

Report to the Cabinet

Report reference: C-001-2012/13

Date of meeting: 11 June- 2012



**Epping Forest
District Council**

Portfolio: Environment (Councillor Will Breare- Hall)

**Capital Fund request for the Replacement of five Mowing
Machines**

Responsible Officer: John Gilbert (01992–564062)

Democratic Services Officer: Gary Woodhall (01992–564470)

Recommendations/Decisions Required:

(1) That the Directorate of Environment and Street Scene's Grounds Maintenance Section purchase five Ransomes Highway3 ride-on mowers; and

(2) That a report be made to Council seeking a supplementary capital estimate of £123,750 in the 2012/13 capital programme

Executive Summary:

The present 4-year Lease on the 5 Ransomes Highway 2130 mowers used by the Grounds Maintenance section expired on 7th April 2012 and therefore new machines are required.

In accordance with Contract Standing Orders the new mowing machines have been subjected to a tendering process via the Essex Procurement Hub and machines from Ernest Doe & Sons are the most cost effective purchase. The cost has then been subjected to a capital/lease comparison by the Finance Directorate and this has shown that on this occasion capital funding would be more cost effective than leasing. On the previous two occasions new mowers were procured, the operating lease option had been the most cost effective solution and therefore capital commitment was not added to the 2012/13 capital programme. Consent is therefore required for the capital spend of £123,750 be added to the 2012/13 Capital programme.

The Portfolio continuing service budget currently includes the necessary funding for lease costs of £23,000 per annum relating to the replacement of the mowers.

Reasons for Proposed Decision:

The capital purchase option has proven on this occasion to be the most cost effective option.

Other Options for Action:

Not to renew the mowers and extend the present lease – These machines have provided 4 years reliable service and fulfilled operational requirements. However, due to the age and heavy usage of the mowers the general wear and tear is starting to take its toll; with one-off running repairs and associated 'downtime' becoming more frequent and, scheduled service costs on the increase. In the long-term this trend can be expected to continue and the

adverse effect of this on both budget provision and operational needs of the service is deemed to be unacceptable. In view of these findings, an extension of the existing lease is not considered a viable option.

To purchase by a Lease agreement – This would increase the budgeted cost in 2012/13 by £4,000 per year (current budget £23,000, lease cost £27,000)

Report:

1. In 2008, the Council's Grounds Maintenance Service entered into a lease agreement for the purchase of 5 Ransomes Highway 2130 ride-on mowers in order to meet the requirements of the Council's grounds maintenance contracts. This lease came to an end April 2012 but has been extended whilst arrangements for future funding of the replacements are considered.

2. As part of the procurement process, a number of different manufacturers' equipment was tested and assessed, and Ransomes were selected on the basis of previous reliability and operational features.

3. To procure the 5 new mowers the specification has been subjected to the tender process via the Essex Procurement Hub and the cheapest tender returned was in the sum of £123,750. Previously, when funding via capital or operating leases have been compared, leasing has been the most favourable option. However, on this occasion the most beneficial option is outright capital purchase. The comparison is as follows:

	Total Costs 4 Years	NPV costs 4 Years	Annual Costs	NPV Costs 1 Year
Funded from Capital	86,750	87,363	21,687.50	21,840.75
Operating Lease	108,000	98,007	27,000.00	24,501.75
Difference	21,250	10,644	5,312.50	2,661.00

4. By adopting the capital purchasing option there is an estimated annual NPV (Net Present Value) saving over the leasing costs of £2,661.00 per annum, based on an average interest rate of 2.2% over a 4 year period and a final residual value for sale of the equipment of 30% of the original purchase cost.

Resource Implications:

An additional capital allocation of £123,750 is required to purchase the 5 mowers. This is not included in the current capital programme as the mowers have previously been funded by way of an operating lease. The £23,000 currently within the CSB will therefore not be required and can be identified as a CSB saving. The resources required to undertake the necessary servicing & maintenance are included separately within the 2012/13 CSB.

Legal and Governance Implications:

Subject to Cabinet approval for the purchase of the mowers through the use of capital, it will be necessary to seek Council approval for the addition of £123,750 to the 2012/13 capital programme.

Safer, Cleaner and Greener Implications:

Modern mowers using latest cleaner, greener technology.

The use of modern/lightweight construction materials increases the life of the machine and improves fuel efficiency.

The mowers are fitted with a variety of equipment designed to improve operator safety.

Consultation Undertaken:

Essex Procurement Hub for the tendering process

Finance Directorate provided advice with regard to capital & leasing costs.

Background Papers:

The Grounds Maintenance Service undertook the Tender process and holds the papers.

Impact Assessments:

Risk Management

The major risk is associated with the older and now less efficient mowers remaining capable of doing the required tasks. This brings with it the possibility of service failure and excessive downtime, either compromising the service or requiring the hiring in of replacement equipment at additional cost.

Equality and Diversity:

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
N/A