

SUPPLEMENT TO THE AGENDA FOR

Council

Friday 7 February 2014

10.00 am

Council Chamber - Brockington

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PUBLIC QUESTIONS TO COUNCIL – 7 FEBRUARY 2014

Question from Miss R Stanier

Question 1

Financing of Proposed Energy-from-Waste Facility at Hartlebury

I gather that it is proposed to borrow 40 million pounds to finance an energy-from-waste incinerator at Hartlebury.

Please let me know how the public will be able to track the actual cost of the incinerator during both the construction and usage phases. Could you let me know which headings to look for in the council budget and accounts, please? The arguments for the energy-from-waste incinerator are based on value for money, so it is necessary to see clearly how this is achieved.

I tried to comment using your on-line budget consultation, but I could not find any reference to the Energy from Waste project under either Public Health or Finance.

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 1

Capital expenditure on the energy from waste (EfW) plant will be tracked both through the annual budget presented to Council and through routine budget reporting to cabinet; Disclosures about the value of assets held will also be made in the published year end accounts. The costs will be clearly identified as: energy from waste plant, waste disposal and PFI costs. The medium term financial strategy as proposed by cabinet to Council (on 7th February, page 23, page 73 of the public reports pack <http://councillors.herefordshire.gov.uk/mgChooseDocPack.aspx?ID=4732>) states the capital budget allocation; this will be reported via the capital budget appendix to the budget monitoring reports to cabinet during the course of construction.

Information about revenue contract payments is published on the transparency pages of the council's website at the following link:

<https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/transparency-council-expenditure-and-contracts>

Question from Mrs E Jones

Question 2

Medium Term Financial Strategy

Herefordshire Council plan to allocate £40million towards the planned incinerator in Worcestershire. To ensure that this can be considered value for money, how does HC plan to mitigate for the various negative impacts? Some of these are changes in legislation which may happen in the very near future. Others are outlined in the Business Case Lite 2009 such as the 'inability to import waste from outside of the two counties', 'mass burn efw technology becoming outdated and deemed redundant as a means of ensuring

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sustainable waste management for public authorities', site specific costs which it is stated could add considerably to the overall costs, foreign exchange rates etc.'

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 2

A full financial appraisal has been carried out and was reported to cabinet in December 2013. There are mechanisms in the contract that deal with changes in law if these arise during the remaining contract period. The plant is sized to treat the two counties waste. Site specific and foreign exchange rate costs have been evaluated and included in the financial business case. The EfW plant will be constructed using modern and efficient technology, similar to many other EfW plants being constructed. It is accepted that technology continues to develop; however that future theoretical possibility does not mean that a decision should be delayed given the need to ensure prudent use of tax payers' money and the business case supporting that decision.

Question from Ms L Brookes

Question 3

Incinerator/recycling costs

Herefordshire's Mid Term Financial Strategy is about to commit an extra £1.5 million pounds from other budgets to help finance an incinerator, yet 68% of waste is organic and can be treated for between £27 to £80 per tonne. Recycling can pay £26 per tonne and much more waste can be recycled, so is the Council convinced that paying £123 per tonne to burn waste, and increasing Herefords share of costs is good value for money and if so why?

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 3

The council is confident that in light of the full financial appraisal of the options available for disposing of residual waste, the construction of an EfW plant is the least cost option.

Whilst we are pleased that the service the council provides has already led to 40% of the county's waste being recycled we recognise there is more to do and will continue to work hard to encourage residents businesses and communities to do more to reduce waste and re-use items – both of which do even more to reduce costs and have greater environmental benefits.

Question from Mr S Tranter

Question 4

Finance

My question relates to the Medium Term Financial Strategy, regarding the extra monies that will be required to finance the incinerator in Hartlebury, to be paid for by Prudential Borrowing till 2042.

On the assumption that the Cabinet made themselves aware of the KPMG report written for Hereford's Overview and Scrutiny Committee, and of any limitations of the Deloitte financial document put before the Joint Cabinet on the 12th December 2013, for example "We do not take responsibility for the Mercia's financial models and have not audited or otherwise verified them." I ask: Why are you prepared to take the risk of being tied into Prudential Borrowing with Worcestershire till 2042 with the associated risk that this will have to be shown on your balance sheet and could easily create problems with raising funds for more pressing services?

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 4

Every option open to the council carries a degree of risk; this option provides the least risk option. Herefordshire Council has taken, and continues to take, all risk mitigation action in respect of the borrowing required to finance the construction of its share of the EfW plant. To do this will require borrowing to be included on the council's balance sheet; however there will also be a corresponding asset recognised on the balance sheet thereby mitigating the risk supposed in the question. Additional funds can be raised as long as the requirement falls within the prudential code of practice.

As a point of clarification, all necessary audits will be completed before the conclusion of the waste disposal contract variation, anticipated to be agreed by 1st April 2014.

Question from Mr R Wilden

Question 5

What assurance has Herefordshire Council received from Worcestershire County Council regarding Herefordshire's ability to opt-out of the waste contract in 2023?

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 5

The current waste disposal contract with Mercia Waste Management is due to expire as early as December 2023, therefore assurance is not required. Following expiry,

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Herefordshire Council and Worcestershire County Council will jointly own the EfW plant and all options will be considered.

Question from Councillor FM Norman

1 Living Wage

There is increasing evidence that countries such as Britain, with high levels of inequality, also have high levels of crime, illness, drugs, obesity, illiteracy and other social problems, which our taxes have to pay for. It is also clear that the cuts, unemployment and low wages are causing increasing social distress.

While I welcome the positive comments made about considering the living wage in para. 9 (Pay Policy Statement 2014) my question is:

- A Why are we not immediately introducing the living wage into our pay policy in place of the inadequate minimum wage?*
- B Why are we not introducing a 1:8 differential between our highest and lowest paid employees?*
- C Why are we not setting a good example to the rest of the County and encouraging other employers to follow our example with these measures?*

Answer from Alistair Neill, Head of Paid Service

Answer to question 1

- A Consideration of the introduction of a living wage for council employees will form part of a wider review of the council's pay and grading structure planned for the coming year, which will take account of a range of factors including the financial implications for the council and schools budgets. It would not be advisable to introduce one isolated element in advance of this review.

Nonetheless considering the context of this for Herefordshire Council, currently the national living wage is set at £7.65 per hour for all regions outside London. On a 37 hour week, this is equivalent to approximately £14,700 per annum. Of Herefordshire Council's 1,128 full-time equivalent non-schools employees, only 18 currently fall below the national living wage (1.6% of employees). We are aware that average pay in Herefordshire which partly reflects the county's cost of living, is approximately 13% below the regional average (which includes Herefordshire and is therefore slightly skewed by that inclusion), and around 23% lower than the UK average (incl London). If the region is taken as a reference point prevailing Herefordshire average wages could be reflected in a living wage of £6.65 per hour. At that level only 1 employee currently falls below that level.

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- B There is limited evidence to suggest that introducing an arbitrary pay multiple delivers identifiable benefits. In any organisation a range of factors must inform the development of the pay and grading structure including the ability to attract people with the necessary skills, qualifications and experience in a competitive market so we continue to deliver key services and the priorities of the council.

The multiple between the lowest paid and the highest paid is 1.11. This has fallen sharply from 2012 (Apr – Oct) when the multiple was 1.14.

- C The council, as a major employer, has a significant role to play in the local economy. Consideration will continue to be given to the degree to which the commissioning approach adopted by the council may be used to influence pay policies of the organisations we do business with. It is reasonable to believe that currently the council does set a good example as the mean average salary (workforce cost inclusive of national insurance and superannuation divided by headcount) is £28,343, compared to the average wage in Herefordshire of approximately £20,000.

Question from Councillor EPJ Harvey

2 *Capital Borrowing*

*How is this council to have confidence today that the capital borrowing proposed for the Energy from Waste Incinerator at Hartlebury in Worcestershire is delivering the **best value** solution for Herefordshire's waste disposal needs for the next 25 years (rather than one that will adequately do the job required) in the absence of evidence that the technology options have been assessed according to government procurement rules against the specific geographical, economic, financial and environmental circumstances pertaining to the Hartlebury site?*

Answer from Councillor H Bramer Cabinet Member Contracts & Assets

Answer to question 2

The council can be confident that the capital borrowing represents the best value option for the county because the analysis and appraisal of options in both the Joint Municipal Waste Management Strategy and cabinet report has been completed in accordance with relevant government guidance.