

<b>MEETING:</b>	<b>Audit and Governance Committee</b>
<b>MEETING DATE:</b>	<b>29 September 2014</b>
<b>TITLE OF REPORT:</b>	<b>Waste VFM</b>
<b>REPORT BY:</b>	<b>Chief Finance Officer</b>

## 1. Classification

Open

## 2. Key Decision

This is not a key decision.

## 3. Wards Affected

County-wide

## 4. Purpose

To advise of the conclusion of the waste PFI contract variation value for money assessment.

## 5. Recommendation

**THAT the Audit and Governance Committee note the value for money conclusion.**

## 6. Alternative Options

6.1 There are no Alternative Options, the contract variation has been concluded.

## 7. Reasons for Recommendations

7.1 Cabinet approved the contract variation for the construction of an energy from waste plant on 12th December 2013. This report provides an update on the final contract variation value for money assessment provided by Delloitte, independent financial advisors.

## 8. Key Considerations

8.1 Following Cabinet approval in December 2013 to go ahead with the energy from waste plant Herefordshire Council and Worcestershire County Council negotiated with their contractor, Mercia, to agree the revised PFI contract variation. The decision approved allowed for an increase in costs of £1.5m pa which was the best value for

money option available for the treatment of residual waste. Following agreement with Mercia an increase was agreed of £0.6m pa, a £0.8m pa saving on the approved figure. The updated business case, with financial data prepared by Deloitte, shows how the actual contract, costing Herefordshire £10.2m pa when the plant opens in Spring 2017, re-enforces that executing the contract variation provides the best value for money solution for Herefordshire residents.

- 8.2 The new plant will receive up to 200,000 tonnes of residual waste from Herefordshire and Worcestershire per annum and generate 16.5 megawatts of electrical power per hour, enough to power the City of Hereford.

## **9. Community Impact**

- 9.1 The council is responsible for ensuring the appropriate disposal of waste for the county.

## **10. Equality and Human Rights**

- 10.1 The content of the report has no direct impact on equality and human rights.

## **11. Financial Implications**

- 11.1 As set out in the report.

## **12. Legal Implications**

- 12.1 None.

## **13. Risk Management**

- 13.1 As set out in the appendix.

## **14. Consultees**

- 14.1 None

## **15. Appendices**

- 15.1 Appendix One - Final Variation Business Case

## **16. Background Papers**

- 16.1 None identified.