

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 to vary the amount and interest rate of a loan to the Somerset Waste Partnership.

Public Interest

This report presents the implications of changes to the agreed loan to the Somerset Waste Partnership to purchase waste vehicles.

1) Recommendations

The District Executive is recommended to:

- a) Note the reduced requirement to £1.9025 million for the loan to the Somerset Waste Partnership;
- b) Approve the interest rate of PWLB plus 1% is applied at the date the loan is exercised;
- c) Note that at current rates this reduces the interest due by £18,100 per annum. The actual interest due however will be dependent on rates at the time of the loan.

2) Background

2.1 Members approved a loan of up to £3.5 million at an interest rate of 3.5% to the Somerset Waste Partnership's (SWP's) in November 2014.

3) Revised Loan Requirement

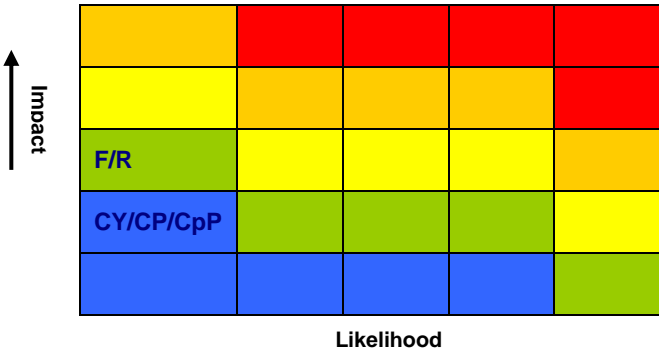
- 3.1 Since that date the SWP have been working with the collection contractors Kier for the provision of those vehicles. It is now likely in order to keep the flexibility the partnership wish to have around service delivery that some of those vehicles will now be hired rather than purchased.
- 3.2 At the time a rate of 3.5% was agreed interest rates over the 7 year period of the loan were higher than current rates. Longer term rates have now dropped and Kier as the contractor is now able to borrow more cheaply to purchase the vehicles than the loan offered by SSDC and Taunton Deane Borough Council (TDBC) at the time.
- 3.3 The requirement is now for a total loan to be shared between SSDC and TDBC of £3.805 million (£1.9025 for each authority).

3.4 The start date of the loan is expected to be June 2015 at the earliest. It is recommended because of the current fluctuations in interest rates that an interest rate equivalent to 7 year PWLB rate plus 1% is applied at the time the loan is exercised.

4) Financial Implications

4.1 The original loan was expected to generate additional income of £62,000 in 2015/16. At current PWLB rates the interest rate chargeable would be 2.9% but this is likely to change depending on the prevailing PWLB rate at the time. It is estimated that the interest per annum would be reduced by £18,100 at current rates. Setting a rate linked to PWLB rates will be a fairer commercial agreement for all parties – it will remain competitive should rates reduce but also protect both authorities should rates increase again before the loan is exercised.

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 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

Somerset Waste Board – Paper A – Funding options for planned replacement of the Somerset Waste Partnership refuse collection vehicle fleet – 8th August 2014.
 Loan to Somerset Waste Partnership for Waste Vehicles – District Executive October 2014, and Council November 2015.