

Update on the Council's Long-Term Waste Management Contract

SUMMARY

- 1.1 Financial close on the waste plant project was achieved on 20 August 2014.
- 1.2 The project satisfied the factors which were discussed at the Neighbourhoods Overview and Scrutiny Committee on 11 February 2014 and agreed by the Council's Cabinet on 12 February 2014.
- 1.3 The cost of the new waste treatment facility (NWTF), calculated at net present value (NPV) is estimated to be less than business as usual (BAU) and less than the cost anticipated in the report to Cabinet in February.
- 1.4 Construction of the plant has now commenced and is expected to be completed and operational by April 2017.

RECOMMENDATION

- 2.1 To note the report and the progress since the last report in February in 2014.

REASONS FOR RECOMMENDATION

- 3.1 To provide members of the Neighbourhoods Overview and Scrutiny Committee with an update on progress on the waste management contract including achieving financial close.

SUPPORTING INFORMATION

Cabinet Report

- 4.1 The cabinet approved the Council's acceptance of a proposal from the Council's long-term waste management contractor Resource Recovery Solutions (Derbyshire) Ltd (RRS) for the development of a Waste Treatment Facility and education centre at Sinfin Lane, Derby in order to divert waste which is not recycled or composted from landfill reducing the Council's financial exposure to landfill tax.

- 4.2 The cabinet delegated authority to the Strategic Director, Neighbourhoods and Strategic Director of Resources in liaison with the Cabinet Member for Neighbourhoods and Streetpride to achieve financial close on the long-term Waste Management Contract with RRS, in partnership with Derbyshire County Council, within given parameters and subject to:-
- 1) All outstanding issues related to development of the Sinfin proposal and associated matters as set out in the Amended and Restated Project Agreement being satisfactorily resolved.
 - 2) The allocation of risk and economic balance of the Project being comparable to that agreed when the Project Agreement was executed in December 2009.
 - 3) Affordability of the project being within the provisions set out in the Council's Medium Term Financial Plan and the terms set out in this report.
 - 4) The agreement of Derbyshire County Council to the Project on the same terms and conditions as Derby City Council.

The achievement of financial close by no later than 30 September 2014.

- 4.3 The delegation to the Strategic Director of Resources transferred to the Director of Finance and Procurement as Acting Section 151 Officer following Council approval on 23 July 2014.
- 4.4 The cabinet agreed to extend the second optional break point from 31 March 2015 to 31 March 2017. This gave the Councils additional flexibility and protection regarding the management of their waste in the event that financial close was not achieved.

Progress Made Since February 2014

- 4.5 A Deed of Variation was signed on 31 March 2014 which extended the break point in the contract from 31 March 2015 to 31 March 2017. It also varied the Project Agreement to include the services which RRS will provide to the Councils in the period to planned completion of the NWTF.
- 4.6 Following detailed negotiation between RRS, the City County and Derbyshire County Council and our funding partners each of the parameters set out above was achieved to the satisfaction of the Strategic Director of Neighbourhoods, the Director of Finance and Procurement as acting Section 151 Officer, in liaison with the Cabinet Member for Neighbourhoods and Streetpride and the Leader of the Council. Financial close was achieved on the 20 August 2014.

OTHER OPTIONS CONSIDERED

- 5.1 One of the parameters set by the cabinet that the net present value (NPV) of the project agreement was to compare favourably to a BAU scenario and this was achieved as part of the negotiation process leading to financial close.
- 5.2 Some 650 potential locations across the County were considered for the new waste treatment facility and following a comprehensive review the Sinfin Lane site was confirmed as the most appropriate.

This report has been approved by the following officers:

Legal officer	Janie Berry – Service Director of Legal and Democratic Services
Financial officer	Mark Wyld – Principal Accountant
Human Resources officer	N/A
Service Director(s)	N/A
Other(s)	Paul Robinson – Strategic Director of Neighbourhoods

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Background papers:	
List of appendices:	Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 Financial implications have been detailed in the main body of the report.
- 1.2 The cost of the new waste treatment facility calculated at NPV is less than BAU.
- 1.3 The unitary charge for the project rises each year in nominal terms. This is expected and is estimated over the 25 years to be less than the annual increase in landfill costs. The unitary charge increase will be treated as inflation within the Council's MTFP.
- 1.4 The project is of significant value, being over £1b in nominal value for the Councils. The project is over a 25 year period and there could be subsequent changes which have a financial impact – these will be managed effectively over time.

Legal

- 2.1 Under the Environmental Protection Act, the Council is required to make arrangements for treatment and disposal of municipal waste. The Council has determined to discharge its responsibilities under the Act by procuring, jointly with Derbyshire County Council, a long term contract with RRS for the treatment and disposal of residual waste from the City and County. The Councils external legal advisers have confirmed that they are satisfied that the scope of the original OJEU contract notice covers the proposals set out in the report which are subject to amendment of the relevant provisions within the contract and the amendment of any related drafting.
- 2.2 The legal advisors to the Councils have confirmed that the allocation of risk and economic balance of the project has captured in the amended and restated project agreement and ancillary documents is comparable to that agreed when the original project agreement was executed in December 2009 and as varied by the subsequent deeds of variation.
- 2.3 An inter-authority agreement governing the relationship between the two Councils has been agreed.

Personnel

- 3.1 None arising directly from of this report.

Equalities Impact

- 4.1 None arising directly from of this report.

Health and Safety

5.1 None arising directly from of this report.

Environmental Sustainability

6.1 The facility will contribute to the delivery of the Councils' recycling target of 55% by 2020 (by itself recycling over [10.8%] of the 190,000 of the treated waste), save over 48,000 tonnes of carbon dioxide per year, equivalent to taking 16,000 cars off the road, generate enough electricity to power 14,000 homes.

Asset Management

7.1 The City Council has granted a lease of the Sinfin site to RRS for the duration of the project, relevant provisions related to development of the waste treatment facility and education centre are set out in the amended and restated project agreement. The roles and responsibilities of the Councils are described in the inter-authority agreement.

Risk Management

8.1 None arising directly from of this report.

Corporate objectives and priorities for change

9.1 Council Plan 2011/14: A Thriving Sustainable Community

As indicated in 6.1 above, the new waste treatment facility will contribute to recycling and diversion of waste that is not already recycled from landfill, which will save a significant amount of carbon dioxide annually and generate electrical power for a large number of homes whilst also providing work opportunities.