

Financial Observations on the Purchase of Cleaning Plant & Equipment funded by the BID

This proposal will result in the Council incurring £75,695 in capital expenditure, it is proposed to fund this expenditure from surpluses within Neighbourhood Operations as a result of one off income generating activities. The proposal will also result in the Council incurring some costs for the ongoing running and maintenance of the equipment, these are estimated at £12,500 per annum. The equipment will be operated by existing staff so there will be no additional labour costs incurred.

The Council has entered into an operating agreement with the Nottingham BID for 5 years, this will generate income to the Council of £30,000 per annum. This will be used to fund the purchase and ongoing operation of the equipment.

This is summarised in table 1 below

	Annual	Total
Capital Cost	£15,139	£75,695
Operating Costs	£12,500	£62,500
Subtotal	£28,774	£143,870
Income from BID	(£30,000)	(£150,000)
Net income	(£2,361)	(£11,805)
Interest	£1,135	£5,677
Net Income for comparative purposes	(£1,226)	(£6,130)

The cost of borrowing to fund this equipment is included for comparative purposes to enable the merits of this proposal to be compared against other potential investment decisions. From the table it can be seen that this proposal will result in a small surplus to the Council.

Neighbourhood Services has a productivity savings target of £200,000 in the 2016/17 Council Medium Term Financial Plan, this proposal will contribute £1,226 per annum towards this target.

Provision for the purchase of this equipment will need to be made within the Capital Program and a transfer of budget actioned.

Procurement of the equipment will be made in accordance with the Council's procurement rules.

Advice provided by

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