

**WASTE PRIVATE FINANCE INITIATIVE CONTRACT**

*To:* Cabinet

*Date:* 22<sup>nd</sup> May 2012

*From:* Enterprise, Growth and Community Infrastructure Overview and Scrutiny Committee (ECGI OSC)

*Electoral division(s):* All

*Forward Plan ref:* N/a      *Key Decision:* No

*Purpose:* To set out the comments and recommendations from the ECGI OSC in relation to the implementation of the Waste Private Finance Initiative (PFI).

*Recommendation:* Cabinet is recommended to:

- 1) Regularly review and manage the financial risks associated with the delay in fully commissioning the Mechanical Biological Treatment (MBT) plant
- 2) Explore, as a priority, the potential uses and markets for the recyclates and compost-like output (CLO) processed through the MBT plant.

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## **1. BACKGROUND**

- 1.1 The Enterprise, Growth and Community Infrastructure Overview and Scrutiny Committee met on 30<sup>th</sup> March 2012 to review the progress of the Council's Waste PFI contract (which has subsequently been renamed as Waste Infrastructure Credits (WIC)). The Committee questioned:
- Councillor Mathew Shuter, Cabinet Member for Enterprise
  - John Onslow, Service Director: Infrastructure Management and Operations
  - Leon Livermore, Head of Service: Supporting Businesses and Communities
  - Lewis Gifford, Head of Waste Management
  - Sarah Clover, Account Director, AmeyCespa.
- 1.2 The Committee meeting took place at AmeyCespa's Waste Management Park near Waterbeach and followed a tour of the site. The Committee would like to thank AmeyCespa for hosting the tour and meeting.
- 1.3 The Waste PFI commenced in March 2008 and is a 28-year contract, valued at £731m. The original contractor, Donarbon Waste Management Ltd, was acquired by AmeyCespa Waste Management (East) Ltd, who now have responsibility for implementing the contract. The main elements of the contract are:
- The construction of a Mechanical Biological Treatment (MBT) Plant to treat residual waste (i.e. waste that has not been separated out for reprocessing) so that the maximum amount of biodegradable waste is diverted from landfill
  - The disposal of *all* municipal waste collected in the county with the exception of waste collected and retained for recycling by the five District Councils
  - The management of the County's nine Household Waste Recycling Centres (HRCs)
  - The design and build of two Waste Transfer Stations and one In-Vessel Composting (IVC) facility, for the processing of organic waste (food and garden)
  - The provision of an education centre at the MBT
- 1.4 The remainder of this report provides a synopsis of the Committee's main findings in relation to recycling and the MBT plant. The report also sets out recommendations that the Committee decided to bring to Cabinet's attention. A full record of the discussion is available from the Scrutiny and Improvement Officer.

## **2. RECYCLING**

- 2.1 Members were pleased to find that Cambridgeshire has one of the highest recycling rates for a shire county (54%) and recognised the important role of the RECAP Board, a partnership between the Waste Collection and Disposal Authorities in Cambridgeshire, in reaching this level.

- 2.2 Members would like to encourage the RECAP Board to continue to focus on ensuring that improvements are made in increasing the percentage and quality of recyclable materials being collected.

### **3. MECHANICAL BIOLOGICAL TREATMENT PLANT**

- 3.1 At the core of the Council's waste management strategy is an ambition to reduce the amount of waste sent to landfill in order to minimise environmental impacts and financial costs. The Government levies a tax on waste sent to landfill, currently at £64 per tonne, which rises annually.
- 3.2 The MBT plant is designed to remove dry recyclates from residual waste and to reduce the biodegradability of the remaining residual waste. This is achieved in two stages, firstly, by mechanical separation of the recyclate, such as metals, plastics and film from the residual waste. Secondly, the remaining waste is composted for seven weeks with the production of compost like output (CLO). Some waste cannot be treated and is directly landfilled.
- 3.3 The Committee was advised that the MBT plant has been constructed but has not yet been fully commissioned. This means that the MBT plant has not yet passed a series of tests in terms of the amount processed per day over a seven-week period, whilst meeting all relevant legislation including health and safety, planning and permitting requirements and required reduction in biodegradability. The plant was due to be commissioned by 7<sup>th</sup> November 2010 and the Committee was informed that the principal cause of the delay was due to the construction contractor (BAM Nuttall), working on behalf of AmeyCespa. However, this contract has now been terminated and the panel advised members that construction issues have been resolved. It is therefore expected that the plant will be fully commissioned later this year.
- 3.4 As the plant has not been fully commissioned, it was not operating at full capacity and larger tonnes of waste are being sent to landfill (since the meeting, AmeyCespa have advised that the plant has been processing all waste received in the reception hall for over a month). The Council is therefore currently paying AmeyCespa a reduced rate (unitary charge) and this saving outweighs the costs of landfill, resulting in a £1.5m saving for the Council. However, as landfill taxes rise over time, the balance will shift in favour of landfill avoidance.
- 3.5 Members questioned the panel about how the recyclates extracted by the MBT plant and CLO will be utilised (i.e. in order to avoid being sent to landfill). The panel advised that all the metals and plastic bottles are sent for recycling. However, markets for some products had yet to be found, although the construction of the Materials Recycling Facility (MRF) would improve the marketability of the recyclates and consideration was being given to the potential uses of the CLO, including possible use as a fuel. Work would also be undertaken to improve the quality of the products.
- 3.6 Members therefore sought assurances that risks associated with higher than expected landfill costs were being managed and were advised that contingency funding had been built into the Council's Integrated Planning Process. Risks are also managed through regular meetings through the PFI Delivery Board, RECAP Board and with AmeyCespa.

3.7 Nonetheless, members had concerns about the potential risks to the Council in the event that full commissioning takes longer than expected and/or markets are not found for the recyclates and CLO processed through the MBT plant. They therefore believe that these issues should be kept under close review.

#### **4. RECOMMENDATIONS**

4.1 Cabinet is recommended to:

- 1) Regularly review and manage the financial risks associated with the delay in fully commissioning the MBT plant
- 2) Explore, as a priority, the potential uses and markets for the recyclates and CLO processed through the MBT plant.

#### **5. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING**

5.1 The following bullet points set out details of implications identified by officers:

##### **Developing the local economy for the benefit of all**

- No significant implications identified.

##### **Helping people live healthy and independent lives**

- No significant implications identified.

##### **Supporting and protecting vulnerable people**

- No significant implications identified.

##### **Ways of working**

- No significant implications identified.

#### **6. SIGNIFICANT IMPLICATIONS**

##### **Resources and performance**

###### Finance

6.1 The Committee's report raises concerns about the Council's potential financial liabilities in the event that the MBT plant is not fully commissioned and markets are not found for recyclates and CLO processed by the MBT plant.

###### Performance

6.2 No significant implications.

##### **Statutory, legal and risk implications**

###### Key risks

6.3 No significant implications.

Statutory

- 6.4 No significant implications.

**Equality and diversity implications**

- 6.5 No significant implications.

**Engagement and consultation**

- 6.6 No significant implications.

<u>Source documents</u>	<u>Location</u>
Enterprise, Growth and Community Infrastructure Overview and Scrutiny Committee minutes and reports from the meeting held on 30 <sup>th</sup> March 2012	Shire Hall, Room 116 Contact Robert Jakeman 01223 699143