

CABINET

**WASTE PFI UPDATE AND RECYCLING BUDGET
(Report by Head of Environment & Transport)**

1. INTRODUCTION

- 1.1 This reports outlines the most recent developments in Cambridgeshire County Council's application for Private Finance Initiative (PFI) credits to support future waste disposal arrangements in the county.
- 1.2 The report on the Budget and Medium Term Plan 2005-2010 considered by the Cabinet at their meeting on 3 February 2005 included reference to a variation which had arisen because of changes in gate fees and recycling credits. Further details of the £120k shortfall is given in this report.

2. WASTE PFI

- 2.1 Cabinet will be aware from previous reports that CCC need to invest in alternative waste treatment facilities if they are to avoid significant financial penalties for depositing too much waste in landfill from 2010. Notwithstanding the substantial improvement this council and other waste collection authorities in the county have made in their recycling performance, and hence a reduction in waste for final disposal, the County Council will need to spend some £80+ millions on treatment facilities.
- 2.2 If the County Council do not make that investment the scale of the financial burden that will fall on Cambridgeshire Council Tax payers can be gauged by figures previously reported to Cabinet on 13 January 2005. These confirmed that the collection systems now in use will ensure that around 50% of the waste collected by the District Council will be recycled from 2005/06 onwards. Even so the waste for final disposal will still exceed the landfill targets in 2010 and the penalty would amount to £1.4 million per annum, equivalent to £21 for every household in Huntingdonshire, if alternative treatment facilities are not provided. This would be replicated across the county.
- 2.3 The County Council have now been advised by DEFRA that they have secured PFI credits amounting to £35 million. This has allowed them to initiate the procurement process for the waste treatment facilities. Key milestones in the procurement programme are as follows –
- February 2005 – advertise for bidders
 - June 2005 – agree list of bidders
 - December 2005 – bids returned
 - August 2006 – preferred bidder confirmed
 - December 2006 – final business case submitted to DEFRA
 - March 2007 – Treasury approval and contract signed.

- 2.4 Following the award of the contract the successful bidder will need to secure planning permissions, design, construct and commission the treatment facilities before they can be brought into use. It is anticipated that the programme allows the minimum time required to complete the procurement and implementation before the first nationally imposed targets come into force in 2010.
- 2.5 The outline business case, essentially the bidding document for the PFI credits, evaluated a range of treatment processes and concluded that energy from waste represented the front runner using DEFRA's evaluation model. However, bidders can advance their own preferred approaches and these will be evaluated through the procurement process. The preferred bidder's proposal will form the basis of the final business case submission to secure the release of the PFI credits.
- 2.6 In order to reduce contractual risk and associated costs the County Council are now keen to start the process of negotiating a 'partnering agreement' with each of the waste collection authorities which will detail the types and manner of delivery of waste to be processed by the treatment facilities. The District Council, for example, currently collects three waste streams (dry recyclable, garden waste and residual waste) and achieves a high level of recycling. In sizing the future treatment facilities the operator will want some certainty that this will continue and that existing levels of performance will be maintained, notwithstanding growth in the number of properties served.
- 2.7 The 'partnering agreement' will build on the Statement of Understanding previously signed by the councils. A key aspect of this agreement also will be the future treatment of recycling credits which currently provides financial support to the District Council's expenditure on recycling services. Negotiations already have begun between the waste collection authorities and the County Council on this matter, prompted by government proposals to review the current national arrangement.
- 2.8 Taking forward the 'partnering agreement' and contributing to the selection of the bidder for the PFI contract will require the following inputs from the District Council either directly or via our representation on the Cambridgeshire Councils Association's Waste Forum (CCAWF) –
- March 2005 – representation at bidders' conference
 - June 2005 – CCAWF confirm agreement to short list of bidders
 - July 2005 – Cabinet agree heads of terms for partnering agreement
 - February 2007 – Cabinet authorise signature of 'partnering agreement'
- 2.9 The joint authorities' service specific officer groups (i.e. technical, legal and financial) and the District Council's internal multi-disciplinary officer group will support the process. Appropriate update reports will be submitted to Members at key milestones in the process.
- 2.10 Under the government's new Waste Performance and Efficiency Grant the District Council will receive £52k in 2005/06. It is proposed that this revenue funding is used, as necessary, to support the negotiations and to retain independent advice to ensure that the District Council secures the most advantageous 'partnering agreement' for local Council Tax payers. This funding will replace the £50k of MTP capital funding provided for Joint

Waste Procurement (MTP 279/B) currently available in 2004/05, which it is now proposed be transferred to scheme MTP 602, to contribute to the cost of optional wheeled bins.

3. RECYCLING BUDGET

- 3.1 Recycling services have undergone significant improvement since 2002/03. Individual changes have been reported to and authorised by Cabinet as appropriate and these have included –
- the harmonisation of dry recycling collections across the district;
 - expansion of dry recycling collections to all households;
 - introduction of fortnightly wheeled bin garden waste collection service; and
 - introduction of wheeled bins to replace green boxes at the householders discretion.
- 3.2 Concurrently with these service improvements we have had two externally imposed changes in the arrangements for the disposal of the collected materials. Peterborough City Council withdrew access to their materials recycling facility (MRF) requiring a temporary arrangement with Northampton Borough Council's MRF. This has now been replaced by a five-year contract with a Milton Keynes based commercial MRF following a competitive tendering exercise. This has resulted in a small reduction in gate fee compared with the fee charged by Peterborough in 2003/04.
- 3.3 The initial arrangement with Marshalls at Ellington for the windrow (open air) composting of garden waste was superseded by a new contract, tendered by the County Council, for an Animal By Products Regulation compliant in-vessel composting process. This has the advantage of allowing kitchen waste to be collected with garden waste, but resulted in the gate fee more than doubling. The County Council have increased the recycling credit to match the gate fee (so that there is a net zero cost to the District Council) but estimates prepared in 2003/04 based on the charges/credits at that time forecast a net income of around £15 per tonne.
- 3.5 A further consequence of the new refuse and recycling services has been a marked increase (a forecast increase of 50% from 2003/04 to 2005/06) in the weight of material passing through the District Council's mini-recycling centres. As a consequence Parish Councils and other voluntary sector organisations providing sites are forecast to receive £49k from the District Council in 2005/06, more than double the 2003/04 figure. In the circumstances Cabinet may wish to consider capping these payments, possibly to the 2003/04 levels.
- 3.6 It is only now that the relationship between the service changes and the external influences are stabilising that the full impact is becoming obvious. It is now clear that the estimated net surplus on this area of the recycling budget, originally estimated for 2005/06 at £359k, now is forecast to be only £240k. This gives rise to the £120k shortfall referred to in the report considered by Cabinet, at their meeting on 3 February 2005, on the Budget and Medium Term Plan 2005-2010.

3. RECOMMENDATIONS

5.1 Cabinet are recommended to –

- (a) note the award of £35 million in PFI credits and the procurement programme contained in paragraph 2.3 of this report;
- (b) note that further reports will be submitted to Cabinet in accordance with the programme at paragraph 2.8;
- (c) approve the changes to the Medium Term Plan detailed in paragraph 2.10;
- (d) consider capping the payments (referred to in paragraph 3.5) to Parish Councils and voluntary organisations providing site for mini-recycling centres; and
- (e) note the further clarification of the previously approved variation to the MTP referred to at paragraph 3.6.

Background papers

The Strategy for Dealing with Municipal Solid waste 2002-2022 in Cambridgeshire and Peterborough – November 2002

Letter from DEFRA dated 9 December 2004 – Managing Waste Sustainably: DEFRA Announces Help for Councils

Outline Business Case: Integrated Waste Management Project Cambridgeshire and Peterborough Waste Partnership – December 2004

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