



Subject: **Adur Parks – Purchase of Tractor which is currently being leased**

Report Author(s) **Executive Head of Leisure and Cultural Services**

1.0 SUMMARY

1.1. To consider the financing options for replacing the tractor currently being used by Adur Parks.

2.0 BACKGROUND

2.1 The Council is currently leasing a tractor for use on grounds maintenance work and Worthing foreshore beach maintenance/repair work. The lease ends on 25 November 2010.

2.2 The tractor is essential in order to comply with the maintenance and repair work the section covers and its costs are fully built into the various jobs/quotes we provide.

2.3 The current tractor is approx 5 years old, is in good condition and has a useful life remaining of a further 10 years.

3.0 CURRENT POSITION

3.1 The lease for the Parks' tractor ends on 25th November and the Council is required to give 2 weeks' notice to return the tractor or the Council will be tied into a further annual lease, which will be more expensive than the existing lease.

3.2 There are 6 options for the financing of either the existing tractor or a new tractor and an options appraisal has been completed as follows:

	OPTION	CAPITAL COST	Annual Revenue Financing Costs	COMMENTS
		£		
1	Do Nothing		£4,152	The current lease will continue at 150% of the current cost
2	Extend the lease for 1 year		£3,737	
3	Extend the lease for 5 years		£2,469	
4	Lease a new tractor for 5 years		£7,717	Most expensive leasing option
5	Purchase current tractor	£11,609	£1,422	Estimated useful life 10 years. Annual revenue costs include the repayment of the loan and the interest cost of the loan. This is the cheapest annual financing option for the Council.
6	Purchase a new tractor	£36,000	£2,250	Estimated useful life 20 years. Annual revenue costs include the repayment of the loan and the interest cost of the loan.

3.3 The most cost effective option for the Council is to purchase a tractor outright and Option 5 purchase of the current tractor is the cheapest financing option for the Council.

3.4 Maintenance costs of both the existing tractor and the new tractor will be cost neutral over the lives of both tractors; although the maintenance costs of the new vehicle will initially be lower than the existing tractor, when the existing tractor is replaced in 10 years' time the maintenance costs will be cheaper than a vehicle bought 10 years before.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The 2010/11 Capital Investment Programme includes a budget of £23,000 for the purchase of a Gang Mower, which has been ordered for £14,000. This leaves an underspend of £9,000 which, together with a virement of £3,000 from the capital contingency within the Clean and Green Environment Cabinet Portfolio, could be used to purchase the existing tractor at a capital cost of £11,609.
- 4.2 The annual revenue costs of financing the purchase are £1,422 (repayment of borrowing and interest) which is cheaper than any of the leasing options and purchasing a new tractor.
- 4.3 The Grounds maintenance section would benefit from the purchase, by lower annual costs, which in due course would be fed back to the general Council as savings.
- 4.4 The areas of work covered by the Tractor are large and profitable and return more income than outgoings.

5.0 CONCLUSION

- 5.1 Purchase of the existing tractor from the leasing company is the best option for the Council.

6.0 RECOMMENDATIONS

- 6.1 The Cabinet Member is recommended to agree the purchase of the Current tractor from the leasing company at a capital cost of £11,609 funded from underspends in the 2010/11 Clean and Green Environment Capital Portfolio.**

**John Thorpe
Executive Head of Service
Leisure and Cultural Services**

Principal Author and Contact Officer: Clive Bramble

Background Papers: None

Schedule of other matters

1.0 Council Priority

1.1 Promote a Clean and Green Environment

2.0 Specific Action Plans

2.1 Matter considered and no issues identified.

3.0 Sustainability Issues

3.1 Matter considered and no issues identified.

4.0 Equality Issues

4.1 Matter considered and no issues identified.

5.0 Community Safety issues (Section 17)

5.1 Matter considered and no issues identified.

6.0 Human Rights Issues

6.1 Matter considered and no issues identified.

7.0 Reputation

7.1 Matter considered and no issues identified.

8.0 Consultations

8.1 Matter considered and no issues identified.

9.0 Risk assessment

9.1 Matter considered and no issues identified.

10.0 Health & Safety Issues

10.1 Matter considered and no issues identified.

11.0 Procurement Strategy

11.1 Matter considered and no issues identified.

12.0 Partnership working

12.1 Matter considered and no issues identified.