



HERTFORDSHIRE WASTE PARTNERSHIP  
MEMBER GROUP  
MONDAY 21<sup>ST</sup> JULY 2008

### **Item 5b: Waste procurement project-strategy commitments**

Author: Richard Brown 01992 555250

1. The preceding item on this agenda dealt with progress overall of the waste procurement project. The attention of Members was drawn to the significance of the commitment of all Hertfordshire Waste Partnership (HWP) partner authorities to the strategy target of achieving at least 50% recycling by 2012. This report explains further how this commitment will have to feature in the Outline Business Case (OBC) to be submitted to the Department of Environment, Food + Rural Affairs (Defra) in October.
2. Hertfordshire's OBC for PFI credits will be made in Round 4, the fourth (and possibly last) round of applications. Earlier rounds resulted in local authorities in various parts of England receiving financial support for major waste treatment projects. The Government has made it clear that it wishes to award credits at the rate of 50% for successful projects, rather than spread the finite budget more thinly across a wider number of schemes. Thus, the 10 applicants remaining will be competing for funds.
3. The OBC process is very well defined and there is comprehensive guidance on what must be included in any submission. Defra's letter to HCC confirming acceptance of the Expression of Interest emphasises the need to provide evidence of projections of future waste volumes and composition. In this way an accurate assessment of funding needs can be made as well as a judgement about Hertfordshire's likely appeal to the market. The Hertfordshire waste strategy includes ambitious targets: 50% recycling by 2012 contrasts with the national target of 50% by 2020, potentially giving Hertfordshire a competitive advantage over other local authorities aspiring to win PFI credits.
4. The procurement project is doing the technical analysis to ensure the most appropriate specification is given to the market, leading to obtaining the best price for residual waste treatment. Seen as a commodity, prospective purchasers of residual waste want certainty over supply and will calculate their prices accordingly. A key piece of information required for the OBC is evidence of the commitment of all HWP partners to the published strategy targets. This evidence must be in the form of a clear undertaking to implement actions which achieve the desired results.

5. Endorsement of the Hertfordshire Waste Management Strategy 2007 by all eleven partners and subsequent adoption in November 2007 of the strategy with the accompanying Memorandum of Understanding (MoU) must now be supplemented. Defra have indicated that an annex to the MoU setting out commitments by all parties would be sufficient at this stage although a legally binding agreement will be necessary prior to procurement which starts in May 2009.
6. Attached as Appendix A is a draft annex to the MoU. Modelled on the successful PFI application made by another WDA and its partners in Defra's round 3, the annex describes what the waste collection authorities and waste disposal authority will do to ensure strategy targets are met. In essence the text re-affirms the high level undertakings implicit in the strategy and spells out the actions needed in practical terms.
7. Given the formal endorsements given by each council to the strategy and the MoU, a similar level of agreement is being sought for these additional commitments. It is suggested therefore that the draft annex is taken through the appropriate process in each partner authority to gain approval, for example by a recommendation or resolution passed by the Executive / Cabinet, with final adoption by the HWP Member Group at its meeting on 13<sup>th</sup> October. Approval should also be sought by each partner authority to sign the augmented MoU so that a copy of the completed agreement can be submitted to Defra with Hertfordshire's OBC by the end of October 2008.

#### FOR DISCUSSION / DECISION

1. The Member Group will note the requirement for inclusion in the Outline Business Case (OBC) of a clearly stated commitment by all parties to achieve strategy targets as a precursor to qualifying for PFI credits.
2. The Member Group may wish to comment on the adequacy of the draft annex to the MoU.
3. The Member Group is asked to agree that the draft annex is considered formally by each HWP partner, endorsed and adopted at the meeting on 13<sup>th</sup> October 2008 with a view to each HWP partner signing an augmented MoU (including the annex in its agreed form) to submit with the OBC by the Defra's deadline of 31<sup>st</sup> October 2008.
4. Further, the Member Group is asked to agree that HWP partners discuss and agree a more detailed, legally binding agreement, to be entered into before Hertfordshire's procurement for the PFI project commences, with a view (a) to assist the HWP meet the aims identified in the Hertfordshire Waste Management Strategy 2007 and (b) to assist Hertfordshire to comply with Defra's requirements for PFI credits and to support the management of residual waste in the county. A

report and draft agreement will be presented to the Group at their October meeting.