

## BUDGET SCRUTINY PANEL

1ST DECEMBER 2020

### Briefing note of the s151 Officer

#### ITEM 10 ENVIRONMENTAL SERVICES FLEET - OPTIONS

On 29th September 2020, the Budget Scrutiny Panel requested further information regarding the Enterprise Zone and Town Deal:

- Information regarding financial proposals for funding the Environmental Services fleet, including an analysis of other options considered and the benefits of proposed approach.

#### **Environmental Services Fleet**

Details of this were set out (inter alia) in the Revised Capital Plan 2020-2023 referred to Council at the meeting of 9th November 2020. This set out that:

*'In extending the outsourced Environmental Services contract the Council had the opportunity to consider financing the cost (some £4.8m) of the replacement fleet, and thereby reduce the ongoing revenue costs of the contract. Following an appraisal exercise the decision was taken to exercise this option (see Cabinet 13 September 2018: 'Environmental Services Contract - Options for the delivery from June 2020'). This initial report included a specific financing method for the fleet acquisition which was subsequently considered too restrictive and superseded by a further Cabinet report of 13 February 2020 allowing flexibility in the financing method (see Minute 80 referring to the 'Capital Strategy, Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Policy 2020/21').*

*The original options appraisal concluded that it was financially advantageous for the Council to finance the new Environmental Services fleet notwithstanding the ongoing interest and Minimum Revenue Provision<sup>1</sup> (MRP) charges that would be associated with its acquisition; these charges were calculated on the assumption that the whole of the fleet would be financed via ('prudential') borrowing, which in total were around £0.7m, made up of £0.1m for interest and £0.6m for MRP.*

*Further savings are available if the fleet can (at least partially) be funded through use of reserves earmarked for capital expenditure. By reviewing pre-existing schemes a number have been identified for deferral or withdrawal (with the possibility of being added back should finances permit); this enables half of the fleet cost to be funded through reserves. It is also planned to use 'internal' borrowing rather than acquiring an external loan for the balance of the financing and in total this will create (subject to approval of this revised Capital Plan) General Fund revenue savings of around £0.4m from the 2021/22 financial year and subsequent years over the eight year life span of the fleet.'*

In summary, the greater proportion of the fleet that can be funded through earmarked reserves, the lower the impact on revenue (and hence budgets) in future years.

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