HEREFORDSHIRE COUNCIL

MINUTES of the meeting of General Overview & Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Tuesday 10 December 2013 at 2.00 pm

Present: **Councillor A Seldon (Chairman)**
Councillor EPJ Harvey (Vice-Chairman)

Councillors: EMK Chave, PGH Cutter, BA Durkin, TM James, JG Jarvis, Brig P Jones CBE, RL Mayo, NP Nenadich, R Preece, P Sinclair-Knipe and GR Swinford

In attendance: **Councillors J Hardwick, AW Johnson, MD Lloyd-Hayes, C Nicholls, AJW Powers and PD Price**

Officers: B Baugh (Democratic Services Officer), A Brookes (Executive Manager), G Dean (Scrutiny Officer), G Hughes (Director for Economy, Communities and Corporate), B Norman (Solicitor to the Council), P Robinson (Chief Financial Officer), J Rushgrove (Accountant - Capital & VAT Services), A Tector (Head of Special Projects), K Vigus (Waste Disposal Officer), and R Wood (Head of Environment and Waste Services)

40. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors DW Greenow, JW Hope MBE, RC Hunt, and DB Wilcox.

41. NAMED SUBSTITUTES (IF ANY)

In accordance with the Council's Constitution, Councillors PGH Cutter, JG Jarvis, NP Nenadich and P Sinclair Knipe attended the meeting as substitutes for Councillors JW Hope MBE, DB Wilcox, RC Hunt, and DW Greenow, respectively.

42. DECLARATIONS OF INTEREST

There were no declarations of interest made.

43. QUESTIONS FROM THE PUBLIC

It was reported that no questions had been received two working days in advance of the meeting, as per the Committee's normal practice. However, the Herefordshire and Worcestershire Action Group had submitted a number of documents the previous afternoon and these had been forwarded to all Councillors and relevant officers. The Chairman asked Members to bear this correspondence in mind during the debate.

44. WASTE MANAGEMENT CONTRACT (To Follow)

The Chairman introduced the item by commenting that the role of Committee Members should be to consider the best interests of the people of Herefordshire and to scrutinise the Cabinet report, alongside the recently released reports: '*Deloitte: Worcestershire County Council - Waste PFI; Quantitative Value For Money Options Analysis*' and '*KPMG: Herefordshire Council - Waste Contract Variation; Commentary on the processes undertaken for the proposed Contract Variation with Mercia Waste Management Limited*'.

The Chief Financial Officer said that:

- The officer team welcomed the opportunity to go through the points in detail and to respond to questions, adding that this was an important issue and the right decision had to be made.

- There would be a joint briefing with Worcestershire, where the Chairman would have an opportunity to express the views of the Committee, followed by Cabinet meetings at each authority on Thursday, 12 December 2013.

- He had been involved with the project for the past three months since joining Herefordshire Council but this report was the culmination of work over a number of years by a joint team of professionals from both authorities.

- A number of issues had changed at the margins recently, particularly in terms of negotiations with DEFRA.

- None of the professional advice, whether internal or external, suggested that the authorities were taking the wrong course of action.

- There was 'clear blue water' between the recommended option, Option 2 - an Energy from Waste (EfW) plant financed from prudential borrowing, and the other alternative options.

The Chief Financial Officer gave a presentation titled '*Waste Management Service*' under the following headings and made the additional comments summarised below.

Recommendations

1. *Finalise contract variation to develop a 200,000 tonne per annum Energy from Waste plant* (to serve the counties of Herefordshire and Worcestershire).

2. *Councils borrow from the Public Works Loan Board* (PWLB) *to lend to Mercia*.

3. *Agree with DEFRA reduced level of Waste Infrastructure Grant* (WIG).

4. *Joint arrangement with Worcestershire to be updated to reflect this proposal and current best practise*.

Key Features

5. *Agreement has been reached with DEFRA and HM Treasury to retain 44% of Waste Infrastructure Grant*; this would also be an issue without an EfW plant and there had been a lot of discussions with government departments on this in recent months, including a meeting involving the Leader and the Secretary of State, to achieve the timescales required.

6. *The shortfall* (in WIG) *mostly covered from saving made from PWLB*; due to using PWLB rather than commercial finance.

7. *Secures long term residual waste treatment capacity (landfill full by 2023/24 at current rates*).

8. (The EfW) *Avoids potential, substantial termination costs*.

9. *Possession of EfW and most other facilities reverts to both councils at end of 2023, Herefordshire will own a 25% stake in the EfW*; the EfW would secure long term

residual waste capacity going forward for at least the next 25 years. The councils had looked at the long term, especially given current forecasts for the councils' only landfill site to be full or nearly full by 2023/24 at the current rates.

Costs of Alternative Proposals

10. A table was provided showing *Herefordshire NPV* (Net Present Value) *including WIG credits* and *Total NPV including WIG credits* for each option: *1. EfW with commercial finance; 1a. EfW with co-finance; 2. EfW with council finance; 3. Continue as is; 4. Terminate and reprocure with EfW; and 5. Terminate and re-procure without EfW*.

11. The Chief Financial Officer said that officers were recommending Option 2 as the best way forward from a waste disposal perspective and he considered this the best option going forward over the next 25 years in cost terms as well.

12. Option 2 was shown as having *Herefordshire NPV including WIG credits* of £169 million, *Total NPV including WIG credits* of £678 million. The treatment of WIG in the tables in the Cabinet report was explained.

13. The costs associated with Options 1 and 1a were similar to Option 2. However, it could take between six and twelve months to agree commercial finance, particularly given the complex nature of the scheme and switch in ownership in 2023. Option 2 was considered deliverable within the timescales required.

14. The Chief Financial Officer explained that, whilst slightly cheaper in the short term, Option 3 would cost significantly more over 25 years because of the on-going costs of disposal of residual waste. An EfW would mean that the councils would not need to use landfill and so would not be subject to landfill tax, the vagaries of the market or needing to find alternative landfill sites.

15. Options 4 and 5, even with a 'no fault' termination, would cost substantially more than Option 2.

16. It was emphasised that a Joint Agreement was in place between Herefordshire Council and Worcestershire County Council.

Cost Implications

17. *EfW financed by the councils is £32m (NPV) less that As Is option*.

18. *Commercial Finance cannot be delivered in time*.

19. *Annual cost increase within the contract term below the £1.5m provided for per annum*.

Key Timings

20. *Financial Close March 2014*.

21. *EfW Operational Spring 2017*.

22. *Possession of EfW and most other facilities reverts to both councils at end of 2023*.

In response to a question from the Chairman, the Chief Financial Officer advised that the figures for Option 2 included the costs of landfill to 2017, as the councils would not be using landfill once the EfW was operational, and Option 3 was based on continued residual waste disposal costs going forward.

The Chief Financial Officer was invited to highlight the main points of the Cabinet report.

Section 6 - Alternative Options

The Chief Financial Officer provided a further overview of the options and why Option 2 was the recommended approach. In particular, for Option 3, it was noted that waste disposal services post 2023 had been modelled at a capped price of £125 per tonne based on national figures from the Waste Resources Action Programme (WRAP).

The officer team responded to questions from Committee Members, the principal points included:

i. At present, the councils could borrow money from PWLB at 4% and lend to Mercia at a commercial rate, approximately 6%. This surplus could help to mitigate the reduced WIG credits from DEFRA.

ii. Options 4 and 5 had taken potential termination costs into account but the values were commercially sensitive and could not be discussed in public.

iii. In the event of payment default by Mercia, the councils would have a security against the EfW plant; an asset it would wish to own in the future in any case.

iv. It was acknowledged that whole term costs could be significant if PWLB interest rates increased before financial close, this had not been modelled to date. However, there was the potential to pass any increases on, with an appropriate level of margin maintained.

Section 7 - Reasons for Recommendations

The Chief Financial Officer reported that the recommendations would secure long-term capacity to treat residual waste, avoid the potential costs of terminating the contract, and the do nothing option would cost the councils £128 million, over the asset life, more than the recommended option.

Section 8 - Background Information

The Chief Financial Officer summarised the background information, including: the signing of the Waste Management Services PFI Contract (WMSC) in December 1998 for 25 years; the various facilities required under the WMSC; the history of planning applications for facilities between 2004 and 2009; the Residual Waste Options Appraisal ranked EfW high, particularly with combined heat and power (CHP); Cabinet adopted a revised Joint Municipal Waste Management Strategy (JMWMS) in September 2009 which included a new policy to increase diversion away from landfill; the Secretary of State granted planning consent for the EfW plant at Hartlebury Trading Estate in July 2012; and Cabinet authorised proposals to pursue alternative methods of finance for the EfW plant in December 2012. Attention was also drawn to the paragraphs under 'Purpose of Contract Variation' and 'The Energy from Waste Proposal' headings.

Section 9 - Community Impact and Section 10 - Equality and Human Rights

The Chief Financial Officer noted that the proposed plant was sited in Worcestershire, with the proposal enabling both councils to move from their current reliance on the landfilling of residual waste, and the report and its recommendations did not have an impact on equality or Human Rights.

The Chairman invited further questions from Committee Members at this point, the responses of the officer team included:

a. The Residual Waste Options Appraisal had been refreshed in 2012 to account for the fact that planning consent had been granted for the EfW plant at Hartlebury, as the site was previously unidentified in the document. The technologies within the appraisal remained the same throughout.

b. A substantial risk transfer package was in place with Mercia and its contractor during the construction phase, so minimal risks would be borne by the councils should issues occur.

c. In terms of interim arrangements made by Mercia to dispose of some of the residual waste at EfW plants outside the counties, referred to in paragraph 8.5 of the Cabinet report, the Committee was advised that the gate fees at Coventry were approximately £100 per tonne.

d. The councils would take on the operation of the EfW plant at the end of 2023, with useful life to 2042. It was commented that EfW plants had a useful life of 25 years without any major refurbishment, other than maintenance, replacements parts and updates to meet new regulations as necessary. It was noted that the Coventry plant had been operating for over 40 years.

A Member, referring to Community Impact, said that the authorities had looked at various solutions and different sites across the two counties to minimise any impact; including an autoclave solution in each county but ultimately this had not been a viable option.

Section 11 - Financial Implications

The Chief Financial Officer said that the full financial implications of the proposal were set out in Annex 1 to the Herefordshire Cabinet report; this contained the same information as the Worcestershire Cabinet report. The financial risks of not approving the variation as proposed included: the loss of WIG credit funding; the risk of landfill tax cost increases; possible substantial compensation costs if the contract terminated; potential retendering costs if timescales slip; the loss of a fixed capital construction price; potential lapse of planning permission if construction was delayed; and cost uncertainty of waste disposal post PFI n 2023/24.

Committee Members posed further questions, the responses of the officer team included:

- It was emphasised that the EfW plant would remove uncertainty about future landfill and waste treatment costs. The estimates used in the calculations were based on professional advice that had been received.

- It was confirmed that the figure of £125 per tonne used in the calculations was informed by baseline gate fees from WRAP which was part of DEFRA and an organisation of repute and credit.

The Chief Financial Officer advised that the Deloitte report had informed the figures used in the Cabinet report, with the KPMG report used separately as a form of quality assurance for Herefordshire. The Chairman noted that the Committee had been advised, at its 3 September 2013 meeting (minute 27 refers), that the purpose of engaging KPMG was to provide independent advice on value for money of the options for Herefordshire.

In response to a question from the Vice-Chairman, the Chief Financial Officer said he welcomed the fact that the KPMG report did not say that that the authority was considering the wrong option. The Vice-Chairman did not consider that the report had provided a value for money assurance and drew attention to section 1.3 (Summary of KPMG Findings) and the paragraph:

'*KPMG has not had access to the detailed option appraisal models used to undertake the option appraisal and as such it has not been possible to interrogate and validate the financial assessment in sufficient detail to confirm whether the selection of Option 2, the Mercia Proposal is best value for money in comparison to the other options.*'

In response to questions and comments about the KPMG report, the officer team advised:

1) KPMG did have full access to the assumptions that Deloitte had used to model the figures, however a spreadsheet that was used to calculate the end result remained confidential to Deloitte.

2) Deloitte had been engaged jointly by Herefordshire and Worcestershire to provide professional advice. Herefordshire had commissioned an additional piece of work from KPMG but had not asked for this to duplicate the work that was being undertaken internally or by Deloitte. Reliance was placed on the Deloitte information, as they had produced the financial model.

3) Attention was drawn to the Executive Summary of the KPMG report which set out the scope of the work and the out of scope matters. A Committee Member noted that Herefordshire had occasionally commissioned its own reports into specific impacts for the county since 1998.

4) With clarification sought about the bottom three bullet points of paragraph 4.5.2 (Definition of Mercia Proposal) of the KPMG report, the residual value sum was explained and it was confirmed that there would be an outstanding loan balance in 2023 to repay over the remaining term of the loan but this would be partly mitigated by income from energy production; it was noted that the budget for waste disposal was around £9 million per annum currently. With reference made to the final bullet point, '*Financing of the residual value sum paid at expiry is to be funded by refinancing the original prudential borrowing*', the Committee was advised that this was an original option but, with a PWLB loan for 25 years, it was not currently intended that there would be refinancing at that time.

Referring back to the Cabinet report, the Chief Financial Officer highlighted the financial reasons why continuing to landfill was not the preferred option, the total revenue budget impact to 2042 of the different options, the capital costs and the loan financing arrangements.

Section 12 - Legal Implications

The Solicitor to the Council noted that the councils had agreed to revise the current Joint Working Agreement, to reflect the life of the asset and the shareholding arrangements.

Further questions were asked by Committee Members, the officer team responses included the following points:

i) Worcestershire owned the site at Hartlebury Trading Estate and the potential for Herefordshire to contribute towards the land value would be explored as part of the discussions on governance arrangements.

ii) An assurance was provided that the reversion of facilities to their owning authorities in 2023 was being addressed.

iii) Further to point iv. above, a scenario in which PWLB interest rates increased before financial close was explored further and it was commented, although rates were not predicted to increase in the short term, it was very likely that the level of margin would be maintained. The Chairman noted that, once the loan was taken out, the rate would be fixed for the term of the loan. The Chief Financial Officer added that this was a difference between PWLB and commercial finance; as there would be options to review a fixed rate in the event of significant changes to interest rates under commercial finance arrangements.

iv) With reference to paragraph 11.7 of the Cabinet report, '*During the EfW construction loan financing costs will be funded from the council's waste reserves*', the Committee was advised that the authority had £2.4 million waste reserves currently and the loan fees received would be added to this balance.

The Chairman expressed concern about the speed in which decisions had to be made by Cabinet, particularly given that the KPMG report had only been released publicly on Friday 6 December and the Deloitte report shortly before this meeting. He also considered that Option 3 'Continue as is' should not be perceived as a 'do nothing' option, as there was the potential for emerging waste disposal technologies to be de-risked during the remainder of the JMWMS and an alternative plant could be commissioned and built in a relatively short number of years.

The Chief Financial Officer reminded the Committee that the contract had been signed in 1998, planning consent for the EfW plant at Hartlebury had been granted in July 2012, and officers had been working on this project for months, assisted by professional advisors. He said the report had not been rushed and it was considered comprehensive in terms of the financial position. He re-iterated that there was 'clear blue water' between the recommended option and the other options. He added that it had been important to ensure that the Deloitte report contained up-to-date figures.

The Leader advised that the apparent speed of the process was because the contractor would reprice its tender if financial close was not reached by the end of March 2014; with considerable cost implications and the potential lapse of planning permission if the timescales slipped. He acknowledged that emerging technologies may be de-risked in future years but they may not and the authority could not gamble with public money. The Leader considered that the recommended option was the only option that was proven, had a site with planning permission, and had finance in place.

In response to a question from a Committee Member, the Chief Financial Officer confirmed that officers considered that they had all the information required in order to make the recommendations in the report.

A Committee Member noted that there were a number of references in the KPMG report to the Council needing to 'seek comfort', that the report did not appear to confirm that Option 2 was either the right or the wrong option, and the 'out of scope' issues were questioned.

The Chairman did not consider that the KPMG report had enhanced confidence in terms of value for money and drew attention to paragraph 2.2.2 (Out of Scope), '*This KPMG report does not represent a Value for Money assessment for the Council in comparison against it* (sic) *options*'.

A Member in attendance made a number of points, including: the concept of value for money should not just narrowly relate to costs but should also consider community aspects; a question was asked about the risk associated with over capacity if an EfW plant was progressed; the potential value of waste should be considered; the level of recycling could decline as a consequence of the proposal; there were risks associated with carbon output, both in terms of climate change and the possibility of carbon taxes in the future; a proper breakdown had not been provided of the costs of alternative waste treatment solutions; and it was felt that the potential health risks of emissions from incinerators should taken into account.

The Waste Disposal Officer advised:

a) The EfW plant had been designed to deal with the tonnage produced by the two counties, it had not been oversized.

b) Statistical information showed that Oxfordshire had the highest level of recycling performance but they were also investing in EfW.

c) The future of carbon taxes was uncertain at present but the plant had the potential to become more efficient through combined heat and power (CHP) in the future.

d) There were various reports about perceived health risks, particularly from opposition groups, but the World Health Organisation and other bodies had not identified significant health issues with these plants.

e) In terms of the value of waste, the EfW plant would be generating electricity initially, with the potential for CHP going forward.

A Member in attendance said that he had two overarching concerns: firstly, the KPMG report was intended to clarify and confirm value for money for Herefordshire but he felt that the report failed to do this and he was concerned about the lack of assurance, particularly given the scale of the decision required; secondly, he considered that Option 3 was mistakenly referred to as an ‘as is' or a ‘do nothing' option, as the projections and assumptions should have included realistic scenarios involving other technological alternatives to landfill, with income potential from energy generation, such as that used at the integrated facility in Avonmouth. He added that, notwithstanding the limitations of the modelling, the cost difference between Options 2 and 3 was relatively small in terms of the overall cost picture.

The Chief Financial Officer re-iterated the background to the Deloitte and the KPMG reports and explained that it was normal for reports to identify ‘out of scope' issues. He said that he had not commissioned the KPMG report himself but acknowledged that some matters had moved on significantly since it was first scoped. The key consideration was the robustness of the information contained in the Cabinet report. He added that Option 3 was based on options available in the market at the present time.

A Member in attendance felt that the narrowness of the approach was problematic, particularly given that alternative technologies were well evidenced and being proven day by day. In response to a question about the role of KPMG, the Chief Financial Officer advised that the KPMG report had been provided by a waste specialist team, separate to the Council's internal audit contract. The Chairman re-iterated that KPMG, by their own admission, had not made a clear recommendation as to whether the recommended option represented the best value for money.

A Member expressed concern about the incineration of plastics and possible health risks.

There were further comments and questions from Members, the Waste Disposal Officer advised:

- EfW tended to be the preferred option of many local authorities and waste management companies because it was proven and reliable technology. It was commented that a number of emerging technologies were yet to be proven.

- The figures for Oxfordshire and Lincolnshire demonstrated that EfW did not negate high recycling performance.

A Committee Member said that: due consideration should be given to the need for residents to dispose of waste and for costs to be affordable to the authority; there was an opportunity to secure a solution at relatively low interest rates from PWLB, a well-respected body; a lot of information had been provided, whether individual Members agreed with it or not, but it was a fact that planning permission had been granted, technical assurances had been provided, and finance was in place; and there were risks associated with any further delay.

A Member in attendance commented that she had attended the opening of the new Greenway Bridge in Hereford shortly before joining the meeting and felt that the authority should be equally forward thinking in terms of the environmental sustainability of the waste management contract. Concerns were also expressed about the long-term affordability of the recommended option, particularly given the financial challenges already being experienced by the authority, and about transparency in terms of the alternative options. In response to a question, the Chief Financial Officer reminded the Committee that he was co-author of the Cabinet report and the proposals were not considered unaffordable.

The Vice-Chairman made a number of points, including: energy generation revenue had been taken into account for the options other than Option 3, so comparisons had not been made on a similar basis; the Cabinet report and annexes made reference to EfW plants elsewhere in the West Midlands but, given the geographic position of Herefordshire, there were other options within sensible transportation distances; in view of the alternatives and the figures given in the KPMG report, the authority would not necessarily be looking at gate fees of £125 per tonne under Option 3; and there was a need for a ‘level playing field’ to enable the options to be considered properly.

The Waste Disposal Officer made comments on Option 3, including: costs until the end of the current contract in 2023 were understood; beyond 2023, the residual waste disposal costs had been modelled using a ceiling price of £125 per tonne which was not technology specific and assumed some form of gate fee and transportation costs; at present, it cost around £97 per tonne to landfill waste, therefore £125 per tonne after 2023 was not considered unrealistic, especially as costs had increased by more than inflation in recent years; and the assumptions had been checked by expert technical advisors.

The Vice-Chairman made a number of further points, including:

1 - Option 3 was the cheapest option to 2023 based on the figures provided.

2 - She had spoken to Paul Fletcher of ERM, who had prepared the Residual Waste Options Appraisal (RWOA) and subsequent review, and Mr. Fletcher recognised the fast moving pace of pyrolysis and gasification technology, such as that at Avonmouth, even within the last twelve months.

3 - The Council was in a difficult position but this decision would last a long time and the authority had to be confident that options remained open.

4 - The report did not make reference to any break point or opportunity to do something else in 2023. Such a mechanism could enable the authority to assess emerging technologies during the intervening period, including the potential for developments within the county which could minimise transportation costs and maximise the value from waste.

5 - The EfW plant would not be producing combined heat and power at the outset.

6 - Within the RWOA, the nearest example to the Avonmouth option was assessed as being in parity or better than EfW for over half of the assessment criteria.

7 - New technologies were rapidly advancing and Herefordshire should consider these properly, rather ‘playing it safe’ with old technology that could become outmoded.

In response, the Waste Disposal Officer questioned whether the same arguments might have been made in 2002 but the proven technology remained substantially the same in the last ten years. He added that the choice was between a solution that was available now, with security for waste treatment going forward, or hoping that another solution came along at some point in the future.

In response to a question from a Committee Member about the financial implications if the contract was terminated in the hope of alternative solutions becoming available in the future, the Accountant (Capital and VAT Services) re-iterated the key risks in terms of the costs of termination and uncertainties about other costs going forward. It was reported that relevant figures in the report were based on ‘no fault’ termination costs, the costs could be substantially higher if the authority was deemed to be ‘at fault’.

Responding to the points raised Members, the Leader said that:

i - Nobody could predict what might happen in the future but the authority had to consider the best interests of the tax payers using the solutions available.

ii - He considered that the proposal represented value for money, as it would enable the authorities to take advantage of low interest rates, generating a surplus to offset partially the loss of WIG, and ultimately result in Herefordshire having a quarter ownership of a EfW plant that would reduce per tonne costs considerably because of the value of energy generated from it.

iii - In terms of the comment about the need for a ‘level playing field’, it was not considered that there was a field upon which this could be measured given the lack of viable alternatives.

iv - Contract termination, under the best of terms, would cost huge sums of money.

v - Emerging technologies might be proven in future years but such risks should not be taken with public money.

In response to a question from the Leader, the Chief Financial Officer said that both authorities had put a lot of effort in over the years and the recommended option was the best value for money option in his opinion.

A Member in attendance challenged the perception of lack of alternatives given the proportion of bio-degradable waste, the proven technology of anaerobic digestion and increasing investment in pyrolysis and gasification facilities.

A Committee Member noted on the benefits of achieving low, long-term interest rates.

The Vice-Chairman requested that an option be provided to enable Herefordshire to separate from the contract at 2023, rather than necessarily extending the joint arrangement with Worcestershire for the lifetime of the EfW plant. This could allow the authority to sell its quarter share at that point which could enable investment into a Herefordshire specific solution. The Vice-Chairman added that there was a risk that caution could result in the county being tied to an out-dated option.

The Solicitor to the Council noted that it was important that the EfW plant was used at full capacity to obtain maximum efficiency. In the event that Herefordshire decided not to send its waste to the plant post 2023, another source of material would be needed. If this could be found by selling Herefordshire's share, there was not likely to be an objection from Worcestershire's perspective but this would be a matter for negotiation and those detailed terms would form part of the discussions in terms of the joint arrangements going forward.

A Committee Member considered that the proposal recommended by officers could be supported and, whilst noting that there would be opportunities to explore other technologies in the future, the key consideration had to be value for money for local residents.

The Chairman commented that there was a great deal of concern amongst some Councillors and members of the public about the viability of the recommended option and the technology being employed. He added that his preference would be to pause for a period to revisit the options but recognised the risks within the existing contract if there was a delay. A recommendation from the Committee was invited to take forward to the meetings on Thursday, 12 December 2013.

The following recommendation was proposed, seconded and supported by a majority of Committee Members*; 8 votes in favour, 4 votes against* [amended 6 January 2014].

In response to a question from a Committee Member, the Chairman said that he trusted that Cabinet would consider the areas where comfort needed to be sought, as identified in the KPMG report.

The Chairman thanked the Committee and Members in attendance for the thorough debate.

RESOLVED: That the Committee considers the proposals to be a responsible way to proceed and recommends to Cabinet that this continues.

The meeting ended at 4.08 pm **CHAIRMAN**