

PERTH AND KINROSS COUNCIL**Environment Committee – 13 June 2007****EAST CENTRAL SCOTLAND WASTE OUTLINE BUSINESS CASE****Report by Executive Director (Environment)**

This report updates the Committee on the outcome of the Strategic Outline Case bid by the Council for Phase Two Strategic Waste Funding to the Scottish Executive, and makes recommendations on future arrangements to progress with the next phase of the bidding process.

1. RECOMMENDATION(S)

It is recommended that the Committee:

- (1) Notes the latest situation with the Strategic Waste Funding bidding process.**
- (2) Agree to the re-establishment of the Strategic Waste Member/Officer Group, to act as the Project Board for the delivery of the long term waste facilities for the Council.**

2. BACKGROUND

The identification of long term waste management facilities, and the interaction with the Scottish Executive over bidding for Strategic Waste Funding (SWF) have featured regularly at the Environment Committee over the past three years, and have been the subject of extensive work by the Waste Management Member Officer Working Group, which was established to look at these long term requirements.

The most recent update on this subject, to the Executive Sub – Committee of the Environment Committee on 20 July 2006 (Report Number: 06/538 – Article Number: 536) detailed the latest changes in the bid application process from the Scottish Executive. It also highlighted suggestions from the Scottish Executive that Perth and Kinross Council should discuss with Fife, and the Forth Valley Authorities (Clackmannanshire, Falkirk and Stirling Councils) the possibility of joint procurement of large scale waste infrastructure.

This was at variance to the Council's previous waste strategic grouping, which was as a part of the Tayside Area Waste Group, alongside Angus and Dundee City Councils, developed over several years.

3. STRATEGIC ENVIRONMENTAL ASSESSMENT

Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all plans, programmes and strategies, including policies (PPS).

The preparation of any future Outline Business Case arising from this report will be subject to SEA during the preparation stage.

4. PROPOSALS

On 14 March 2007, the Scottish Executive's Head of Waste and Pollution Reduction Division, wrote to this Council's Chief Executive stating that the Scottish Ministers now wished the Councils in Forth Valley, Fife and Perth and Kinross to consider co-operating in a joint Outline Business Case (OBC), and procurement for our future residual waste needs. The Executive has proposed that the OBC be submitted by the end of 2007.

Work is currently underway with these Councils to explore the Scottish Ministers' proposals, and a joint meeting of the Chief Executives of the five Councils is being planned, to take this matter forward.

This new proposed arrangement carries uncertainties:

- Delays in establishing new organisational, procurement and governance arrangements between the Councils will delay the implementation of necessary waste facilities, resulting in the Councils incurring greater Landfill Allowance fines.
- The risks in identifying sites and achieving planning permission for a potentially substantial "regional" facility, serving several local authorities
- Fundamental differences in approach between the Councils in treating residual waste, as stated in the Area Waste Plans and as expressed in their Strategic Outline Cases (both of which pre dated the announcement from the Scottish Executive).

Fife Council had identified 1-2 Combined Heat and Power (CHP) plants to treat up to 160,000 tonnes Municipal Solid Waste (MSW). This was proposed to be carried out through a design, build, finance and operate Public Private Partnership (PPP), where the Procurement Service Provider (PSP) delivers all aspects of the service requirement to meet the Council's desired outcomes, for the longer term waste treatment services.

For the Forth Valley Local Authorities (Clackmannshire, Falkirk and Stirling Councils) their preferred option is to maximise recycling with residual waste treatment outside of Forth Valley. The Council will maximise prevention, recycling and composting. When required, the private sector will treat the residual waste in a facility outside the Forth Valley. This deliberately delays over-provision and optimises scale of provision within a more widespread Scottish region.

Perth and Kinross Council, opted for residual waste treatment through an Energy from Waste (EfW) plant of 60,000 tonnes per annum (tpa) capacity.

By pursuing the Council's waste infrastructure requirements through the Strategic Waste Fund (SWF) process with these other Councils, instead of going straight to procuring these services directly, this Council would face delays in securing its required waste infrastructure, and consequently result in potential substantial Landfill Allowance penalties. This delay is estimated to be between 3-6 years.

There are other issues and concerns with following the SWF process. These include:

- (1) The Executive is imposing "aspirational" recycling targets on Councils, which (according to them) will mean we will require less residual treatment capacity. Hypothetical figures from the Executive suggest now that Perth and Kinross Council would only require 30,000 tpa, (compared to the Councils estimated requirements of 60,000 tpa). Therefore this is all that the Executive is likely to fund.
- (2) To date, the Scottish Executive appear to favour the Public Private Partnership approach to procurement of these facilities. The cost to the local authorities to manage the procurement process would be around £3-4.5m, which would not be funded by the Strategic Waste Fund (SWF).
- (3) The Chancellor's recent announcement of an £8 per annum increase in landfill tax increases the importance to the Council of diverting waste from landfill. The delays in establishing long term facilities will have a negative financial effect on the Council.
- (4) CoSLA has agreed to a Scottish Executive proposal for future SWF2 to be based on "flat rate" funding of £42 per tonne, rather than the previous method where Council contributions from landfill tax and gate fee savings were to be taken into account.
- (5) There is still uncertainty over whether Scottish Ministers would waive Landfill Allowance penalties. The latest indication from CoSLA is that this is unlikely.
- (6) Lanarkshire and Lothian/Borders projects have been given SWF2 funding approval. It is unclear whether any excess landfill allowances from these authorities will be redistributed to the other Councils (such as Perth and Kinross Council) which do not yet have access to funding.

As the statutory waste collection and disposal authority this Council is at liberty to enter into contractual negotiations with private sector organisations for long-term waste facilities. However any unilateral action by the Council might affect its eligibility for grant assistance through the Strategic Waste

Fund, if the Council is not able to meet any conditions which might be attached to an offer of grant, as a result of any approach to the market outwith the SWF process.

In view of these developments, it is proposed to undertake a financial options appraisal, comparing the costs of following the SWF process, against the option of the Council proceeding to the market directly.

Irrespective of the funding/partnership route taken, the delivery of long term waste facilities is a major project for the Council, and appropriate governance arrangements are a necessary part of successful project management. A key role will be the Project Board, to provide direction and scrutiny over the project. With the creation of the new Environment Committee following the May 2007 elections, it is recommended that the Strategic Waste Member Officer Group be re-established, to provide the `project board` role to this important project.

If the Council proceeds with the Fife/Forth Valley partnership, this Board will require to link in with the governance arrangements set up for the wider project.

5. CONSULTATION

The Head of Finance and Head of Legal Services have been consulted in the preparation of this report.

6. RESOURCE IMPLICATIONS

Although the resource implications for the Council's future waste requirements are significant, the recommendations of this report can be accommodated within existing budgets.

7. COUNCIL CORPORATE PLAN OBJECTIVES 2006-2010

This report supports the following Corporate Plan Objectives. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities

8. CONCLUSION

The preparatory work involved in gaining access to Strategic Waste Funding continues to change and put pressures on this Council. A Member/Officer Working Group will facilitate the process.

JIM IRONS
Executive Director (Environment)

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above report.

- **Report to the Executive Sub – Committee of the Environment Committee on 20 July 2006 (Report Number: 06/538 – Article Number: 536) entitled Strategic Waste Options – Scottish Executive**

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