

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 18 MARCH 2014**

REPORT BY: **CHIEF EXECUTIVE, DIRECTOR OF ENVIRONMENT,**
HEAD OF LEGAL AND DEMOCRATIC SERVICES,
HEAD OF FINANCE

SUBJECT: **NORTH WALES RESIDUAL WASTE TREATMENT**
PROJECT (NWRWTP) - ANNUAL BUDGET

1.00 PURPOSE OF REPORT

- 1.01 To present the revised budget for 2013/14 for Members' approval.
- 1.02 To present the budget to the procurement stage of Financial Close for 2014/15 for Members approval.

2.00 BACKGROUND

- 2.01 The contents of this report were considered by the North Wales Residual Waste Treatment Project (NWRWTP) Joint Committee at their meeting of 29 January 2014 and it was agreed that it be recommended for approval by the partner authorities.
- 2.02 The Joint Committee approved a project budget (for the Waste Project) to the stage of Preferred Bidder selection at its meeting in July 2013. The approved budget for the year 2013/14 was £455,862 within a total net projected project expenditure of £3,000,367 summarised in the table below. The cost to individual partner authorities, including Flintshire, is also shown in the table.

NWRWTP Budget Review June 2013

(To preferred bidder selection. Excludes advisor fees from preferred bidder through to contract award)

EXPENDITURE HEADING	A2008/9 - 2012/13	P2013/14	P2014/15 Q1	PTotal
TOTAL PROJECT MANAGEMENT COSTS	1,369,916	261,088	23,864	1,654,868
TOTAL ADVISOR COSTS	2,110,381	285,150	0	2,395,531
CONTINGENCY	0	109,624	0	109,624
TOTAL COSTS	3,480,297	655,862	23,864	4,160,023
LESS INCOME	959,656	200,000	0	1,159,656
NET COST	2,520,641	455,862	23,864	3,000,367
Per AUTHORITY equal shares	504,128	91,172	4,773	600,073

- 2.03 Before calling for final tender, Wheelabrator Technologies Inc (WTI) provided a price update paper to the NWRWTP Project team. The paper indicated that WTI's CFT submission would represent a significant increase in costs to that set out in WTI's refined ISDS submission. This unexpected development

created an extra demand on resources to examine WTI's position in detail and consider alternative options of service delivery.

- 2.04 At the September 2013 meeting of the NWRWTP Joint Committee, Members were advised that as a result of the additional work undertaken there would be an increase in expenditure and the project budget would need to be re-visited.
- 2.05 The first Inter-Authority Agreement (IAA) regulates the procurement project up to the position of Financial Close. The projected procurement project net expenditure included in the IAA is £3,198,673. This equates to £639,735 per authority. To reach the milestone of Financial Close an increased budget is required that now also extends into Q1 of 2014/15.

3.00 CONSIDERATIONS

- 3.01 Preferred Bidder approval by each of the Partnership Authorities will take place during February/March 2014. Financial Close is scheduled to be completed during June 2014.
- 3.02 The approved 2013/14 budget has been reviewed in the light of actual expenditure incurred to date as at December 2013. An assessment has also been undertaken of the input required from advisors to get to the point of Financial Close. The updated procurement project budget to the point of Financial Close is shown in the table below.

NWRWTP Budget Review January 2014
(To financial close)

EXPENDITURE HEADING	A2008/9 - 2012/13	P2013/14	P2014/15 Q1	PTotal
TOTAL PROJECT MANAGEMENT COSTS	1,369,916	302,061	59,128	1,731,105
TOTAL ADVISOR COSTS	2,110,381	478,010	182,750	2,771,142
CONTINGENCY	0	15,487	79,188	94,675
TOTAL COSTS	3,480,297	795,558	321,066	4,596,922
LESS INCOME	959,656	200,000	0	1,159,656
NET COST	2,520,641	595,558	321,066	3,437,266
Per AUTHORITY equal shares	504,128	119,112	64,213	687,453

- 3.03 From the table above, it can be seen that total procurement net expenditure is projected to be £3,437,266, this being £238,593 (+7.5%) greater than that contained in the IAA. The projected net expenditure in 2013/14 is £595,558 and £321,066 in 2014/15. The key assumptions that underpin these projections are attached in Appendix 1. A more detailed breakdown of the expenditure headings is attached in Appendix 2
- 3.04 The first IAA Agreement provides that where actual costs associated with the project are likely to exceed the approved annual Project budget held on behalf of the Councils by 5% this will be a Matter Reserved to the Councils to consider approval of the increased sum.

- 3.05 The revised project total of £3,437,266 is £238,593 greater than included in the first IAA. The impact of the increase for each Council is an additional £47,718. Each Council's contribution for the project to financial close will be £687,453 compared to £639,735 in the IAA.
- 3.06 Individual Councils will also need to consider budget requirements beyond Financial Close noting the following points.
- The second IAA will need to be executed before the Joint Committee is able to approve budgets beyond the financial close stage.
 - The requirements for the project beyond financial close needs to be identified and agreed.
 - Individual Councils will need to be able to plan for costs now (at least in 2014/15) ahead of the second IAA being formally agreed.
 - The Project Director previously identified (May 2011) the potential cost of a Contract Management Team plus External Advisors of between £307,000 to £359,000 per annum. Further advice is being sought on this matter from sources in WG and the budget required will be the subject of further approval.

4.00 RECOMMENDATIONS

Members of Cabinet are asked to:-

- 4.01 Approve the proposed 2013/14 revised budget it being £595,558 (as set out in the report).
- 4.02 Approve expenditure in 2014/15 to take the procurement process to the final stage of Financial Close it being £321,066 (as set out in the report).
- 4.03 Note the additional cost to Flintshire as a Partner Authority of £47,718 for the project up to Financial close.
- 4.04 Agree to the Joint Committee approving the ongoing project budget requirements referred to in point 3.5 above.

5.00 FINANCIAL IMPLICATIONS

- 5.01 See sections 3.01 to 3.05 above. Flintshire's contribution to the project costs is met from the Waste Reserve.

6.00 ANTI-POVERTY IMPACT

- 6.01 Not applicable.

7.00 ENVIRONMENTAL IMPACT

- 7.01 Not applicable.

8.00 EQUALITIES IMPACT

8.01 Not applicable.

9.00 PERSONNEL IMPLICATIONS

9.01 See Appendix 1 Key assumptions item 3.

10.00 CONSULTATION REQUIRED

10.01 See above.

11.00 CONSULTATION UNDERTAKEN

11.01 Not applicable.

LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985

Background Documents:

Reports to NWRWTP Joint Committee

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