

REPORT TO THE CABINET

7 June, 2016

Cabinet Member: Councillor John Wynn Jones

Subject: North Wales Residual Waste Treatment Project

Contact Officer: Gwyn Morris Jones, Head of Highways and Municipal

Decision Sought

To approve the financing of the next stages in the Project, and to confirm the relevant source of funding when considering the Council's actual end of the 2015/16 year financial situation.

Introduction

Since 2010, Gwynedd Council and four other Councils i.e. Flintshire, Anglesey, Conwy and Denbighshire, have formed a partnership to manage the North Wales Residual Waste Treatment Project (NWRWTP) and in order to procure a residual waste treatment service for a period of 25+ years. This is required to deal with residual waste that can not be recycled or composted; and for the purpose of meeting future Welsh Government statutory targets for recycling and landfill. The Project is a development necessary to achieve the Council's Waste Strategy for 2010-2015.

The Project is supported by the Welsh Government with Flintshire County Council being the lead authority. There is an Inter Authority Agreement (IAA) whereby all authorities in the Partnership have agreed to contribute to the cost of managing and developing the Project.

In reaching this stage in the development of the Project, the five authorities between them have spent approximately £5 million.

Reasons for recommending the decision

Subsequent to implementing changes to waste disposal by landfill in 2009, Gwynedd Council set aside £1 million in a fund specifically used to finance the development of this Project. By now, only £5k remains in the fund after meeting the 2015/16 costs.

The approval of the Cabinet is sought to allocate funding to meet the costs of fulfilling the next stages in the Project.

The investment is vital if the Council is to achieve its Waste Strategy. Implementing the Project is essential if the disposal of waste by means of landfill is to be avoided; in order to keep within statutory landfill allowance targets; in order to meet statutory recycling targets and, as a consequence, avoid financial penalties and higher costs in the future.

Relevant considerations

The Project is now at the stage whereby the company Wheelabrator Technologies Inc (WTI) is being considered for the provision of the technology and service necessary to deal with residual waste by means of an Energy from Waste process. The facility is to be built on land at Parc Adfer on Deeside.

The next phase in the development of the Project involves reaching and entering into an agreement with the Company (WTI) and to bring the procurement process to an end, known as the 'Financial Close'. It is anticipated that Financial Close will be achieved by the end of July, 2016. Subsequently the company will be responsible for the building and commissioning of the facility (expected to take 2 years), and its operation for a period of 25 years (with the Partnership having the option to extend this period for a further 5 years if required).

It is anticipated that the Team involved in managing the Project on behalf of the Partnership will reduce to 2 or 3 officers in number and in order to administer the contract during this period. These officers will be incorporated in Flintshire's staffing structure since the authority leads on the Project.

Before commissioning the facility in two years' time, all the authorities have to ensure that there are waste transfer stations in place and in order to facilitate the haulage of waste to the facility e.g. Conwy and Denbighshire need waste transfer stations. The cost associated with this provision is shared equally between the five authorities, with the capital sum being capped.

Next steps and timetable

The following shows the financial profile for the next stages in the Project:

Step/Development	Year			Comments
	2015/16	2016/17	2017/18	
Transfer Stations	-	-	£500k*	*maximum, could be less
Contract Management Costs	-	£26k	£46k* ¹	* ¹ continual for 25+ years
Commissioning Costs	£17k* ²	£42k	-	* ² from the existing fund
Total	£17k	£65k	£546k	

Consequently, there is a need to bear in mind the financing of the above when considering the actual end of the 2015/16 financial year situation, and for future years.

To summarize, £565k funding will be required on a once and for all basis for the 2016-17 to 2017-18 period, and a fixed yearly sum of £46k from 2017-18 onwards.

Opinion of the Statutory Officers

Chief Executive:

This is a major project requiring significant resources. It is obvious that progress needs to be ensured if the authorities are to reduce the amount of waste going to landfill. I support the recommendation.

Monitoring Officer:

The Council is committed to a partnership agreement with 4 other authorities to establish this provision. The request for additional resources is a consequence of having further obligations as negotiations have developed. Since the procurement process is nearing its completion, there is a need to complete and meet commitments made between the partners which include completing setting up partnering arrangements for the construction and operational phase. From a commercial view point the need for additional resources is linked to maintaining momentum to secure the agreement. This is on top of a complex and protracted procurement process to secure a long term provision for residual waste.

Realistically, the choices in terms of this decision are very limited. The latest draft of the agreement between authorities is expected to be ready prior to this meeting and I shall provide further guidance and explanation on the matter at the meeting if deemed necessary.

Chief Finance Officer:

As noted above in the report and under the heading 'Next steps and timetable' the Council has to contribute a one-off sum of £565k in the period 2016/17 – 2017/18 in order to complete this phase of the project. Additionally, a continual cost of £46k per annum is required from 2017/18 onwards i.e. the Council's contribution towards the cost of managing the contract.

Since there are significant financial pressures facing the Council in 2016/17, the report to this meeting of the Cabinet on the revenue out-turn situation for 2015/16, includes a recommendation to earmark sufficient resources to meet the 2016/17 needs for now, with the remainder for 2017/18 to be recognized during the normal budgetary cycle.