

SOUTH WEST DEVON WASTE PARTNERSHIP – FINAL BUSINESS CASE

RESPONSE TO THE COMMENTS MADE BY THE JOINT SCRUTINY PANEL AT THEIR MEETING ON MONDAY 31 JANUARY 2011 – Prepared by Ben Jennings and Mark Turner version 2 (3rd Feb 2011) and edited by Ian Harrison on 4th Feb

- a) *The Panel is frustrated about the limited amount of detail and time available on which to make conclusions and recommendations.*

The Partnership acknowledge the tight timescales set for consideration of the final business case which is driven by the programme required to secure the PFI credit stream from the Government. The detail required in the Final Business Case is prescribed by DEFRA much of which falls into the commercial in confidence area and cannot be placed in the public domain. The Partnership did make information available to the Joint Scrutiny Panel as soon as it was publicly available.

- b) *The Panel feel that each Cabinet should have more detailed information around the mechanisms relating to the Guaranteed Minimum Tonnage (as outlined on page 86 of the report to the Cabinets). In particular, there needs to be clarity around how shortfalls in residual waste from the Partner authorities will be dealt with.*

The Partnership has forecast the volumes of residual waste likely to arise with low, medium and high growth scenarios taking into consideration such factors as population growth, recycling and participation rates. The Partnership has negotiated a Guaranteed Minimum Tonnage level that it believes provides adequate protection to the Authorities in the event of future forecasts being different from expected. The Guaranteed Minimum Tonnage is below the low growth scenario.

In addition, should the Partnership as a whole - not individually - not be able to deliver its minimum tonnage, then the Contractor is obligated to seek waste material from the commercial and industrial sector to make good that shortfall. Studies indicate that there is a similar quantity of Commercial and Industrial waste requiring disposal as is generated in the municipal sector in the partnership area. Increases in Landfill Tax will provide a strong incentive for the Commercial and Industrial sector to seek treatment solutions rather than send waste to landfill.

The Partnership has yet to finalise its detailed internal financial allocation mechanism although the principles are set out in the final business case at section 6.3. This accords with paragraph 2.4.3 of Schedule B of the Joint Working Agreement which specifies what would happen were the aggregate tonnage delivered by the Authorities to the Contractor in a period is less than the specified minimum tonnage as follows:

Where an Authority has delivered to the Contractor a volume equal to or greater than the Authority's Percentage Split of the specified minimum tonnage that Authority shall be liable only for the standard charge on the tonnage which that Authority has actually delivered to the Contractor in the period and the other Authority or Authorities shall be liable for all other contract costs arising in that period in relation to the tonnage which that Authority's Percentage Split of the specified minimum tonnage.

Where no Authority has delivered to the Contractor that Authority's Percentage Split of the specified minimum tonnage in that period each Authority shall be liable for the Percentage Split of the total contract costs arising in that period.

- c) *There should be further clarity around the mechanisms within the contract which will be of benefit (or dis-benefit) to the Partner authorities (including around carbon trading and renewable heat incentives).*

The Partnership cannot disclose the specific commercial details of the contract negotiated with MVV owing to commercial confidentialities. However, the partnership would confirm that it has used the SoPC4 DEFRA Standardisation of Waste Management PFI Contracts for this project. These cover eventualities such as future changes which might lead to increased or decreased revenues to the project. MVV have provided various guarantees to underwrite their income projections and consequently the Partnership's gatefee.

In some scenarios future changes will be totally at MVV's risk, in others the Partnership's and in others shared. The contract does contain various mechanisms whereby the Partnership will share any additional profit made by the contractor. However,, details of Carbon Trading and Renewable Heat Incentives have yet to be clarified by Government so it is not yet known how these will be specifically dealt with under the contract.

- d) *There should be further exploration of rail and sea infrastructure to serve the preferred site and facility.*

Such issues will be dealt with as part of the planning process.

- e) *The Panel re-confirms its previous recommendation in respect of the waste hierarchy and recycling rates, namely: That each partner authority re-affirms its commitment to the waste hierarchy within each Municipal Waste Management Strategy with all authorities obliged to meet challenging recycling targets through shared learning across the Partnership.*

The response to the previous Joint Scrutiny Panel report confirmed each Council's commitment to the waste hierarchy, Councils will be asked to re-affirm this commitment.

The Devon Authorities Waste Minimisation and Recycling Committee on which Torbay and Plymouth Councils are represented is the vehicle used to share learning across the County.