

SOLIHULL MBC CABINET MEETING

14 FEBRUARY 2008

REPORT OF CORPORATE DIRECTOR COMMUNITY SERVICES

1. PARTNERSHIP WORKING WITH COVENTRY CITY COUNCIL AND WARWICKSHIRE COUNTY COUNCIL – TAKING FORWARD THE EXPRESSION OF INTEREST SUBMISSION FOR PROPOSED ENERGY FROM WASTE PLANT

1.1 Purpose of Report

This report seeks to advise Cabinet on the proposed next steps for progressing partnership working with Coventry City Council (Coventry) and Warwickshire County Council (Warwickshire) to develop a shared Energy from Waste (EfW) facility.

1.2 Background

- 1.2.1 An earlier report to Cabinet on 20 December 2007 proposed a joint Memorandum of Understanding (MOU) between the three authorities to formalise the working relationship and identify shared objectives. The recommendations in the report were approved by Cabinet and have also been approved independently by both Coventry and Warwickshire.
 - 1.2.2 Additionally at this meeting it was agreed that an Advisory Panel should be formed of Members of each Authority. Cabinet agreed that the Cabinet Member for Community Services and the Environment, Cabinet Member for Resources and Chair of Neighbourhood Scrutiny Services would represent Solihull MBC.
 - 1.2.3 The 9 member Advisory Panel will have no formal decision making powers; however, as it would contain key 'opinion formers' it would be able to make significant contributions in the areas of advising and providing strategic direction.
- ##### 1.3 Matters for Consideration – Development and funding options including Private Finance Initiative (PFI).
- 1.3.1 The Private Finance Initiative (PFI) is being considered as one potential way to part fund the procurement of the new EfW facility. To be eligible for PFI funding it is necessary to submit an Expression of Interest (EoI) to Defra (Department for the Environment, Food and Rural Affairs), in which the Partnership must set out its case for being allocated PFI credits (credits toward to capital cost of developing the facility). If the EoI is accepted by Defra then we will be asked to submit an Outline Business Case (OBC) later in the year providing more detail of our proposals.
 - 1.3.2 The submission of an EoI is time critical because 'Award Rounds', mean discrete application windows have replaced the previous 'first come first served' system. The new system requires Authorities seeking PFI credits to submit initial EoI's before the OBCs in accordance with timetables established by the Waste Infrastructure Delivery Programme (WIDP) within Defra's Waste Implementation Programme (WIP). The submission of EoI's for the fourth and currently final Award Round have to be made by a deadline of 31 March 2008.

- 1.3.3 The submission of an Eol by 31 March 2008 means that the Partnership must focus efforts on that immediately to comply with that deadline. Eol's are required to provide a demonstration of a state of readiness for Business Case preparation and will be evaluated by Defra on consistency with the waste PFI Credit Criteria; expectancy to contribute to the overall programme and how sufficiently prepared they are likely to be to finalise an OBC in accordance with the timetable for the award round. WIDP will also closely look at the validity of the proposed solution, what level of strategic work has been undertaken, the level of political buy-in and what wider consultation has been undertaken with key stakeholder groups.
- 1.3.4 The OBC is a very much more detailed and costed business case which will be further tested on the issues covered at the Eol stage and is where the Partnership will demonstrate that pursuing their solution with a private sector partner will deliver value for money (vfm) as compared with the Partnership delivering the project in house. It is also tested with regards to financial deliverability and how well the output specification is defined; i.e. whether the Partnership is clear on what it is asking the market to deliver.
- 1.3.5 This will be a complex project and as such it will be necessary to appoint technical, financial and legal advisors. It will be necessary to appoint advisors to assist with the development of the Eol and OBC. It should be noted that if a bid for PFI credits is not pursued the Partnership will still need to develop a sound business case in order to prove that the project demonstrates value for money and also to show potential bidders that the project is credible, which will also require similar external advice.
- 1.3.6 Unlike other PFI schemes, Defra is providing free support and guidance to authorities pursuing both waste PFI and PPP (Public Private Partnerships) projects. Defra wish such projects to complete on time and budget in order for national landfill diversion targets to be met. Defra will assign a 'Transactor' to the project who will act as a 'critical friend' and conduit between the project and Defra. The Transactor will allocate between 3-5 days a month to the project and will attend all relevant project board meetings.
- 1.3.7 Due to the complex nature of this project it is essential that robust project management and direction are maintained to drive the project forward to meet challenging timescales. It is therefore proposed that an independent Project Director is appointed to manage the project. The Director will be funded equally by all three authorities. It will also be necessary to jointly contribute to the provision of support staff that will be required to ensure that the Partnership and the project are successful.

1.4 Financial Implications

- 1.4.1 The initial work in exploring options for joint working between the three authorities and preparing an Eol has been managed using mainly internal resources although some specialist external financial and technical support has been required. The three authorities have agreed to each fund a third of the cost of external support. For Solihull this cost will be met from the Waste PFI Reserve.
- 1.4.2 Significant additional work will be involved in taking forward a successful Eol submission to the next stage of an Outline Business Case (OBC) Submission and as described at paragraphs 1.3.5 to 1.3.7 further external specialist financial and technical support will be required together with a Project Support Team including a Project Director. It is proposed that the costs of the advisors and support team to enable the submission of a detailed OBC will be shared equally by the three authorities.

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1.4.3 A report will be brought to Cabinet 28 March 2008 when an accurate estimate of these costs will be available. The Council's contribution to the further work to OBC stage will be funded from a combination of remaining funds from the Waste PFI Reserve and a reallocation of waste management budgets.

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1.5 Risk Implications

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1.5.1 The Corporate Risk Management Approach has been complied with to identify and assess the significant risks associated with this decision / project. This includes (but is not limited to) political, legislation and reputation risks.

1.5.2 The Approach is not intended to eliminate all risks and not all the risks identified can be managed all of the time. Also, risks will still exist that have not been identified.

1.5.3 However, based on the information provided, it is the officers' opinion that the significant risks have been identified, assessed and arrangements are in place to manage them effectively.

1.6 Consultation Undertaken

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1.6.1 None at this time.

1.7 Equality and Diversity Implications

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1.7.1 There are no direct equality or diversity implications as a result of this report.

1.8 Background Papers

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1.8.1 Report to Cabinet dated 20 December 2007.

FOR DECISION

Cabinet is asked to:

- (i) agree to the submission of an EoI for PFI credits for the development of a shared EfW facility with Coventry City Council and Warwickshire County Council, progressing to submission of an Outline Business Case at a later date and all necessary actions thereto; and
- (ii) authorise officers to obtain an accurate estimate of the costs of appointing all necessary advisors to the Partnership in relation to the EfW procurement project and provide that detail in a report to be brought to Cabinet 28 March 2008 on the reallocation of the Joint waste management capital budget.

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