

WRITTEN STATEMENT OF A KEY DECISION CABINET

ITEM:	WASTE MANAGEMENT SERVICES CONTRACT UPDATE
Members Present:	Councillors: AW Johnson (Leader), H Bramer, J Millar, PM Morgan (Deputy Leader), GJ Powell, PD Price.
Date of Decision:	19 March 2015
Exempt:	No
Confidential	No
<p>This is a key decision because</p> <p>It is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.</p> <p>And/or</p> <p>It is likely to be significant in terms of its effect on-</p> <p>Two or more Wards or electoral divisions;</p> <p>One Ward (unless the number of those affected is very small or it is impractical to treat this as a key decision).</p>	
<p>A notice was served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.</p>	
Urgency/Special Urgency: (As defined in Constitution)	No
Purpose:	To approve the deferral of the payment for the purchase of the Energy from Waste plant site in Hartlebury and provide an update on the outcome of the execution of joint waste PFI contract variation concluded in May 2014.
Decision:	<p>THAT:</p> <p>(a) the conclusion of the agreed joint waste PFI contract variation and associated joint working agreement be noted; and</p> <p>(b) the deferral, until December 2023, of the purchase of Herefordshire's share of the Hartlebury waste site be approved.</p>
Reasons for the Decision:	<p>Conclusion of the PFI Contract Variation</p> <p>1 Final agreement between Herefordshire Council, Worcestershire County Council and Mercia Waste Management Ltd was reached on 21 May 2014. Construction of the energy from waste (EfW) facility began soon afterwards.</p> <p>2 Herefordshire will save an average of £1.6m pa as a result of its decision to invest in</p>

- the EfW plant (£41m over the expected life of the plant of 25 years), an improvement of £0.4m pa on the expected savings approved by Cabinet in December 2013, achieved through successful final contract variation negotiations.
- 3 The Cabinet decision in December 2013 compared agreeing to construct an EfW with continuing to send waste to landfill. Doing nothing included the increasing costs of landfill, e.g., landfill tax has risen from £8 per tonne in 1996 to £80 per tonne in 2014. In addition, not building the EfW would have resulted in no confirmed capacity for treating or disposing of non-recyclable municipal waste after 2023.
- 4 The table below compares the final agreed contract cost over the life of the plant, 25 years, with the “as is” option of continuing to landfill waste. The final position agreed is substantially better than that reported to Cabinet in December 2013.

Option	Final Net Present Cost to Herefordshire (25%)	Dec 13 Net Present Cost to Herefordshire (25%)
	Whole Life £m	Whole Life £m
Energy from Waste Plant	170	175
Continuing as is	211	207
Saving	41	32

- 5 The business case, with financial data prepared by Deloitte, re-enforced the decision to execute the contract variation, providing the best value for money solution for Herefordshire residents. Full details were published in the final Variation Business Case available through the following web link:

http://www.worcestershire.gov.uk/downloads/file/4157/variation_business_case_v40_june_2014

Revised Joint Working Agreement (JWA) with Worcester County Council

- 6 The JWA has been updated as a result of the joint PFI contract variation to include:
- a. Herefordshire’s share of the contract cost to be based on the proportion of contract waste flows arising from 1 September 2013. This was previously paid based on population share. This new split will generate annual savings to Herefordshire of approximately £0.6m.
 - b. Confirmation of Herefordshire’s share of the EfW funding at 24.2%.
 - c. Agreement to the holding of a maintenance reserve account balance of £0.4m on expiry of the PFI, December 2023.
 - d. Clarification of terms of reference, governance, roles and responsibilities of the JWA through a Joint Waste Advisory Board and Joint Review Board.
 - e. Agreement for the Joint Review Board to meet to discuss the desirability of extending the contract no later than 22 June 2018.
 - f. The right and commitment to provide the EfW plant with 48,400 tonnes of suitable waste for a period of twenty five years. Herefordshire currently produces this level of tonnage of waste. By the time the plant opens in 2017,

	<p>allowing for forecast new homes and the ability to obtain waste from the commercial sector, this commitment is easily achievable. The commitment is a valuable interest which could be sold to other authorities or the commercial sector.</p> <p>g. Property purchase options of the EfW and recycling site both located in Worcestershire, as described below.</p> <p>Purchase of Herefordshire’s share of the Hartlebury waste site</p> <p>7 On execution of the waste PFI contract variation for the EfW plant (EnviRecover) a Deed of Trust was entered into over its Hartlebury site. Worcestershire holds all its interest in EnviRecover on trust for both Councils in the same proportion as their respective funding percentages, being 24.2% for Herefordshire. Herefordshire has also registered a Restriction against Worcestershire’s title to record and protect Herefordshire’s interest in relation to the EnviRecover site pursuant to The Deed of Trust. This protection negates the need to purchase Herefordshire’s share now.</p> <p>8 The JWA included a commitment from Herefordshire to acquire its 24.2% share in the Hartlebury site either within twelve months of the contract variation being signed (May 2015) or on expiry of the contract (December 2023).</p> <p>9 The cost of the acquisition is based on Herefordshire’s share of the acquisition cost plus debt charges incurred by Worcestershire from the date of acquisition until Herefordshire’s date of purchase.</p> <p>10 This gives a total estimated total acquisition cost of £1.7m in 2023, which will be funded by the waste disposal reserve balance expected to be held at that date.</p> <p>11 It is recommended that the purchase of Herefordshire’s share of the Hartlebury site is deferred until December 2023. This allows for the maintaining of a waste disposal reserve balance during the period of construction of the EfW and avoids the need to utilise prudential borrowing to fund the purchase cost.</p>
Options Considered:	<p>The following alternative option has been considered:</p> <p>To purchase 24.2% of the Hartlebury waste site now. This would incur immediate costs of £1.9m and is not recommended.</p>
Conflict of Interest ■ (See below):	
Date the key decision is due to take effect:	25 March 2015

<p>COUNCILLOR AW JOHNSON.....Date: 19 March 2015 LEADER OF THE COUNCIL</p>

- a record of any conflict of interest declared by any executive member who is consulted by the member which relates to the decision;

And

- in respect of any declared conflict of interest, a note of dispensation granted by the relevant local authority's head of paid service.