

Report of Chief Officer Civic Enterprise Leeds

Report to Director of Resources & Housing & Chief Financial Officer

Date: 6th May, 2020

Subject: Capital Expenditure for the Meals at Home Service

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Civic Enterprise Leeds (CEL) includes as part of its service mix provision of the Meals at Home (MAH) service for vulnerable older people in Leeds 365 days of the year. The service is subsidised by the Adults and Health directorate and provides a hot lunch and cold tea to service users with approximately 128,000 meals delivered each year translating into 350 meals per day to customers who have been referred from Adults and Health or who have self-referred following advice or recommendations from doctors, friends or family members.
- Following service reviews which have been completed by all Directorates over last summer, Adults and Health have put forward a service review to eliminate the £200k subsidy (which CEL charge) as part of the draft 2020/21 budget strategy and tasked the Chief Officer Civic Enterprise Leeds to deliver this.
- CEL have compiled an action plan to eliminate any subsidy and a part of this action plan requires capital investment which, in turn, will generate savings in revenue after picking up the financing costs of the borrowing.
- This report outlines the capital investment plan, how it will be financed which will contribute a significant savings figure (£50.7k) towards the elimination of the £200k subsidy.

2. Best Council Plan Implications

- Approving this report allows the service to contribute to achieving the Best Council Plan, specifically around the health and wellbeing and improving air qualities priorities.

3. Resource Implications

- Total capital investment of £328k is required which will be funded by borrowing to be repaid at £60k per annum over 6 years (at an interest rate of 2.86%) funded from the savings generated by reconfiguring the service as outlined in this report. The £328k capital investment will enable the service reconfiguration which will generate net savings of £50.7k per annum which will be a significant contribution towards the £200k target for elimination of the MAH subsidy.

Recommendations

The Chief Financial Officer is asked to:

- a) Inject a scheme into the capital programme for 2020-21 for an estimated value of £328k funded by borrowing and

The Director of Resources and Housing is asked to:

- b) Give Authority to Spend of £328k from within the approved Capital Programme 2020-21.

1. Purpose of this report

- 1.1 The purpose of this report is to outline the planned proposal for capital investment of £328k to enable the delivery of the MAH service to be redesigned, funded by borrowing and seek approval from the Chief Financial Officer and Director of Resources and Housing to respectively inject the scheme into the 2020/21 capital programme and give authority to spend £328k from within the approved capital programme.

2. Background information

- 2.1 CEL is a part of the Resources and Housing Directorate and amongst its service mix it includes provision of the MAH service for vulnerable older people in Leeds 365 days of the year. The service provides a hot lunch and cold tea to service users with approximately 128,000 meals delivered each year translating into 350 meals per day to customers who have been referred from Adults and Health or who have self-referred following advice or recommendations from doctors, friends or family members.
- 2.2 The service transferred to CEL some years ago now and each financial year a charge (subsidy) is made to Adults and Health to make up any shortfall against the approved budget. In 2018/19 CEL charged Adults and Health £200k as the amount for the subsidy. Following service reviews which have been completed by all Directorates over last summer, Adults and Health have put forward a service review to eliminate this £200k subsidy as part of their 2020/21 budget strategy and tasked the Chief Officer CEL to deliver this. CEL have compiled an action plan to eliminate

any subsidy and a part of this action plan requires capital investment which, in turn, will generate savings in revenue after picking up the financing costs of the borrowing. This paper outlines the capital investment plan, how it will be financed which will contribute a significant amount for the elimination of the £200k subsidy.

3. Main issues

- 3.1 The contract for both the supply of frozen meals and their delivery in specialist vehicles are both with Apetito who supply the vehicles that are used to deliver the meals. The contract for the supply of vehicles is due to expire early in this financial year. One of the key actions in contributing to eliminate the subsidy is to change how we cook and deliver the meals. Currently, we have a contract in place with Apetito who provide both the frozen meals and 15 diesel chef mobile vans which cook the meals (they have ovens fitted for the heating up of the frozen meals) before heading out on routes for delivery. For the meals to be heated up, the vehicles need to be started up and left idling for 40 minutes – this obviously has a huge environmental as well as financial impact.
- 3.2 In order to make a significant inroad towards eliminating the £200k subsidy, CEL are proposing to reconfigure this aspect of the service. The annual transport spend for the MAH service is in the region of £120k per annum and this consists mainly of the hire cost of the specialist chef vehicles from Apetito followed by expenditure on fuel and maintenance.
- 3.3 The plan is for a new contract to be let where the provision of the meals does not include vehicles – the service is looking to procure 15 electric vehicles (EVs) through the Fleet procurement programme, for the installation of 2 additional ovens within the kitchen facilities at Cross Green so that the meals could be cooked and to be delivered using electric hot boxes within the EVs (the hot boxes will be used to maintain temperature of the meals whilst they are in transit to delivery).
- 3.4 As well as direct financial benefits, this proposal makes important contributions to the climate emergency. Under the proposal the meals will be cooked in the kitchens at Cross Green, eliminating the carbon emissions from the 15 idling Apetito vans and substituting the combined average weekly mileage for the vans of 1,250 miles to EV miles – substituting 65,000 miles a year of diesel fuelled miles to EV miles.
- 3.5 The planned procurement of additional vehicles will also require the installation of 8 additional dual socket charging points at Cross Green to cope with the additional demand. The proposed spend on capital (procurement of 15 EVs, installation of ovens, purchase of electric hot boxes and installation of additional charge points) will be financed by the annual savings against the transport expenditure. A summary of the capital cost and annual financing costs and their funding is given below:

Meals at Home Capital Expenditure & Financing

Item	£k	Notes
15 EVs	266	Supply & installation of 2 ovens plus supply of electric hot boxes for the EVs
Ovens & Electric Hot Boxes	35	
8 Additional Charging Points	27	Dual Sockets
Total Capital Cost	328	
Annual Rev Spend on Transport	126	Amount spent in 2018/19
Annual Maint Spend	15.3	Cost of maintaining 15 Evs
Annual Financing cost of capital	60	Financed over 6 years at 2.86%
Net Revenue Saving	50.7	Contributes around 25% to £200k savings target

- 3.6 The above table shows that the annual financing costs of £328k of capital expenditure translate into an annual borrowing charge of £60k which will be covered by the revenue savings against the existing annual transport spend of £126k – giving net savings of £51k per annum after allowing for the annual maintenance costs of the 15 vehicles. The £51k per annum saving contributes 25% to the £200k savings target set by the service review. Where vehicles are off road for servicing and maintenance, vehicles from the existing fleet within CEL will be used as substitutes to maintain service delivery.
- 3.7 The electric hot boxes will not be a permanent fitting to the EVs which means that all of the 15 vehicles will have multiple uses. For example, the plan is to use the vehicles in the morning for the mobile school crossing patrol wardens who currently do a high level of grey miles with substantial claims for reimbursement. In 2018/19, the school crossing patrol service spent over £26k on car allowances payments. In an evening the vehicles will be used on an innovative pilot working with Leeds Teaching Hospital Trust on collecting medical samples from doctors' surgeries and delivering to hospitals (this is currently done by private taxi providers).
- 3.8 This report demonstrating the above savings is conservative, it does not encompass the potential reduction of expenditure on car claims nor the future expansion of trading activity with LTHT. In addition, the business case does not factor in the fact that at the end of the 6 year financing period the 15 EVs will have a residual value which, once sold on the second hand car market, will either make a further positive contribution to the capital programme or can be used to offset the replacement cost in 6 years' time.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Executive Member for Resources and Housing has been consulted and is supportive of the proposals. Finance colleagues in the Finance Performance Group (FPG) have been consulted and support the introduction of a £328k scheme for

capital investment in the MAH to enable it to be reconfigured to generate savings and help achieve some of the Council Best Council priorities. FPG considered and provided support for the business case at their meeting of 11th December 2019.

4.1.2 In addition, the business case was approved by the Best Council Design Team at its meeting of 17th April 2020.

4.2 Equality and diversity / cohesion and integration

4.2.1 The recommendation within this report does not have any direct nor specific impact on any of the groups falling under equality legislation and the need to eliminate discrimination and promote equality.

4.3 Council policies and the Best Council Plan

4.3.1 Approving this report allows the service to contribute towards achieving the Best Council Plan, specifically around the health and wellbeing and improving air quality priorities.

Climate Emergency

4.3.2 This scheme provides an opportunity for innovation and service reconfiguration to contribute £51k of the required £200k savings included within the MAH service review and forming part of the Council's 2020/21 budget strategy. This proposal will substitute 65,000 miles a year of diesel fuelled miles with much cleaner EV miles thus making a significant contribution to the climate emergency.

4.4 Resources, procurement and value for money

4.4.1 Any costs which will be incurred as a part of the procurement will be incurred in accordance with Contract Procedural Rules to ensure that value for money is obtained from the procurement exercise.

4.5 Capital Funding and Cash Flow

Expenditure required	TOTAL £000's	FORECAST				
		2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024 £000's
LAND (1)	0.0					
CONSTRUCTION (3)	0.0	0.0				
FURN & EQPT (5)	328.0	328.0				
DESIGN FEES (6)	0.0					
OTHER COSTS - including lifecycle	0.0					
TOTALS	328.0	328.0	0.0	0.0	0.0	0.0

Total overall Funding Available	TOTAL £000's	FORECAST				
		2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024 £000's
e.g. Capital Borrowing Capital Grants	0.0	328.0				
Total Funding	0.0	328.0	0.0	0.0	0.0	0.0
Total Capital required	328.0	0.0	0.0	0.0	0.0	0.0

Financing Cost

Amount to be borrowed	£328k
Asset Life	6 years
Interest Rate	2.86%
Annual Financing Cost	£60k

Scheme Number:

4.6 Legal implications, access to information, and call-in

4.6.1 The proposed capital spend is below the £0.5m threshold for a key decision which means that any decision to approve the expenditure will not be subject to call in. Under the Constitution, the Chief Financial Officer has delegated authority to approve any value LCC funded capital injection and the Director of Resources and Housing can provide the authority to spend for such schemes.

4.7 Risk management

4.7.1 The business case has received support from the Finance Performance Group at their meeting of 11th December 2019 and also approved by Best Council Design Team at its meeting of 17th April 2020. The procurement exercise will be conducted in line with Contract Procedure Rules to further mitigate against any risks.

5. Conclusions

5.1 Approval of this report will enable the Authority to meet its savings targets included as part of the 2020/21 budget strategy and help meet some of the Best Council priorities identified within the report.

6. Recommendations

6.1 The Chief Financial Officer is asked to:

- a) Inject a scheme into the capital programme for 2020-21 for an estimated value of £328k funded by borrowing and

The Director of Resources and Housing is asked to:

- b) Give Authority to Spend of £328k from within the approved Capital Programme 2020-21.

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.