



CABINET

13 DECEMBER 2016

CORPORATE DIRECTOR FOR PLACE COMMISSIONING: TONY CIABURRO

**CABINET MEMBER WITH RESPONSIBILITY FOR
TRANSPORT, HIGHWAYS & ENVIRONMENT: COUNCILLOR IAN MORRIS**

Subject:	Development of a Business Case for a new Energy Park
Recommendations:	<p>That Cabinet:</p> <ol style="list-style-type: none">1. Note the need to explore alternative ways of dealing with waste in order to meet the financial saving included in the Medium Term Financial Plan;2. Agree the development of a business case for the establishment of a new Energy Park as outlined in section 3 of this report;3. Agrees that delegated authority be given to the Corporate Director for Place Commissioning, in consultation with the Cabinet Member for Transport, Highways and the Environment, and the Cabinet Member for Finance, to commission and undertake all necessary work associated with the development of the business case for the Energy Park;4. Agree that a Project Board be established as set out in Section 3 of this report; and5. That the outcome of the business case development be reported back to Cabinet for further consideration.

1. Purpose of Report

- 1.1 The purpose of this report is to seek Cabinet's approval to develop a business case to establish the benefits of developing an energy park in Northamptonshire, which would include a new facility for the treatment of residual waste and also a new treatment facility for the treatment of contaminated tarmac.
- 1.2 The development of a business case will also provide information which will inform future decisions regarding the potential extension of the current contracts for residual waste, together with the future provision of household waste recycling services, and the potential to recycle wastes resulting from highways services. Overall, the objective is to enable significant long term savings for the Council in an environmentally sustainable way.

2. How this decision contributes to the Council Plan

The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing by ensuring that:

- Communities thrive in a pleasant and resilient environment, with robust transport and communications infrastructure.
- Resources are utilised effectively and efficiently, in coordination with partners and providers.

3. Background

Service Need

- 3.1 In order to fulfil the Council's statutory duties as a waste disposal authority, the Council has three contracts for the treatment and disposal of residual waste and the initial term of these contracts is due to expire 31 March 2020. The contracts are potentially extendable but early consideration must be given to the most favourable option for the Council, which may be either extension of existing the contracts, or provision of new arrangements for residual waste. Therefore, in order to ensure the seamless continuation of arrangements for residual waste work has started on possible options for the treatment and disposal of residual waste from 2020.
- 3.2 Northamptonshire County Council makes arrangements for the treatment and disposal of approximately 170k tonnes residual municipal waste per annum. This waste originates from Northamptonshire's residents and is collected by the district and boroughs and at the Council's Household Waste Recycling Centres (HWRCs).
- 3.3 Under the current contracts Northamptonshire's waste is treated at a number of "merchant" facilities which are operated by commercial waste management organisations. The treatment solutions vary depending on facility, but the facilities commonly pre-treat the waste to recover additional recyclable materials and then thermally treat the waste to recover energy. The commencement of the current contracts delivered a step change away from landfilling residual waste, and for financial and environmental reasons it would be beneficial for Northamptonshire to continue to treat its waste rather than landfill it. i.e. the new arrangements should be based on the *treatment* of residual waste.
- 3.4 The Council spends approximately £17m on the treatment and disposal of residual waste per annum. As part of its four year financial plan, a potential opportunity to make savings from this budget and / or generate an income has been identified. The development of a waste facility for Northamptonshire's waste could enable a net budget reduction, or even a surplus, for example if the facility recovered energy from the residual waste, or if the facility accepted third party waste for treatment.
- 3.5 Many of Northamptonshire's neighbouring authorities have taken this route. For example, Warwickshire, Oxfordshire, Buckinghamshire, Milton Keynes, and Cambridgeshire have all developed their own thermal treatment facilities for residual waste.

Scope of Services

- 3.6 Even at this early stage of considering options for residual waste it has been identified that there may be synergies if household waste recycling services and recycling of waste from highways services are included in scope.

- 3.7 Under its statutory duties as a waste disposal authority, the Council provides nine HWRCs in Northamptonshire for members of the public to bring their excess waste and recyclables. These services are provided under a contract which expires 31 March 2025, however there is flexibility within the contract to make changes to the services provided.
- 3.8 With regard to waste from highways services, there is a legacy of roads across the County that have a high tar content. As these roads come to the end of their life they pose a real issue as coal tar contaminated planings cannot now be reused in their current state and require disposal as hazardous waste. The disposal of contaminated waste is difficult and a waste of potential resources. It is also a burden on the decreasing highways maintenance budget. In any one year several thousand tonnes of this material can be produced and based on the price of £130 per tonne, disposal costs of between £400k-£800k can result.
- 3.9 Through ongoing research and evaluation a recycling initiative has been identified. In brief, this involves the development of a hazardous waste transfer station which would enable the material to be recycled into a foam mix that encapsulates the contaminated material which can then be reused on the road network as a raw road construction material. This project has many synergies with the development of a facility for municipal waste and has the potential to realise significant long term savings for the Council, for whom this will be an ongoing issue, and could be developed to include reprocessing of other waste planings/aggregates and partnering with other organisations locally.
- 3.10 There may also be additional services from which there would be benefits if they were within scope. Consequently, the scope of services which are included within the developing strategy are broader than the treatment and disposal of residual waste.

Proposed Approach

- 3.11 The Council's current arrangements for the treatment and disposal of residual waste, the treatment of highways waste and the provision of HWRCs are made under contract with commercial organisations. The Council has previously considered the development of its own waste facilities under PFI arrangements.
- 3.12 Preliminary market testing has been undertaken to explore potential opportunities both with local authority partners and commercial organisations. Initial indications are that the opportunities are greater in terms of scope, flexibility and finance if the Council considered the development of a facility such as an Energy Park, which incorporated a number of service needs.
- 3.13 Therefore, it is proposed that a business case for the development of an Energy Park, which includes a facility for the treatment of residual waste and contaminated highways material, is developed. Other options for the treatment of residual waste will be kept under review and tested against the business case as it develops.

Development of a Business Case

- 3.14 In order to formalise the continued investigation of opportunities and the development of a business case it is proposed that a Project Board is formed. The

Project Board would be led by the Corporate Director for Place Commissioning, in consultation with the Cabinet Member for Transport, Highways and Environment and the Cabinet member for Finance and its remit would be to explore the options and variables related to the development of an Energy Park.

- 3.15 A multi-disciplinary project team will work on the development of the business case and report to the Project Board. The project team will include NCC and LGSS officers and represent the Waste Service, the Transport and Highways Service, Finance and Legal teams. External advisors may be required to provide specialist skills and knowledge.
- 3.16 The development of the business case will be established as a project and managed in accordance with PRINCE2 project management. The first task will be to agree a project initial document (PID), which will define the scope of the project and a project plan, which will outline the project's timescales.
- 3.17 Variables for consideration as part of developing the business case will include:
- 3.17.1 Services in scope;
 - 3.17.2 Delivery vehicle;
 - 3.17.3 Costs & funding;
 - 3.17.4 Multiple or single site;
 - 3.17.5 Location(s);
 - 3.17.6 Technology(ies);
 - 3.17.7 Facility capacity;
 - 3.17.8 Development timescales & phasing;
 - 3.17.9 Opportunities for Public / Private Sector Partnership.
- 3.18 The business case would be the subject of a future Cabinet Report.

Objectives

- 3.19 The initial key objectives of the Energy Park are:
- 3.19.1 To fulfil the Council's duty to make arrangements for the treatment and disposal of residual waste in a sustainable way;
 - 3.19.2 To take account of synergies with other services and incorporate them if appropriate;
 - 3.19.3 To reduce the net costs of the services in scope, either by reducing the revenue costs, or by generating an income, or both.
- 3.20 These objectives will be further developed by the Project Board and included in the PID.

Timescales

- 3.21 The proposed milestones for the development of a business case are as follows:

Cabinet Approval for development of business case.	December 2016
Procurement of External Advisors & assembly of project team.	January / February 2017
Initial Project Board meeting & approval of PID.	March 2017
Project Board Progress Meeting.	June 2017
Completion of workstreams.	July 2017

Completion of draft business case.	August 2017
Independent verification of business case.	September 2017
Project Board meeting to finalise business case.	October 2017
Cabinet consideration of business case	November 2017

3.22 If a decision is taken to implement the business case, then the following key steps will be necessary:

- Secure suitable site(s);
- Development of planning documents & submission of planning application;
- Technical design of facility and procurement of construction contractor;
- Procurement of operations contractor;
- Build and commission of facility.

i.e. the procurement, design and build of the energy park is a long-term undertaking, likely to be operational during 2020.

Next Steps

3.23 Following approval by Cabinet, a project team will be assembled, which may include the procurement of services from external advisors. The project team will then work on the development of a PID, for approval by the Project Board.

4. Consultation and Scrutiny

4.1 Although the proposal for developing an Energy Park has not been specifically discussed, the Council has been considering options for the treatment and disposal of residual waste as part of the discussions with District and Borough Councils regarding collaborative working. These discussions and background work has involved District and Borough Waste Officers, Finance Officers and Chief Executives.

4.2 Waste management has featured on the agenda of a number of scrutiny meetings, including meetings specifically to discuss the budget implications and possible savings within waste management.

4.3 It is anticipated that once the business case is developed it will be the subject of further consultation and scrutiny.

5. Equality Screening

6.1 An Equality Impact Assessment has been completed for the proposal. There are no equalities implications because the proposal involves the development of a business case, and not a change in service. Consequently no further action is required.

Reason that no EqlA is required	✓ as appropriate
The paper is for information only	
The proposal/activity/decision has no impact on customers or the service they receive	✓
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (please explain further)	

6. Alternative Options Considered

6.1 As noted earlier in this report, officers have conducted some preliminary market testing to explore potential opportunities both with local authority partners and commercial organisations. Initial indications are that the opportunities are greater in terms of scope, flexibility and finance if the Council considered the development of a facility such as an Energy Park, which incorporates a number of service needs.

6.2 For the treatment of residual waste, the alternative options considered include:

Option	Status
Extension of current contracts	This remains an option, which provides flexibility, depending on the delivery timescales for the Energy Park.
Procurement of residual waste treatment capacity at merchant facilities.	This remains as an option, and will continue to be tested. However, this option does not enable the Council to benefit from income from energy or treatment of third party wastes, or reduced gate fees.
Procurement of landfill contracts.	This is considered to be a backward step in terms of environmental performance and financial costs and risk.
Development of facilities in partnership with neighbouring authorities.	This remains as an option and will continue to be tested. However, in order to evaluate if another Council's solution would be beneficial for Northamptonshire, the Council must also develop its own business case.
Development of facilities in partnership with Northamptonshire's District and Borough Councils.	This remains an option and will continue to be tested.

6.3 The majority of these alternatives will continue to be tested as the business case develops in order to determine which solution offers the best value for money for the Council.

7. Financial Implications

7.1 The purpose of developing the business case for an Energy Park is in response to the Council's need to deliver significant savings across all services. The savings which may be delivered if the business case is implemented will be estimated as part of the proposed project.

7.2 The costs of developing a business case will fall into two financial years as indicated in the table below. The costs will be kept to a minimum by using internal staff resource. However, costs are expected to be incurred as a result of external advisors and independent verification of the business case. It is proposed that a bid will be made to the Place Directorate's Transformation fund allocation.

	Current year	Forecast		
	2016/17	2017/18	2018/19	2019/20 & beyond
	£000	£000	£000	£000
One-off Revenue Costs				
External Advisers	25	85		
Total	25	85	0	0
Funded by	The Place Directorate's Transformation Fund allocation.			

What benefits will the proposal deliver?	This project can be considered to be "invest to save" because the purpose is to develop a business case for an Energy Park which will deliver future savings. Timescales for realising savings would be beyond 2020.
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8. Risk and Business Continuity Management

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The market position changes following the development of the business case.	Ensure the business case is able to evolve and adapt to changes in market conditions.	Amber
The timescales taken to develop the proposal means the Council misses a commercial opportunity.	As part of developing the business case the council will be in contact with commercial organisations. This means the council may be more aware of opportunities. The project board can refer an opportunity to Cabinet proposing to short-cut the business case if necessary.	Amber
A business case may be developed which is dependent on securing, land, planning permission, environmental permits, etc. which subsequently cannot be delivered.	As part of developing the business case, deliverability will be considered and proposals will not be developed if they do not appear to be deliverable.	Amber
The timing of the development phase does not enable some of the potential benefits of the Managing Agent to be realised.	The project will be developed in stages to enable the involvement of the Managing Agent at key points throughout the project development.	Amber

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
The Council will not be in an informed position when the initial term of the residual waste contracts comes to an end in 2020 and will not be able to make a decision regarding the best solution.	Red

9. List of Appendices

None

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Background Papers:	
Does the report propose a key decision is taken?	No
If yes, is the decision in the Forward Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Yes. The business case will be the subject of a future cabinet paper.
Does the report include delegated decisions? If so, please outline the timetable here	
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	NO Name of SFM: Rosemary Pallot Not applicable
Has the report been cleared by the relevant Director?	YES Name of Director: Tony Ciaburro
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Ian Morris
Has the relevant scrutiny committee been consulted?	NO Scrutiny Committee:
Has the report been cleared by Legal Services?	YES Name of solicitor: Virginia Moggridge
	Solicitor's comments: none
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property issues been cleared by Property and Asset Management?	YES Name of officer: Rob Scott
Are there any community safety implications?	Not applicable
Are there any environmental implications:	Not applicable
Are there any Health & Safety Implications:	No
Are there any Human Resources Implications:	No
Are there any human rights implications:	No
Constituency Interest:	Countywide