

Loan to Somerset Waste Partnership for Waste Vehicles

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Purpose of the Report

The purpose of this report is to seek approval for South Somerset District Council to loan Somerset Waste Partnership(SWP) of £3.5 million.

Public Interest

This report outlines the implications upon lending Somerset Waste Partnership £3.5 million for the purchase of recycling vehicles.

1) Recommendations

District Executive Members are recommended :

- a) To request that Full Council approve the loan of £3.5 million to Somerset Waste Partnership;
- b) Note that this capital expenditure will be added to the Capital Programme, and that the principal payments received will be capital receipts;
- c) Note the additional interest in the region of £29,255 per annum will be added to the Medium Term Financial Plan for 2018/19;

2) Background

- 2.1 SSDC has already provided a loan of £1.5 million to purchase vehicles – this commenced in August 2016.
- 2.2 Most of the Somerset Waste Partnership's recycling vehicles have reached the end of their economic working life and need to be replaced to avoid escalating maintenance costs and the impact of increasing breakdowns on customer service. They also need to be configured to deliver the Recycle More project. There is a contractual requirement that vehicles provided should be no more than 7 years old.
- 2.3 Somerset Waste Board (SWB) is a joint committee and not a legal entity in its own right and therefore cannot own vehicles. Currently, on behalf of the partners, Somerset County Council owns the vehicles.
- 2.4 Kier (the collection contractor) will undertake the procurement process, with Somerset County Council placing the orders for the vehicles on SWP's behalf. This will take advantage of Kier's purchasing power. It is anticipated that orders will be placed this or next month to start delivering the Recycle More project in September/ October this year.

3) Loan Requirement

- 3.1 Somerset Waste Partnership is seeking to borrow £17.5 million over a 7 year period, paying back both principal and interest on a monthly basis. The offer is to pay interest equal to PWLB rates plus 1% (currently this would be 2.49%).
- 3.2 All of the Somerset District Authorities are proposing to lend £3.5 million each at the offered rate.
- 3.3 Kier would offer an additional 0.3% discount to the SWP for us financing the vehicles, which would be shared amongst all District partners to reduce the revenue contributions required by the SWP.
- 3.4 The start date of the loan would depend on the delivery date of the vehicles. These will be ordered to meet the needs of the new waste and recycling collection model Recycle More in September/ October this year.

4) Assurances

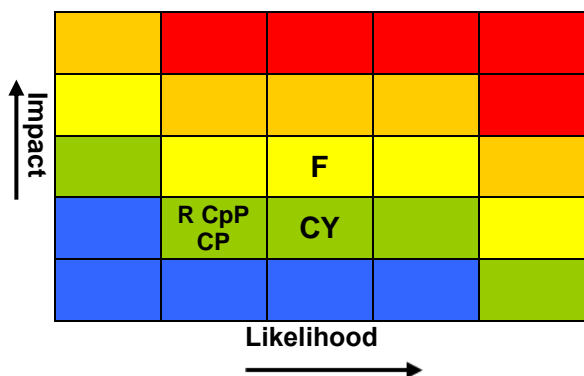
- 4.1 SSDC can gain assurance through the Cost Sharing Agreement which will give protection to SSDC for any changes to the service of partnership.

5) Financial Implications

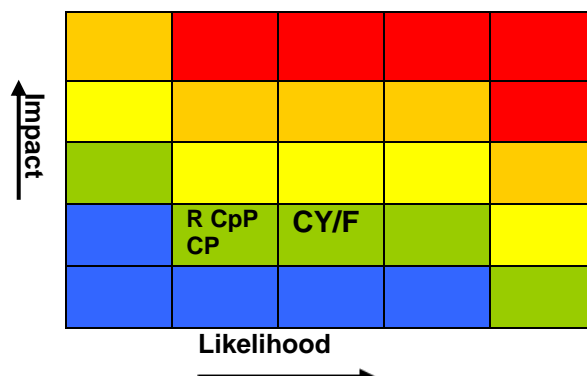
- 5.1 Providing a loan of £3.5 million to Somerset Waste Partnership alongside other capital commitments within the capital programme would leave unallocated capital of £11.5 million, but this will be returned over the seven year period.
- 5.2 Providing the loan will generate in the region of £317,502 over the 7 year period, which would support revenue budgets and equate to additional income (above current rates) of £29,255 for the each of the next 7 years.
- 5.5 Borrowing at a higher rate would result in the additional expenditure incurred by SWP to service these loans being passed on to the District Councils, thus increasing SSDC's costs.
- 5.5 This arrangement would fall outside of our Treasury Management Strategy as it is not an investment.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Categories		Colours <i>(for further detail please refer to Risk management strategy)</i>	
R	= Reputation	Red	= High impact and high probability
CpP	= Corporate Plan Priorities	Orange	= Major impact and major probability
CP	= Community Priorities	Yellow	= Moderate impact and moderate probability
CY	= Capacity	Green	= Minor impact and minor probability
F	= Financial	Blue	= Insignificant impact and insignificant probability

Corporate Priority Implications

The budget is closely linked to the Corporate Plan and growth bids are scored accordingly.

Carbon Emissions and Climate Change Implications

The new vehicles will be to the latest Euro 6 specification with lower CO2 emissions than the current fleet.

Equality and Diversity Implications

When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

Background Papers

Loan to Somerset Waste Partnership for Waste Vehicles – Report to District Executive March 2015