

Report to the Cabinet

Report reference: **C-088-2013/14**

Date of meeting: **3 March 2014**



**Epping Forest
District Council**

Portfolio: Environment
Finance & Technology

Subject: Waiver of Financial Regulation 5.22 – Disposal of Assets

Responsible Officer: John Gilbert (01992 564062)
Bob Palmer (01992 564279)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

(1) That Financial Regulation 5.22 (Disposal of Assets) be waived in respect of the transfer of waste management assets from the Council to the next waste management service provider.

Executive Summary:

As part of the new waste management contract, the incoming contractor is required to take possession of the Council's waste management assets (i.e. vehicles and plant) and pay the Council their Net Book Value. Financial Regulation 5.22 requires that when an asset is disposed of or part exchanged, this should normally be through a competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Cabinet agrees otherwise.

Reasons for Proposed Decision:

To enable the transfer of the existing fleet assets to the incoming contractor at Net Book Value.

Other Options for Action:

None other than to reject the proposed waiver

Report:

1. As part of the new waste management contract, the incoming contractor is required to take possession of the Council's waste management assets (i.e. vehicles and plant) and pay the Council their Net Book Value (NBV). This is estimated, at November 2014 values, to be in the order of £1.8million. The incoming contractor has to purchase these vehicles at that price and the Council receives the capital receipt.

2. NBV does not necessarily reflect the actual value of the asset, since it assumes depreciation takes place equally over the life of the asset. In some cases, depending upon the age of the asset, the NBV may be zero, even though the asset retains some value. It is also the case that because of the straight line depreciation, an asset's NBV may be below or

above its actual value, if valued independently.

3. The valuation of an asset such as a refuse freighter will be subject to many variables, and may therefore also be subject to considerable negotiation between the transferees. Indeed, the final agreed sum would inevitably be different for each of the possible contractors. In order to avoid protracted negotiations it is proposed that the fleet assets be transferred to the incoming contractor at NBV, with the effect that the sum to be paid over to the Council at the commencement of the new contract is the same irrespective of which contractor is successful.

4. This approach however is in conflict with Financial Regulation (FR) 5.22 which requires that when an asset is disposed of or part exchanged, this should normally be through a competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Cabinet agrees otherwise. Whilst this would be possible, the eventual outcome would be uncertain, and would take a considerable time, with vehicles being unavailable for use within the contract or stored somewhere awaiting disposal.

5. It is therefore suggested that having discussed the matter with the Director of Finance & ICT, FR 5.22 be waived in this instance and that the assets be transferred to the incoming contractor at NBV (**Recommendation 1**)

Resource Implications:

The basis of the recommendation is set out in the main report. The estimated Net Book Value of the assets at the time of transfer (i.e. 3 November 2014) is in the order of £1.8 million. This would represent a significant guaranteed capital receipt for the Council.

Legal and Governance Implications:

The rationale for the waiving of FR 5.22 is set out in the main body of the report. The Chief Finance Officer (Director of Finance and ICT) has indicated his agreement to the proposal.

Safer, Cleaner and Greener Implications:

All of the prospective bidders have stated their acceptance to this proposal. Most are intending to use the younger vehicles on the fleet within the new contract in combination with newly acquired fleet assets. The older, and potentially more polluting vehicles will be deployed away from the district or otherwise disposed of.

Consultation Undertaken:

Director of Finance and ICT

Background Papers:

None

Impact Assessments:

Risk Management

Since all the bidders have agreed to the transfer at NBV there is no risk to the process itself. There is a marginal risk that sale by tender or auction may have generated a greater sum, but this is offset by the certainty of the recommended process.

Equality and Diversity - See attached Due Regard Form.