

**Report to:** **SLWP Joint Waste Committee**

**Date:** **Thursday 10<sup>th</sup> December 2015**

**Report of:** **Residual Waste Contract Update**

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**Chair of the Meeting:** **Councillor Stuart Collins**, Chair SLWP Joint Waste Committee

**Report title:**

**PHASE B UPDATE - Energy Recovery Facility (ERF) Disposal Contract**

**Summary**

This report provides an update on the position of the ERF project.

Planning permission was granted by London Borough of Sutton on 14<sup>th</sup> March 2014 following completion of the agreement made pursuant to section 106 of the Town and Country Planning Act 1990 relating to the application.

A Judicial Review was heard in October 2014 and the Planning Authority's decision was upheld. Further to this judgement, a request to appeal was made to the Court of Appeal and this was refused. The appellant subsequently requested an oral hearing to apply for leave to appeal and this was heard on April 28<sup>th</sup> 2015; again the application was refused.

Viridor have resolved all outstanding issues around the planning conditions and issued formal confirmation that Satisfactory Planning, free from legal challenge, was achieved on the 1<sup>st</sup> June 2015.

Financial close took place on 9th June 2015 and Notice to Proceed (NTP) was issued by Viridor to their EPC contractors on the 1<sup>st</sup> June 2015.

Now that NTP has been issued, the construction of the ERF is underway.

**Recommendations**

To note the progress on the ERF Project

**Background Documents and Previous Decisions**

Previous Phase B Update reports held by Chair of Management Group.

## **1. Background**

1.1. Viridor South London Limited ('Viridor') was formally awarded a contract for the treatment and disposal of Residual Waste in November 2012. The Contract involves Viridor designing, building and operating an Energy Recovery Facility (ERF) which will remain in its ownership and through which it will dispose of municipal residual waste arising in the South London Waste Partnership area.

## **2. Detail – Satisfactory Planning**

2.1. Full planning consent was granted for the Construction of the ERF in March 2014, the Judicial review concluded on the 28<sup>th</sup> April 2015, following which Viridor confirmed that Satisfactory Planning, free from legal challenge, was achieved on the 1<sup>st</sup> June 2015.

## **3. Detail – Financial Close**

3.1. Financial close took place on 9th June 2015, at which point the Sterling Euro exchange rate for the construction capital was agreed and fixed, in addition, the construction indexation was also fixed.

3.2. Following the agreement of the variable rates detailed above, an updated base case Financial Model was agreed by all parties and the model was locked. Completion of the financial close stage provided a revised and more beneficial ERF gate fee for the Partnership.

3.3. Copies of the Financial Model have been provided on CD for each Borough, together with the necessary signed documentation confirming the process that was followed and the updated rates confirmed.

## **4. Detail – Notice to Proceed**

4.1. Notice to Proceed (NTP) was issued by Viridor to their Engineering Procurement and Construction contractors on the 1<sup>st</sup> July 2015. Following the issue of NTP construction works are deemed to have started, and this is termed the Works Commencement Date. The key dates in relation to the Phase B ERF construction are updated and agreed between the Partnership and Viridor to be as follows:

- |  |                              |
|--|------------------------------|
| • Interim Services Commencement Date     | 1 <sup>st</sup> April 2014   |
| • Stack construction complete            | April 2017                   |
| • Cold commissioning begins              | September 2017               |
| • First firing                           | January 2018                 |
| • Key Facility Planned Readiness Date    | 24 <sup>th</sup> May 2018    |
| • Key Facility Planned Commencement Date | 31 <sup>st</sup> August 2018 |

## **5. Recommendations**

5.1. To note progress on the ERF project

5.2. That the Phase B update report is combined with the Phase A report for future JWC meetings

## **6. Legal Impacts and Implications**

6.1. The process set out above to agree Notice to Proceed was the process that was contractually agreed by the Partnership and Viridor South London Limited and was set out in the 'Project Agreement' entered into in November 2012.

## **7. Financial Impacts**

7.1. The financing risk in relation to the construction indexation is now closed.

7.2. The Partnership risk on the Sterling Euro exchange rate for the construction capital is now closed.

7.3. Revised Project Plan risk is now closed.

7.4. Due to a number of variable factors built into and agreed as part of the Contract, the revised gatefee now locked in the model is an improvement on the gate fee submitted at the point of tender in 2012.

## **8. Communications**

8.1. A communications plan has been worked up with the Partnership's Communications Lead, and shared with borough Heads of Communications. The communications plan has been updated for the next stage of the construction project, which includes the key construction activities that may be experienced by the immediate residents around the site.

8.2. Activities to date include:

- The Sutton Council Combined Community Forum met 24th June
- Resident Newsletter was delivered to a pre-agreed list of postcodes and was received by residents in July.
- Community Liaison Group (CLG) – these meetings are scheduled quarterly and have been held on 22<sup>nd</sup> July and 22<sup>nd</sup> October. Next CLG is to be held in January.
- Meet the Buyer – The Meet the Buyer event took place at the Beddington Conference centre for the 28<sup>th</sup> July. Press releases were issued to local and trade press. Press adverts were booked at the Croydon, Kingston, Sutton and Wimbledon Guardians. Posts were also issued on Viridor's social media channels and website. A total of 59 companies attended.
- A rolling 3 month Communications and construction plan is being managed by Viridor.
- Viridor have updated their Viridor Beddington ERF website. Follow the attached link: <http://viridor.co.uk/our-developments/beddington-erf/>