

CABINET – 28 APRIL 2015

PROCEDURAL MATTERS

Public Questions

Question (1) from Peter Crews:

The Value for Money assessment for the Charlton Lane project considers only two options:

1. To build the Eco Park.
2. To terminate the contract with SITA and procure a new contract using merchant energy from waste capacity outside of Surrey.

As I understand it, the cost of each option is being estimated as the total cost of operating Surrey's waste disposal programme over the next 25 years, expressed at a net present value.

My questions are:

1. How can an assessment based on these two options alone demonstrate that the Eco Park represents Value for Money? Option 2 is not a proper yardstick against which to assess Value for Money because it includes the punitive costs associated with termination of a 25-year PFI contract. An assessment based on Options 1 and 2 can only come to one conclusion: it is better to build almost anything rather than terminate SITA's contract. That is not a meaningful Value for Money assessment for the proposed works.
2. Will Option 1 increase the current overall cost of Surrey's annual waste disposal programme (which has considerably reduced the amount of landfill)? Surely the only way the Charlton Lane project can provide Value for Money is if the cost of waste disposal using the plant is less than disposing of the same waste by any other means. In other words, the Value for Money assessment should demonstrate that the construction of the Eco Park will reduce the overall cost of Surrey's annual waste disposal programme. If this is not the case, Option 1 delivers negative value for money and the project should not be built.

Reply:

1. The assessment has focussed on the two lowest costs viable options identified in earlier assessments and has followed methodology approved by our external financial advisor.
2. The options available to the council are to build the Eco Park as part of the SITA contract or to terminate the SITA contract and re-procure a new contract including merchant waste treatment capacity. The annual cost of dealing with waste in both of these options is expected to increase compared with the current position as a result of market forces, inflation and waste volume pressures. However as set out in the Cabinet report, in quantitative terms, there is not considered to be any material difference in the value for money of the two options.

Mr Mike Goodman
Cabinet Member for Environment and Planning
28 April 2015

Question (2) from Brian Catt:

My question requires context, so this comes first:

The financial assessment, presented to you today, includes three assertions regarding the Eco Park that I question the fact of the DEFRA grant, the risk assessment and the conclusions from them.

The report states that we have real alternatives elsewhere, at a similar cost, with better energy recovery. I suggest this makes the safe and proven alternative clearly the best value at the lowest risk.

We simply do not need a risky gasinerator to get the job done best.

Yet the risky option is recommended, with another £8.5m in ROC downsides undetermined, and without delivery risk as a serious consideration, rather the relative suitability of the provider.

It seems irrational to prefer untried experiments in municipal waste disposal to proven alternative solutions at a similar cost, solutions that can already deliver DEFRA approved energy recovery levels in safe and proven facilities, with no actual delivery risk, with qualifying energy recovery levels - at a similar NPV. This is your responsibility in this decision.

Why take such a large and avoidable financial risk that has no upside for Surrey County Council and a £8.5m possible downside TBD?

N.B. There is NO evidence that the Outotec design will be any safer or more functional than the former Dargavel design, also recommended to you by officers as "safe and proven".

Waste legislation, and SCC's own Waste Plan, justified this plan. This expects R1 qualifying energy recovery from the waste fuel to justify such an investment, not available from the inefficient disposal design proposed at Charlton Lane.

Secondly, it is stated that the rough NPV parity between options makes the retention of DEFRA's waste support grant a relevant "qualitative" matter in this decision.

In fact, appropriate waste treatment alternatives to the gasifier at the Eco Park ARE acceptable to DEFRA as a basis for paying the balance of their grant to Surrey, per DEFRA's own clear public and FOI statements on the matter, details recently supplied to you individually.

There is no hard connection between delivering the gasifier, or the Eco Park, and the DEFRA grant, only qualifying infrastructure. So:

QUESTION: As in paragraph 54, Councillors have a fiduciary responsibility to take a prudent and reasonable decision on this matter.

Will the Cabinet consider the best value for Surrey based on the report's relative cost and risks of delivering a safe, proven, risk free and technically superior service elsewhere to an equally expensive, risky and ultimately unnecessary experiment at the Eco Park, excluding the DEFRA waste grant from the judgement, and in the knowledge that the Eco Park carries an extra £8.5m in downside risk if ROCs are not awarded? This award yet to even be pre-

accredited, 2 years after the initial application. I suggest this loss is probable, in my professional opinion, based on OFGEM's specification.

Reply:

The Cabinet will consider best value for Surrey as set out in the report. As the report details the Eco Park is not significantly different in financial value for money terms to the other option considered when excluding the Waste Infrastructure Grant but is clearly the best option when taking into account other relevant qualitative factors and the risks associated with them. The report makes clear that there is a reasonable expectation of receipt of ROCS and that even if this were not the case this is unlikely to make a material difference to the Value for Money position .

Mr Mike Goodman
Cabinet Member for Environment and Planning
28 April 2015

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