

Report to	Cabinet
Date of report	12 th April 2022
Lead Member / Officer	Cllr Brian Jones: Lead Member for Waste, Transport and the Environment / Tony Ward: Head of Highways, Facilities & Environmental Services
Report author(s)	Tony Ward, Head of Highways, Facilities & Environmental Services / Peter Clayton, Project Manager
Title	Waste Service Remodelling – Update on financial position including updated business case

1. What is the report about?

- 1.1. This report updates Cabinet on the latest cost and budget position on the Waste Service Remodelling project and seeks approval of an updated Business Case.

2. What is the reason for making this report?

- 2.1. To update Cabinet on the latest cost and budget position on the Waste Service Remodelling project, and to seek approval of an updated Business Case.

3. What are the Recommendations?

- 3.1. That Cabinet acknowledge the latest cost and budget position (Appendix 1).
- 3.2. The Cabinet approves the updated Business Case (Appendix 2).
- 3.3. That Cabinet delegates authority to the Chief Executive, in consultation with the Section 151 Officer and Monitoring Officer to call upon capital plan unhypothecated funding if required due to uncontrollable increases in costs as a result of inflation or supply chain issues. Any call on this funding will subsequently be reported to the next meeting of Cabinet.
- 3.4. That Cabinet confirms that it has read, understood and taken account of the Well-being Impact Assessment as part of its consideration (Appendix 3).

4. Report details

- 4.1. The Business Case for moving to a new Waste Service Model based on the Welsh Government (WG) collections blueprint and supported from a new central Depot was approved by Cabinet in December 2018. Since then, work has been underway to take forward the development of the new central depot required to support the service change, along with other key activities, including: routing the new collection rounds; specifying the new Resource Recovery Vehicles (RRV's) required to support the proposed rounds; and finalising the service design and containers required.
- 4.2. Since December 2018, a site was selected in Denbigh for the new central Depot on land allocated in the LDP adjacent to the current Colomendy Industrial Estate. The Council has been working in collaboration with 4 local businesses who were also looking to acquire land on this site to enable them to expand their operations. The Council has worked together with the businesses to secure the purchase of the land (as the landowner wanted to sell the whole site in one transaction rather than in plots); go through the Planning process; and to deliver the Phase 1 enabling works given the need to drain, service, access and amend levels across the site. As a result, the development of the new central depot to support the service change has taken longer than initially anticipated, with progress also in part affected by the impact of Covid-19. Although the decision to work with the 4 local businesses has resulted in the project taking longer than expected to deliver, it was absolutely the correct thing to do. These businesses had outgrown their premises and were unable to expand. By working with them, we have enabled these businesses to remain in the county, which has protected many existing local jobs as well as created new jobs for local people.
- 4.3. To deal with the risks and unknowns on the project, the contingency sum within the overall budget was increased to £2M in July 2019. At the time it was reasonably felt this was sufficient to cover cost increases across the key work streams.
- 4.4. However, due to the significant increases in inflation affecting the cost of goods and materials in the last 12 months (e.g. steel prices have increased c. 90% in 2021), a review of costs was undertaken in February 2022 which identified cost pressures across the project of £3.588M. The £2M contingency sum was therefore no longer sufficient to address all these anticipated cost pressures.

- 4.5. A bid was submitted to Welsh Government for the shortfall of £1.588M in early 2022, and confirmation was received on 17th March that this bid was successful.
- 4.6. An updated version of the Business Case is included as Appendix 2 reflecting the latest cost, budget and revenue position. The essence of the Business Case has not altered in the sense that changing the household waste collection model will result in:
- increased recycling levels;
 - improved quality of recycling material collected;
 - reduced carbon emissions; and
 - the waste service costing significantly less than it will if we maintain the existing collection model.

5. How does the decision contribute to the Corporate Priorities?

- 5.1. The planned changes to household waste collection will have a positive on the Corporate Priority, “Environment: Attractive and Protected, supporting well-being & economic prosperity”. It will increase the quantity and quality of recycling collected from households, and increase opportunities for closed loop recycling. It will also enable the potential expansion of local businesses, leading to employment opportunities and economic growth.
- 5.2. Through adoption of low carbon technologies at the proposed new Waste Transfer Station and inclusion of infrastructure for ULEV fleet, the aim is to minimise the impact of the site in support of the wider corporate goals on net zero by 2030.

6. What will it cost and how will it affect other services?

- 6.1. The cost of the service change is detailed in Appendix 1.
- 6.2. This service change will affect the Waste Service with the new service operating out of the new Depot facility. This permitted facility will also provide capacity for Highways & Streetscene for bulking of gully waste, street sweepings and other highways related waste streams.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. The overall outcome of the Well-being Impact Assessment is positive – see Appendix 3 for further details.

8. What consultations have been carried out with Scrutiny and others?

8.1. The overall principle of developing a new Waste Transfer Station to support the overall waste collection service change was originally approved at **SIG and Cabinet** in December 2018 and subsequent updates were presented at **Cabinet Briefing and Communities Scrutiny** during 2019 & 2021 on progress. In addition, purchase of land in Colomendy, Denbigh and development of proposed WTS on that land as preferred option, went to **AMG** in March 2019.

8.2. **Chief Financial Officer** has been consulted – see response below:

9. Chief Finance Officer Statement

9.1. As the initial Business Case was approved over 4 years ago now it is welcome that the project has come forward with a revised Business Case for the capital and revenue elements of the project. The additional resources required for the capital element are understandable and are set out within this report. It is welcome that the project has worked closely with Welsh Government, who remain confident of the success of the project and have approved the grant to cover the current overspend. However the revised Business Case does not include a specific contingency which would be normal for a new Business Case. As with all capital projects at this time this project is subject to ongoing risks around costs due to ongoing inflationary pressures in the market and continuing volatility in the supply chain. In recognition of this general pressure an unhypothecated Welsh Government grant (£1.6m) has been added to the general Capital Plan Contingency for 22/23. It is important that delegation is in place to enable the project to request an element of this funding if required during the next few weeks in order to avoid further delay and costs. Any further change to the overall Business Case should be reported to Cabinet. The project will continue to be monitored closely and progress reported to Cabinet in the Capital updates contained within the monthly Finance Report.

10. What risks are there and is there anything we can do to reduce them?

10.1. Cost inflation – The main risk with not accepting the updated Business Case for the project is that this results in further delays in delivering the project, which will inevitably result in increased costs for the council.

11. Power to make the decision?

11.1. Part II Environmental Protection Act 1990

11.2. s111 Local Government Act 1972

11.3. s120 Local Government Act 1972