

Report to the Council

Committee: Cabinet

Date: 16 February 2010

Portfolio Holder: Councillor Mrs M Sartin (Environment Portfolio) Item: 11

1. REPLACEMENT OF VEHICLE - GROUNDS MAINTENANCE - SUPPLEMENTARY CAPITAL ESTIMATE

Recommending:

That a supplementary capital estimate in the sum of £26,000 for 2009/10 be approved in order to fund the purchase of a Ford Transit LWB double chassis cab 2.4 TDCI for the Council's Grounds Maintenance Section in place of a present leased vehicle.

1. In 2003, the Council's Grounds Maintenance Service entered into a lease agreement for the purchase of a Ford Transit Tipper Truck in order to meet the requirements of the Council's Grounds Maintenance contracts. This lease expires in February 2010. The age and heavy usage of the vehicle means that it is not practical to extend the existing lease due to the risks of breakdown and lack of availability.
2. It had originally been intended to replace the vehicle through leasing and the revenue funding for that was included in the 2009/10 budget. However, a re-evaluation has strongly indicated that better value for money will be obtained through outright purchase using capital monies.
3. The funding comparison between leasing and capital purchase is as follows:

	Total Costs £	NVP £	Annual Cost £	NPV Costs £
Funded from Capital	25,705.00	20,932.00	2,937.86	2,990.34
Operating Lease	28,610.00	24,991.00	4,087.10	3,570.10
Difference			1,149.24	579.96

4. It will be noted that by adopting the capital purchasing option there is an estimated annual saving over the leasing costs of £579.76 per year based on net present values (NPV) at an average interest rate of 3.5% over the expected seven year lifespan of the vehicle. The saving based on annual cost is £1,149.24 per annum.
5. In order to purchase the vehicle outright, a supplementary capital allocation of £26,000 is required. The current annual budget provision within Grounds Maintenance is £3,039 for the existing vehicle and this will be saved but replaced with an annual depreciation charge of £2,940. The original leased asset cost of the vehicle was £20,452 in February 2003.
6. We recommend as set out at the commencement of this report.