

Report of: Residual Waste project Team

Report to: Director of Environment & Housing

Date: 10/11/15

Subject: Residual Waste Treatment Project enactment of Non Reverting Asset & Capital Contribution options.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Note that by virtue of Access to Information Rules 10.4.(3) Appendix B is restricted as confidential.

Summary of main issues

1. This report provides information and approvals as required by Executive Board September 2014 for the Director of Environment & Housing to enable the Non Reverting Asset (NRA) and Capital Contribution options to be implemented in accordance with the contract timescales.

Recommendations

2. The Director of Environment & Housing is recommended to approve the implementation of the NRA and Capital Contribution options and instruct officers to proceed in accordance with the timescales details in the contract.

1 Purpose of this report

- 1.1 To provide the Director of Environment & Housing with evidence of the necessary approvals and documentation in order to give authority to progress the options in accordance with contractual deadlines and processes.

2 Background information

- 2.1 In September 2014 a report was presented to Executive Board Report which was an update in relation to district heating and the Residual Waste Treatment PFI Project. Detailed within this report were the NRA and Capital Contribution options provided for under the contract. The minutes of this meeting resolved the following specifically in relation to these issues:

- (c) That approval be given for the implementation of the Non Reverting Asset option in relation to the Project (as described at sections 3.2.2- 3.2.11 of the submitted report), in order that the Director of Environment & Housing can take the decision subject to Defra approval and subject to the Deputy Chief Executive determining that there are no accounting treatment issues following consultation with the Council's external auditors by the Extended Commissioning Date currently anticipated to be 25th March 2016, although subject to programme;
- (d) That following the agreement of resolution (c) above, it be noted that the Director of City Development will arrange for disposal of the RERF site for an additional 15 years at the appropriate time and in accordance with the Asset Management functions in the officer delegation scheme;
- (e) That approval be given to an injection into the City Council's Capital Programme together with the associated authority to spend £30,000,000 as a Capital Contribution to the Project (as described at sections 3.2.12-3.2.18 of the submitted report) by the Actual Full Payment Date (currently expected to be 8th July 2016, although subject to programme change and subject to Defra approval);

3 Main issues

- 3.1 A variation containing supporting information was submitted to Defra in August 2015, this requested approval for the NRA & Capital Contribution options to be enacted in accordance with the promissory note (issued 29th October 2012) and the Waste Infrastructure Credit Letter (issued 17th December 2012). Approval to proceed was granted by Defra on 15th October and a copy of the approval is attached as **Appendix A** to this report.
- 3.2 The remainder of this report addresses each of the requirements above in order that the options can be enacted before the necessary contractual deadlines.
- 3.3 **(C)** With regards to the NRA option Executive Board approved this in September 2014 subject to Defra approval which is attached at **Appendix A** and the Deputy Chief executive determining there are no accounting treatment issues following

consultation with the Council's external auditors see **Appendix B**. In the absence of the Deputy Chief Executive at the time of writing this report the approval is given by Doug Meeson as the Deputy 151 Officer. It should be noted that the Extended Commissioning Date is now expected to be 1st January 2016.

- 3.4 **(D)** There are no further approvals required to close (D) as detailed in 2.1 above. The minutes state that the Director of City development will arrange for disposal of the RERF site for an additional 15 years at the appropriate time in accordance with their delegation scheme. Now that Defra approval has been obtained to enact the NRA option **Appendix A**. The Project Agreement states that this happens in the weeks immediately leading up to termination or expiry. It is therefore the project team's intention to advise Veolia that we are enacting the NRA prior to the deadline of the Extended Commissioning Date (currently expected to be 01/01/16) and make a note in the contract management manual for January 2041 to extend the lease.
- 3.5 **(E)** Executive Board gave approval in September 2014 for an injection of £30,000,000 in to the City Council's Capital Programme and associated authority to spend. Attached at **Appendix C** is Integrated Capital System Scheme Enquiry Report showing a £30m injection.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.2 The Project and Contract has been the subject of extensive consultation as previously reported to Executive Board.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 Equality and diversity impacts in relation to the Contract were considered through stakeholder consultation in the development of the Project. Actions taken to mitigate negative impacts are detailed in the Full Equality, Diversity Cohesion and Integration Assessment undertaken in June 2012.

- 4.2.1 An Equality Impact Assessment was carried out on the Project in February 2010, and Veolia's Tender was deemed to meet the requirements identified in the assessment process.

4.3 Council policies and Best Council Plan

- 4.3.1 The Residual Waste Treatment PFI project clearly supports delivery of the Best Council objective of, "Dealing effectively with the city's waste: minimising waste in a growing city, with a focus on:
- *ensuring a safe, efficient and reliable waste collection service;*
 - *providing a long-term solution for disposing of our waste;*
 - *increasing recycling; and*
 - *reducing landfill tax costs."*
- 4.3.2 The recommendations in this report, in seeking to secure substantial cost savings for the Council, clearly support the Council's financial priorities.

4.4 Resources and value for money

The recommendations within this report, if approved and implemented, will result in very substantial reductions in Unitary Charge payments under the Residual Waste Treatment PFI Contract. These are savings over and above the anticipated savings of c.£200m from the base case Contract compared to the projected cost of landfill.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The decisions, to be taken by the Director of Environment & Housing as detailed in this report are not subject to call-in.

4.5.2 Both the NRA and Capital Contribution options are already provided for in the contract and no further variation is required in order to exercise these options.

4.6 Risk Management

4.6.1 Risks associated with the NRA & any Capital Contribution option have been discussed and addressed in section 3.2 of the Executive Board Report in September 2014.

5 Conclusions

Given the significance of the saving associated with both options, the Director of Neighbourhoods and Housing is recommended to allow the Project Team to formalise both the Non-Reverting Asset and the £30m Capital Contribution.

6 Recommendations

6.1 It is recommended that the Director of Environment and Housing:

The Director of Environment & Housing is recommended to approve the implementation of the Non Reverting Asset and Capital Contribution options and instruct officers to proceed in accordance with the timescales details in the contract.

7 Background documents¹

7.1 Executive Board Report 17th September 2014 - Update on district heating and the residual waste treatment PFI Project.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.