

SURREY COUNTY COUNCIL

CABINET

DATE: 26 MARCH 2013

REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR TRANSPORT AND ENVIRONMENT

LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR – ENVIRONMENT & INFRASTRUCTURE

SUBJECT: WASTE MANAGEMENT: PROPOSAL TO DELIVER ECO PARK



SUMMARY OF ISSUE:

To report on current status, describe next steps, and request approval to carry out the necessary activity to enable Cabinet to make a final decision regarding a contract amendment to deliver the Eco Park.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Approves the actions proposed in this report, and requires a further report by the end of July 2013, which provides the necessary information to enable the Cabinet to approve the actions to deliver the Eco Park.
2. Notes the positive discussions with DEFRA and supports a realignment of grant with planned spend profile.

REASON FOR RECOMMENDATIONS:

The recommendations are necessary to provide proper authority to:

1. Deliver the Eco Park which represents a corporate priority for the Council.
2. Avoid significant cost implications to the Council
3. Provide assurance to contractual and funding partners to the Council
4. Demonstrate ongoing commitment to value for money for the UK taxpayer

DETAILS:

Reason for Report to Cabinet

1. In March 2011 the Cabinet delegated authority to amend the Waste Contract to deliver the Waste Strategy, including the construction of the Eco Park. Since then the technical solution has been developed, permissions have been granted and the financial and legal negotiations are at an advanced stage. There have also been significant developments in the approach to waste in Surrey and in the South East 7 (SE7) region, aimed at delivering savings through increasing the value of waste materials and benefits of scale and efficiency.
2. Given the corporate significance of the Waste Strategy and the fact that new issues have arisen, the Cabinet Member for Transport and Environment felt it was prudent for the Cabinet to receive a further report prior to making a final decision relating to the delivery of the Eco Park, to ensure that the decision is based on the most up to date information.
3. It is necessary for a decision to be taken as soon as possible to avoid further delay in the construction of the Eco Park. Delay would result in significant costs to Surrey taxpayers and delays in the achievement of the Waste Strategy targets.

The Drivers for Change

4. Historically waste in the UK has been disposed of by landfill. Landfill is an inefficient use of scarce resources and biodegradable waste in landfill is a significant producer of harmful greenhouse gases. The Waste Strategy is aimed at reducing levels of municipal waste and increasing the value of materials within the waste stream by reusing, recycling and producing renewable energy. The cost of landfill has risen steeply and will continue to rise in the future.
5. Delivery of solutions based on the Waste Strategy, including the Eco Park, is necessary to ensure that Surrey County Council is effective in delivering financial and environmental benefits to the Surrey taxpayer, in partnership with District and Borough Councils and the SE7 region.
6. Full details of the need to deliver new solutions are provided in the February 2010 and March 2011 Cabinet reports.

Waste Management Progress

7. In June 2006, the County Council, along with all Surrey waste authorities, adopted a Joint Municipal Waste Management Strategy. This strategy set out a plan for managing household waste in Surrey until 2026. An updated version was produced called "A Plan for Waste Management" and was subsequently endorsed by SCC's Cabinet on 29 September 2010.

8. A Plan for Waste Management sets out a series of ambitious targets for Surrey's local authorities, relating to reducing household waste, increasing recycling and diverting household waste from landfill.
9. Surrey authorities have made significant performance improvements over the past five years, which have significant environmental and financial benefits for the Surrey taxpayer.
 - The amount of waste produced per head of population in Surrey reduced by 17% between 2007/08 and 2011/12.
 - The Surrey recycling rate has increased from 35% in 2007/8 to 51.5% in 2011/12.
 - The proportion of waste Surrey sends to landfill has reduced from over 60% to under 20%.
 - Recycling performance improvement through changes in kerbside collection systems, including collection of a wider range of materials for recycling. Surrey is the first county where all districts and boroughs collect food.
 - A number of joint contracting and purchasing arrangements have been introduced including green waste processing and the purchase of fuel.
10. The Surrey Waste Partnership continues to develop. Work over the next few years is set to deliver further performance and efficiency improvements.
11. Surrey County Council is now looking to deliver further improvement by engaging with the 55 waste authorities in the SE7 area. A strategic blueprint is being developed to steer the SE7 authorities towards becoming a regional waste business that supplies commodities and fuel to the market and delivers substantial financial benefits for the SE7 taxpayer. In June 2013 SE7 Leaders will consider the investment required to achieve this vision.

Eco Park Progress

12. Planning - Following extensive consultation, planning permissions have been granted for the Eco Park at Charlton Lane, Shepperton. In March 2011 a permanent permission to use as a waste site was granted, followed in March 2012 by a permission to develop the Eco Park on the same site. Both permissions are subject to a number of conditions that require the applicant (SITA) to submit detailed technical schemes and plans, this process will take into account changes to sub-contractors and technology providers where appropriate. This activity is well advanced although further submissions and detailed applications will be required.
13. Environmental Permit - On 8th October 2012 an environmental permit was issued by the Environment Agency. This permit is required before any waste facility can operate. It will require a variation to reflect the change of technology provider referred to later in the report.

14. Footpath diversion – One planning condition is a requirement to divert a footpath to enable the Eco Park to be built. Following objections by a number of local residents, the Planning Inspectorate has decided to hold a public inquiry which will take place on 3rd and 4th April 2013. A decision is expected by July 2013.
15. Delivery timetable (based on satisfactory outcomes of regulatory requirements without significant delay)
 - September 2014 Recycling and bulking facility operational
 - End 2015 Eco Park fully operational.

The Contractual Position

16. The County Council is the statutory Waste Disposal Authority for Surrey. The District and Borough Councils are the statutory Waste Collection Authorities.
17. In 1999 the Council entered into a long term (25 year) integrated waste management contract with Surrey Waste Management Ltd, (a wholly owned subsidiary of SITA UK). DEFRA supports this contract by providing Waste Infrastructure Grant. The Waste Contract provides for the treatment of residual waste delivered by Waste Collection Authorities and the operation of 15 Community Recycling Centres where the public can take waste to be recycled or for disposal.
18. The Council's Waste Contract was one of the first waste contracts of this kind. At that time the anticipated volume of residual waste requiring disposal was over 330,000 tonnes a year and the original intention was to dispose of this largely through two energy from waste plants, to be provided as part of the Waste Contract.
19. The first 10 years of the contract saw a rapidly changing landscape for waste. There were significant changes in the law and policy in relation to waste management at national, regional and local level, alongside a shift in public behaviour. Alternative technologies have also emerged.
20. In order to move forward, the Surrey Councils jointly developed a revised Waste Strategy in 2010, and the Cabinet now has to consider varying the Waste Contract within the mechanisms it provides.
21. The existing Waste Contract with SITA predates the Waste Strategy. It requires the contractor to fulfil statutory waste management obligations on behalf of the Waste Disposal Authority, in relation to disposal of all Surrey's residual municipal waste and operating community recycling centres.
22. In summary, in order to proceed with the Waste Contract, it would require amendment to have the following effect:
 - Update the service specification and service delivery plan
 - Update the financial model based on the delivery of Waste Solutions, and adjust the contractual payments accordingly

- Update performance targets and timescales
- Confirm the contractual position relating to cost and risk resulting from the replacement of energy from waste incineration technology by new technologies (anaerobic digestion and gasification)
- Confirm the funding arrangements by which the contractor will provide finance for the infrastructure required, including the Eco Park.

Assessment of Amendment to Waste Contract to deliver Waste Solutions

23. The decision to vary the Waste Contract to deliver the Eco Park requires careful consideration by Cabinet as it is a complex assessment involving many facets. The assessment process is summarised below in order that Cabinet can confirm their approval of the process and timescales.

24. Officers have taken advice from:

- technical advisers (Mott MacDonald)
- legal advisers (Simmons and Simmons)
- financial advisers (Deloitte)
- planning advisers (Enviros)

25. The assessments of relevant Heads of Service are also required:

- Head of Waste Service – technical and service
- Head of Legal Service – legal (contractual, procurement and local government)
- Chief Finance Officer – affordability and value for money
- Head of Procurement – negotiation and contract strategy

26. The final assessment will be reported to Cabinet before the end of July 2013. It will provide:

- A technical consideration of the waste treatment technologies available
- The options available to the Council and the consequences of each option
- Recommendation of the most advantageous and value for money option
- Description of the proposed sub-contractors (including technology providers) appointed by SITA to build the Eco Park

Technical Assessment

27. Whenever amendment to the Waste Contract is considered, a technology assessment is undertaken by technical advisors, Mott McDonald, to ensure that Surrey benefits from the most modern and appropriate technologies. In March 2011 the technologies proposed for the Eco Park comprised anaerobic digestion for food waste and Batch Oxidation System (BOS) gasification technology for residual waste.
28. Since March 2011 the licence holder of the previously proposed BOS Gasification technology has gone into administration, removing this option to SITA. Mott McDonald have therefore carried out an update of the gasification technology assessment. The updated assessment concluded that there were now a number of potential suppliers within the gasification market.
29. In order to address this issue and demonstrate value for money SITA has conducted an additional procurement exercise. This has been to secure the most advantageous anaerobic digestion and gasification technologies within a sub-contract led by an engineering, procurement and construction (EPC) contractor who will be responsible for the overall delivery of the Eco Park, including the appointment of the technology providers. The procurement exercise is at its final stage and therefore remains commercially sensitive. Appointed contractors will be reported to Cabinet in the next report.

Operational and Sustainability Assessment

30. Waste management is a statutory responsibility for the Council and a crucial front line service affecting all residents. The operational consequences of each option available to the Council, including risks to service provision and comparative environmental impact, will be assessed and reported to Cabinet in the next report.

Financial Assessment: Value for Money and Affordability

31. The Value for Money assessment has to take into account the overall effect on the public purse, i.e. it will not take into account the reduced costs to the council through support from government in the form of Waste Infrastructure Grant. Formal value for money advice will be provided by the Chief Finance Officer in the next report to Cabinet.
32. The affordability assessment will consider the long term cost of options and impact on the Council budget.

Government Support for Waste Infrastructure

33. The Council's Waste Contract was procured under the Private Finance Initiative (PFI) in 1998 and is backed by government grant, known as PFI credits, which support capital expenditure on infrastructure, financed by the Council through the contract. The Council and its contractor SITA have committed significant time and resources to deliver waste infrastructure in Surrey.

34. As well as working in partnership with its contractor, the Council has worked closely with DEFRA to deliver its objectives. In December 2010 it submitted a variation business case to DEFRA in support of the current Eco Park proposals and is in ongoing discussions with officials.
- 35 As Members may be aware from press reports, in February 2013, Ministers withdrew the provisional allocation of credits from three waste projects: Merseyside Recycling and Waste Authority and Halton; Bradford and Calderdale; and North Yorkshire and City of York. This followed an assessment by DEFRA of national progress towards providing treatment infrastructure to meet the country's obligations to reduce the amount of waste sent to landfill. It is reassuring to be able to report that, when these grants were withdrawn, the Chief Executive received a letter from the Parliamentary Under Secretary informing him of Ministers' continued support for Surrey's project, provided that it continues to meet the terms and conditions of its grant (letter attached).
- 36 Council officers have also recently met DEFRA officials to discuss the Council's variation business case and the outcome of the consultation referred to above. The interests of DEFRA and SCC are closely aligned towards delivering, as quickly as possible the planned further infrastructure. DEFRA reaffirmed its commitment to providing support to the Council through its transactor and by other means. However both the Council and DEFRA recognised that the current profiling of the remaining grant does not align with the planned profile of infrastructure spend and agreed that it would be represent a better use of public money if those profiles were aligned. DEFRA has reassured the Council that there is no intention to reduce the total amount promised to the Council when it agreed to enter into the contract with SITA subject to the delivery of planned infrastructure. The details of how this reprofiling would be implemented are still to be developed by the officers and civil servants involved. The broad principles are that the proportion of grant payment reprofiled will be based on the capital expenditure attributable to the facilities yet to be delivered and that grant payments would be reduced until the facilities are constructed, at which point payments would increase until the end of the contract period. Given the Council's ongoing commitment to recycling and diverting waste from landfill and delivering the Eco Park, the proposed reprofiling should not materially disadvantage the Council.

Legal, Commercial and Risk Assessments

37. These assessments will be reported to Cabinet in the next report.

Summary

38. The assessment process described in this report will provide Cabinet with a sound basis upon which to make a decision before the end of July 2013.

RISK MANAGEMENT AND IMPLICATIONS:

39. The risk management implications are significant and will be fully addressed in the next report to Cabinet.

Financial and Value for Money Implications

40. The cost, funding and value for money implications will be fully reported to Cabinet before the end of July 2013. The Chief Finance Officer has advised on the assessment process and confirms that it is fit for purpose.

Section 151 Officer Commentary

41. All material financial and business issues and risks will be properly taken into account in making recommendations to the Cabinet before the end of July 2013. At that stage the implications for the Medium Term Financial Plan (2013/18) will be set out clearly. Furthermore the External Auditor will continue to be kept informed of all developments through regular liaison meetings. The Chief Financial Officer will directly support the Chief Executive in agreeing future arrangements for the Waste Infrastructure Grant and will ensure implications are reflected in the Medium Term Financial Plan (2013-18) accordingly.

Legal Implications – Monitoring Officer

42. The legal implications will be fully reported at the next meeting to Cabinet. The Head of Legal Services has advised on the assessment process and confirms that it is fit for purpose.

Equalities and Diversity

43. The Council's policies relating to Equalities and Diversity will apply to the recommendations in the next report to Cabinet.

Climate change/carbon emissions implications

44. The climate change / carbon emissions implications will be fully reported in the next report to Cabinet. The Sustainability Group Manager has advised on the assessment process and confirms that it is fit for purpose.

Other Implications:

45. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	No significant implications arising from this report
Safeguarding responsibilities for vulnerable children and adults	No significant implications arising from this report
Public Health	No significant implications arising from this report

WHAT HAPPENS NEXT:

- Actions relating to the permitting of the Eco Park will progress, covering satisfaction of planning conditions, variation to the environmental permit and a diversion of the footpath.
- Negotiations with SITA will be concluded.
- Discussions with DEFRA will continue to ensure their continued support.
- An assessment of options will be concluded

The options analysis will be provided in the next report to Cabinet. It will cover the service, financial, legal, commercial and risk assessments. The options available to the Council are consistent with those reported to Cabinet in March 2011, they are:

Option 1: Amend the Waste Contract to deliver Waste Solutions

Option 2: Terminate Waste Contract: re-procure to build and operate Waste Solutions

Option 3: Terminate Waste Contract: achieve recycling and landfill diversion improvements without new infrastructure (i.e. secure alternative technology contracts)

Option4: Terminate Waste Contract: achieve recycling improvements without new infrastructure (i.e.continue to landfill)

- A recommended solution will be reported to Cabinet before the end of July 2013.

46.The Eco Park is planned to commence operations by December 2015.

Contact Officer:

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Consulted:

Waste Disposal Authority consultation on Eco Park proposals prior to planning permission:

(Note: this does not relate to the County Planning Authority consultation as part of the planning application as this was a separate process.)

- Local MP
- All local Residents Associations (Charlton Lane RA; Shepperton RA)
- Spelthorne Local Committee, which includes local councillors and county councillors
- Spelthorne Borough Council relevant officers (eg Chief Executive, Deputy Chief Executive, Director for Environment)
- 10,000 local residents

- Elmbridge Borough Council
- Adjacent neighbours
- SCC Cabinet

Consulted on report to Cabinet:

- Leader
- Cabinet Member
- Chairman – Environment and Economy Select Committee
- Chief Executive
- Strategic Directors-
 - Environment and Infrastructure
 - Change and Efficiency

Informed:

All relevant stakeholders informed.

Sources/background papers:

- Cabinet Report:– 2nd February 2010 – 11th March 2011
- A Plan for Waste Management: www.surreywastepartnership.org.uk/theplan
- Consultation details and analysis:
www.surreywastepartnership.org.uk/consultation
- Mott MacDonald technical advisors report – Technology Review August 2012