

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 up to £7 million.

Forward Plan

This report appeared on the District Executive Forward Plan with an anticipated Committee date of 2nd October 2014.

Public Interest

This report presents the implications upon lending Somerset Waste Partnership up to £7million for the purchasing of waste vehicles so that this service can continue to be delivered effectively and efficiently.

1) Recommendations

Members are recommended to:

- a) Recommend that Full Council approve the loan of up to £7m 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 up to £937,500 that the loan provides, over the length of the loan
- d) Note that savings of up to £133,930 be added to the Medium Term Financial Plan;

2) Background

- 2.1 Most of the Somerset Waste Partnership's (SWP's) Refuse Collection Vehicles are approaching 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. There is a contractual requirement that vehicles provided should be no more than 7 years old.
- 2.2 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.
- 2.3 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 would be placed in October, with deliveries being completed by the end of the financial year.

3) Loan Requirement

- 3.1 Somerset Waste Partnership seeks to borrow £7 million over a 7 year period, paying back both principal and interest on a monthly basis. South Somerset District Council is able to offer the partnership a rate of 3.50%.
- 3.2 Taunton Deane Borough Council is presenting a report to their Full Council which offers SWP £3.5 million at a fixed rate of 3.50%. If this is approved, South Somerset District Council will only need to loan the residual £3.5m million. An update will be given at this meeting as to the outcome of Taunton Deane Borough Council's meeting.
- 3.3 In comparison with amounts that Somerset County Council and Kier can offer (4.64% and 4.5% respectively) this is considered competitive.
- 3.4 The start date of the loan would be 1st April 2015. In the event that monies are required sooner, SCC would be willing to order the vehicles and pay ahead of completion if required.

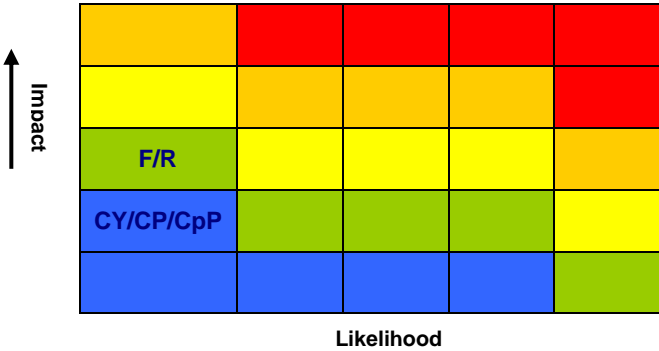
4) Assurances

- 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 up to £7 million to Somerset Waste Partnership alongside other capital commitments within the capital programme would leave unallocated capital of £14 million. This has not taken into consideration future unknown capital receipts or future capital bids.
- 5.2 There is a risk that a loan of this size would mean that there are not sufficient funds for future wish list projects.
- 5.3 Repayment of the principal amount of £1 million each year (£0.5 million, if Taunton Borough Deane Borough Council loan £3.5 million) will form a capital receipt which will replenish the unallocated capital.
- 5.4 Providing such a loan would generate in the region of £937,500 over the 7 year period, (£434,010, if Taunton Deane Borough Council loan £3.5 million) which would support revenue budgets and equate to additional income of £133,930 (£62,000 if the loan is shared with Taunton Deane Borough Council) for the each of the next 7 years.
- 5.5 Borrowing at a rate higher than 3.5% will 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



Categories	Colours (for further detail please refer to Risk management strategy)
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 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

Somerset Waste Board Agenda – Paper A – Funding options for planned replacement of the Somerset Waste Partnership refuse collection vehicle fleet – 8th August 2014
<http://www1.somerset.gov.uk/council/meetings/>