

Report to: Partnerships Scrutiny Committee

Date of Meeting: 27th September 2012

Lead Member/Officer: Lead Member for Public Realm/
Head of Environment

Report Author: Waste and Recycling Manager

Title: North East Hub Food Waste Project

1. What is the report about?

The NE Hub Food Waste project is a three authority partnership between Conwy, Denbighshire and Flintshire, to procure food waste treatment capacity.

2. What is the reason for making this report?

To provide information regarding progress of the NE Hub Food Waste project.

3. What are the Recommendations?

That Members consider and comment on the progress to date in realising this major collaboration project, including the change of preferred bidder, and the potential implications and impact of this change on the Project's delivery.

4. Report details.

In August 2011 the Hub had announced that the preferred bidder for the project was NEAT Biogas Limited ("NEAT"), a joint venture between TEG Environmental Limited and Alkane Energy Plc. The Preferred Bidder status was subject to NEAT securing satisfactory finance. Whilst NEAT had received an offer of bank finance for the project, it was not been possible to agree contractual terms with the funders that were satisfactory to the joint venture partners or the Hub and consequently, NEAT was unable to continue as Preferred Bidder and withdrew from the project in April 2012.

At the time of appointing the Preferred Bidder in August 2011, the decision was made to retain BiogenGreenfinch as the 'Reserve Bidder' for the project and should the need arise, they would be called upon.

When the TEG bid fell through, Cabinet / Executive approval to revert to the reserve bidder was sought from each Authority involved with the project and this permission was granted over March and April 2012.

BiogenGreenfinch has maintained its commitment to the project, and has the funding lines available to draw down in order to progress the project rapidly. BiogenGreenfinch is an independent anaerobic digestion (AD) specialist with experience and expertise in process engineering for the design and construction of AD plants. The company has built 16 plants across the UK and has won 2 other contracts in Wales under the Welsh Government's food waste Programme.

BiogenGreenfinch has six years experience in building and operating food waste anaerobic digestion plants. The company currently operates three such plants which account for approximately 10% of the UK's current total food waste AD processing capacity and provides food waste treatment services to many local authorities across England and Wales.

Biogen have submitted a planning application to construct the AD facility at the former abattoir, on Holywell Road, Waen.

Over the summer the Hub and Biogen have been working hard on finalising all the contractual documents (the "Project Agreement"). Financial close is scheduled to occur on 15th /16th October 2012.

After financial close, Biogen will immediately be responsible for treating the waste from the three counties (the interim services period). They will also begin to progress the planning permission, construction of the facility, commissioning and full service delivery. At the end of the contract the facility will revert to the Hub's ownership.

During the construction phase approximately 30 workers will be on site and local contractors will be used wherever possible.

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

Assessment of Impact on Corporate Priorities:

The effect of escalating waste costs, will have consequences for all departments of the Council.

Assessment of impact on the Vision, Community Strategy, Equalities and Sustainability:

The recommendation is consistent with the vision for Denbighshire 2025. In particular "Denbighshire will be an ideal place to live because":

- "we will recycle most of our waste and conserve energy".
- "we will respect and maintain our natural environment".

Assessment of Impact on Climate Change - Mitigation and Adaptation:

The food waste project will divert municipal waste away from landfill. This will have the impact of reducing landfill methane emissions (a greenhouse gas). In addition, the biogas captured through the anaerobic digestion process will be converted to energy (attracting payment through 'Feed in Tariffs' which then subsidise the gate fee).

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

The cost of the solution is below the 'Affordability Envelope' which was agreed by Cabinet in 2009.

It is important to note that the project has been subject to a high level of governance following the PRINCE2 Project management methodology. Two boards sit, a "Project Board" which consists of senior officer representatives from the three councils, and a "Management Board" which consists of 2 elected members from each of the councils. The Boards' role are to make key decisions on issues like affordability, endorsing the direction of the project etc.

7. What consultations have been carried out?

The draft municipal Waste Management Strategy was presented to Cabinet on 26 October 2004. The subsequent public consultation exercise finished on 30 April 2005, and the Strategy was formally adopted on 30 May 2005, via a Cabinet delegated decision.

In March 2008 Cabinet approved the purchase of the former abattoir site at Rhualt, as a potential location for an AD facility (using WG grant funding). Local town and Community Councils have been consulted about the possible use of the site for food waste treatment. The site is referred to as the 'Reference Site' and the solution of the Reserve Bidder will be developed at this site.

8. Chief Finance Officer Statement

The project is Public Private Partnership (PPP) for a Design, Build, Fund & operate contract. The private sector partner will provide the capital investment needed in order to treat the food waste collected by the authorities making up the Hub.

The Business Case demonstrates that this is the most cost effective solution and supports the 3 authorities' joint bid for Assembly funding.

Failure to pursue this project will leave the Council exposed to major cost increases that will quickly become unaffordable.

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

The risks associated with not agreeing to the recommendations are;

- ❖ That any such alternative short term solution would be uneconomic (would not attract WG revenue support, would not provide long term security on treatment costs exposing the Authority to budget uncertainty).

- ❖ That the other two councils would not be prepared to wait for Denbighshire to change its mind, and that Denbighshire would therefore face extra costs developing its own solution
- ❖ The WG would look unfavorably upon any councils opting out of their model of 'regional solutions'.

Due to the punitive level of WG fines for non-compliance; the 'do nothing option' is not really an option at all.

10. Power to make the Decision

Under Section 2 of the Local Government Act 2000, i.e. the promotion or improvement of the environment for the well-being of the area.

Article 6.1 of the Council's Constitution

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