

## **Environment & Amenity Committee 7 November 2017**

### **Agenda Item EA1335/17**

#### **Asset Replacement Policy/Programme – Replacement of ride on mower**

##### **Introduction**

At the F&A meeting on 12 October, the matter of an Asset Replacement Policy was raised particularly in regard to the fact that the Kubota ride on mower is showing signs of wear and tear and replacement should be considered. As the mower is used principally in implementing the Council's Contract with TRDC for maintenance of the The Green, it was considered to be a matter for the E&A Committee. The tractor which is significantly older than the Kubota, is also in need of consideration for replacement and is also a key piece of machinery used by the Council not only for the Green maintenance but elsewhere using its attachments.

One of the Terms of Reference for the Finance & Admin Committee included in the Council's Standing Orders is item "g" which states: "To consider and make recommendations to the Council on policy in respect of asset replacement." Accordingly, the F&A should consider any proposed Asset Replacement Policy".

However, the matter is raised at the E&A Committee to make Members aware of the importance of the machinery used and the need for their replacement.

##### **Discussion**

The most significant assets held by the Council commanding a value are (not in value order):

- Land Rover;
- Tractor;
- Kubota (ride on mower);
- Chipper;
- Side arm flail;
- Trailers.

Each year the Council places monies into an Ear Marked Reserve (EMR) in order to build funds for the future replacement of vehicles and equipment.

An Asset Replacement Policy/Programme should be based on a number of considerations not least of which are:

- as the asset gets older, maintenance costs increase;
- as the asset gets older, its value decreases;
- as time passes equivalent replacement costs are likely to increase (both capital costs and via potential inflation);
- changes to Health & Safety legislation and/or guidance in safe operations;
- changes in regulatory requirements regarding emissions levels;
- visual condition;
- public/corporate image/perception of the asset.

For a replacement policy/programme that will stand the test of time further exploration of detail is required not least of which is third party assessment of the equipment (which in itself may attract a cost), its current value, life expectancy and maintenance costs versus the capital expenditure on its acquisition. However, I consider that an Asset Replacement Policy should be simple and clearly understood and would be advocating the principle that when there is 50% of the value of the asset remaining in the asset and there is 50% funding in the Earmarked Reserves (EMR) for that asset, then it is replaced – 50:50 principle.

It is proposed that an asset replacement programme be developed which can then be translated into a clear and simple policy for the future. In the meantime, assets may have to be replaced on an 'ad hoc' basis, the Kubota at the time of this paper being the priority – the tractor should be considered next and in the near future.

The Kubota F3680 was purchased in 2004 (but before my appointment as Proper Officer) and cost £15,532. It is 13 years old has been run for 1,025 hours. Without an independent valuation I judge that its current value in its condition may be in the order of between £3,000 to £4,000. A replacement is currently around the £15,000+. It is judged, without third party assessment, that the units of this type should be replaced between 3 - 5 years of service or between 2,000 – 3,000hrs of operation whichever is sooner.

At the close of the financial year ending 31 March 2016/17, funds in the EMR for asset replacements are:

Vehicle Replacement Fund	£48,248
Equipment Replacement Fund	£41,380
Total	£89,628

It is to be noted that currently the monies placed into the EMR annually is not currently split against individual assets.

The current account system was introduced in 2006/7 and according to the accumulative expenditure recorded against maintenance for the Kubota this is £6,799.79 – an average of £618.16 per year.

#### **Recommendations;**

- That an asset replacement policy/programme is developed for the future as set out above;
- That the Kubota ride on mower is replaced based on the contents of this paper and further detail which will be presented to the F&A for consideration leading to a recommendation to Council for its immediate replacement.



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