEASE: Annual Cost (inc.R&M) ²	Indicative HIRE: Annual Cost (inc. R&M) ³
	budget restraints apply..						
Ferris Rotary	small ride on rotary easy manoeuvrable for cemetery work between graves etc 21 cuts down to 6 cuts.	14,680	5	73,400	15,168	Unavailable for lease	Unavailable for hire
Profi Hopper	Flail machine used for enhanced cut and collect ornamental machine also leaf collection and fine turf maintenance.	27,000	11	297,000	61,375	Unavailable for lease	£1,336,500
Chippers	Used for shrub maintenance minimise travel and reductions of shrub material to be transported	16,000	17	272,000	56,209	Unavailable for lease	£1,679,600
Tractor/Trail Gang	Large parkland, playing fields, recs, also utilise tractor through winter on other tasks,	74,000	10	740,000	152,921	Unavailable for lease	Unavailable for hire
Tractor/Bucket	Small compact tractor used, for sports maintenance implements, loading and removing rubbish, leaf	35,000	16	560,000	115,724	Unavailable for lease	1,284,000

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	collecting attachments, and loading skips.						
Dennis	Fine turf machinery for Bowling greens, cricket square maintenance, wicket prep, and also ornamental mowing.	4,000	18	72,000	14,879	Unavailable for lease	Unavailable for hire
Fertiliser Spreader	Sports fertilizing.	5,000	6	30,000	6,200	Unavailable for lease	621,000
Spiker	Implements for sports maintenance	3,000	12	36,000	7,439	Unavailable for lease	900,000
Side Arm Flail	For Hedge Cutting of agricultural hedges. Country lane verges, Banks, inaccessible areas, (Tractor and Side Arm Flail).	110,000	7	770,000	159,121	Unavailable for lease	Unavailable for hire
Pedestrian Flail	Small lawn areas, overgrown areas, 12 cut down to 1 cut	9,147	6	54,882	11,341	Unavailable for lease	270,000
		TOTAL		£15,660,504	£2,638,509		

Item 2 - Risk Register

APPENDIX 1.2

Risk/Opportunity Information			Counter Measures		
No.	Description of Risk/Opportunity and Risk/Opportunity owner	Inherent Risk (Likelihood/ Impact)	Description of current controls/ mitigation in place and date when controls were last reviewed and reported upon	Residual Risk (Likelihood/ Impact)	Further controls proposed and date for implementation
1	<ul style="list-style-type: none">Service failure due to Procurement lead in times & volumes required – sourcing of machinery & vehicles.Insufficient BCC resources made available to bring back in house the GM mobilisation <p>Risk Owner: Steve Hollingworth</p>	High	<ul style="list-style-type: none">Service has identified types & volumes of machinery/vehicles required – November 18It has been established that the Council can ‘piggy back’ on to other contracts (ESPO for GM equipment & Crown Commercial Services for vehicles)– November 18	High	Robust implementation plan has been produced.