

**REPORT OF THE SERVICE DIRECTOR FOR TRANSPORT, PROPERTY AND  
ENVIRONMENT****WASTE MANAGEMENT PFI CONTRACT - REVISED PROJECT PLAN****Purpose of the Report**

To inform members that the variation to the PFI Waste Contract with Veolia to give effect to the Revised Project Plan (RPP) has now been successfully signed.

**Information and Advice**Background

1. The County Council has a Waste PFI (Private Finance Initiative) Contract with Veolia which was signed as a twenty-six year agreement in 2006, and which runs until 31 March 2033. The principal facility to be delivered through the Contract was an Energy Recovery Facility (ERF) at the Former Rufford Colliery, Rainworth, which would have diverted the majority of residual waste away from landfill.
2. In May 2011, the Secretary of State for Communities and Local Government decided that Veolia's planning application for Rufford ERF should be refused following a protracted Public Inquiry. This led the County Council to trigger the contractual Draft Revised Project Plan (DRPP) process, which required Veolia to present an alternative solution to Rufford ERF for the management of residual waste.
3. Veolia formally submitted their initial DRPP to the Council on 20<sup>th</sup> January 2012 after which followed a lengthy period of sustained negotiation. On 4<sup>th</sup> September 2014 a report was presented to Environment and Sustainability Committee to approve the Draft Revised Project Plan (DRPP), subject to (i) the satisfactory conclusion of the final legal drafting in relation to the DRPP and the deed of variation required to be entered by the parties to vary the existing PFI Contract to give effect to the Revised Project Plan; and (ii) Defra's consent to the proposed changes to the PFI Contract and continued payment of the PFI credits.

4. The Committee also approved the delivery of the RPP variations being through a single contract structure (Contract A) and accepted that the earlier Contract B (which was designed simply to deliver the Rufford ERF) would become null and void.

#### Revised Project Plan

5. Full details of the RPP proposals were included in the 4<sup>th</sup> September 2014 committee report.
6. The RPP will enable residual waste from Bassetlaw District Council and Newark and Sherwood District Council, which is currently disposed of to landfill, to be treated at Veolia's Sheffield Energy Recovery Facility from 1<sup>st</sup> June 2015. This waste will be transferred through two new waste transfer stations at Worksop and Newark, which are nearing completion and are on schedule to be operational by 1<sup>st</sup> June 2015.
7. Veolia were unable by the time of that approval to identify a cost effective long-term solution for the disposal of residual waste from Mansfield and Ashfield due to limited treatment capacity available in the market. The RPP therefore requires Veolia to continue to manage the existing sub contract arrangements for this waste with FCC (Fomento de Construcciones y Contratas) until 31<sup>st</sup> March 2017; and in the interim the Council continues to discuss options with Veolia and is also preparing a market testing exercise to identify a long term solution for this waste. The Council is not bound to accept the outcome of the market test and could simply remove this element of waste from the Contract.
8. The RPP process has also allowed the Council to renegotiate a number of key commercial terms with Veolia to preserve the economic balance of the contract, which will deliver in excess of £1m per annum in financial savings. These savings were proposed and approved as part of the budget papers presented to the County Council meeting on 26<sup>th</sup> February 2015.
9. The Corporate Director for Environment and Resources was authorised to conclude the detailed negotiations and drafting of the contract variations in consultation with the Group Manager for Legal Services and Section 151 Officer. Following those consultations the necessary authorisation to conclude the RPP was given on 23<sup>rd</sup> February 2015, subject to final approval of the transaction and associated credit payments by Defra.
10. The Council submitted the Variance Business Case (VBC) to Defra on 8<sup>th</sup> December 2014 and following detailed discussion and clarification Defra issued formal approval to the Council on 24<sup>th</sup> February 2015. The overall Waste Infrastructure Credit (WIC – formerly known as PFI credit) allocation for the Project remains the same as reported to Environment and Sustainability Committee on 30<sup>th</sup> January 2014 following a previous WIC reassessment by

DEFRA, although the schedule of payments has been adjusted slightly to take account of the anticipated infrastructure delivery dates.

11. The necessary documents to bring the RPP into effect were therefore executed on 24<sup>th</sup> February 2015.

## **Other Options Considered**

12. None – this is an information report.

## **Reasons for Recommendations**

13. The Veolia Contract provides a good quality service, with high levels of public satisfaction. The RPP preserves the existing Contract services at an improved commercial position for the Council.
14. The RPP allows the Council to access secure, cost-effective capacity to treat residual waste at Sheffield ERF and maintains flexibility in relation to the Mansfield and Ashfield tonnage.

## **Statutory and Policy Implications**

15. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **Financial Implications**

16. This report is for information only. The financial implications were considered in the previous report to Environment and Sustainability Committee (resolution 2014/031).

## **Legal Implications**

17. This report is for information only. The legal implications were considered in the previous report to Environment and Sustainability Committee (resolution 2014/031).

## **Implications for Service Users**

18. This report is for information only. The service user implications were considered in the previous report to Environment and Sustainability Committee (resolution 2014/031).

## **Recommendation**

19. That Committee:

- I. Note the contents of the report.

**Jas Hundal**

**Service Director, Transport, Property and Environment**

**For any enquiries about this report please contact:**

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**Constitutional Comments**

None the report is for noting only.

**Financial Comments**

None the report is for noting only.

**Background Papers**

None.

**Electoral Divisions**

All