

Meeting: Cabinet

Date: 30 August 2022

Council

15 September 2022

Wards affected: All

Report Title: SWISCo Vehicle, Equipment and Building Structure Replacement

When does the decision need to be implemented? Ongoing from September 2022

Cabinet Member Contact Details: Councillor Darren Cowell, Cabinet Member for Finance

Director/Divisional Director Contact Details: Martin Phillips, Director of Finance

1. Purpose of Report

- 1.1 To provide a loan facility to SWISCo to enable the purchase of replacement vehicle and equipment required for the company's ongoing operation.
- 2.1 SWISCo is a wholly owned council company providing a wide range of services to the Council including waste collection, highways and street cleansing. To provide these services a range of vehicles and equipment are required. Over time these assets will need to be replaced. Supporting this loan activity will enable new vehicles and equipment to be purchased by SWISCo when both needed and when best to do so. In addition, over time the premises that SWISCo operate from such as the Waste Transfer station will need investment in the structure of the buildings.

3. Recommendation(s) / Proposed Decision

Cabinet recommend to Council:

- 3.1. That a loan for a capital purpose of up to £4m is approved by the Council to fund the replacement of SWISCo vehicles, equipment and building structures over the next 3 financial years. The loan to be funded from prudential borrowing with SWISCo repaying the loan on an annuity basis over the expected asset life, typically 7 years for a vehicle.
- 3.2 That Council delegate the approval of each drawdown to the Deputy Chief Finance Officer in consultation with the Leader of the Council and Cabinet Member for Finance.

Supporting Information

1. Introduction

- 1.1 SWISCo inherited most of its vehicles and equipment from TOR2 with the Council purchasing several refuse collection vehicles over the past two years. SWISCo also currently hire several vehicles.
- 1.2 As part of its emerging vehicle replacement strategy SWISCo will need to both replace older vehicles and will also, if financially beneficial, look to purchase vehicles rather than pay hire costs.
- 1.3 This report proposes that a loan for a capital purpose of up to £4m is approved by the Council to fund the replacement of vehicles, equipment over the coming years. The loan would be funded from prudential borrowing with SWISCo repaying the loan on an annuity basis over the expected asset life, typically 7 years for a vehicle.
- 1.4 In addition, the premises that SWISCo operate from such as the Waste Transfer station will need investment in the buildings to ensure that health and safety, environmental and other legislative requirements are met. The loan length on these types of assets will be longer.
- 1.5 The loan will be drawn down in separate requests depending on SWISCo's replacement needs. Each purchase will be considered by the SWISCo board before a drawdown request is made to the Council to ensure the proposal meets best value and all other options have been considered.
- 1.6 It is recommended that Council delegate the approval of each drawdown to be the Deputy Chief Finance Officer in consultation with the Leader of the Council and the Cabinet Member for Finance. A loan agreement with a repayment schedule will then be agreed.

2. Options under consideration

- 2.1 SWISCo will consider the most appropriate recommendation for each purchase including consideration of:
 - a) cost of replacement compared to higher repair costs as vehicle ages
 - b) cost of replacement compared to any service gains from new vehicles
 - c) cost of replacement compared to a hire arrangement
 - d) consideration of buying "green" replacements as part of Council's climate change agenda.

3. Financial Opportunities and Implications

- 3.1 As described in section 1.3 to 1.5 above

- 3.2 Initial financial modelling by SWISCo predicts that if some vehicles currently hired are purchased this will generate a cost saving. The allocation of £4m will provide the ability to SWISCo to purchase vehicles. It should be noted that the value of SWISCo's owned vehicles and equipment (current net value of £5m) exceed the loan request so depending on service needs and repayments, an additional request may be needed in a future year.
- 3.2 The Council's Chief Finance officer is also currently a Director of SWISCO so to avoid any conflict of interest the delegation in 1.5 above will be to the deputy chief finance officer.

4. Legal Implications

- 4.1 A loan agreement with a repayment schedule will need to be agreed for each draw down approved.

5. Engagement and Consultation

- 5.1 Not applicable for these purchases

6. Purchasing or Hiring of Goods and/or Services

- 6.1 All purchases will be made in consultation with the Council's procurement team to ensure best value and compliance with legislation.

7. Tackling Climate Change

- 7.1 SWISCO recognises the Council's clear climate change ambitions. These considerations will be part of any purchase decision. If there is a price differential between a "green" vehicle and the current specification, then SWISCO may approach the Council to fund the difference from its £1m allocation for climate change approved as part of the 2022/23 budget.

8. Associated Risks

- 8.1 If vehicles are not replaced at the end of their useful life then there could be higher repair costs and possible increased health and safety risks.

9. Equality Impacts - Identify the potential positive and negative impacts on specific groups

	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			no differential impact

People with caring Responsibilities			no differential impact
People with a disability			no differential impact
Women or men			no differential impact
People who are black or from a minority ethnic background (BME) (Please note Gypsies / Roma are within this community)			no differential impact
Religion or belief (including lack of belief)			no differential impact
People who are lesbian, gay or bisexual			no differential impact
People who are transgendered			no differential impact
People who are in a marriage or civil partnership			no differential impact
Women who are pregnant / on maternity leave			no differential impact
Socio-economic impacts (Including impact on child poverty issues and deprivation)			no differential impact
Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			no differential impact

10. Cumulative Council Impact

10.1 None

11. Cumulative Community Impacts

11.1 None