



## **CLG 6 – outstanding clarifications**

3.iv) A CLG representative requested clarification on how PFI schemes work - Mercia will respond in due course.

The contract for Herefordshire and Worcestershire was the first (Pathfinder) project in the Waste Sector, as such it received Government Support through PFI Credits. The PFI process was a mechanism put in place to encourage investment to be made in a way which did not bring the debt incurred onto the Public Sector “balance sheet”. At the time the UK was considering monetary union and one of the parameters that would have been assessed in order to join the Euro, was the extent of Central and Local Government debt, i.e. The Public Sector Borrowing Rate (PSBR). The cost of borrowing by government is lower than that of the private sector and to encourage Local Authorities to use the PFI process, rather than borrow money themselves PFI credits were introduced to support a range of projects including, hospitals, schools, roads and waste management. The PFI credits give support to the Local Authority in order to make the investment more affordable. The two councils have had, and will continue to receive the benefit of these credits. Mercia does not receive any payment from the PFI process. All PFI projects have recently been subject to a recent review and waste project funding has not been affected.

3.x) Questions have been raised about the relationship between Worcestershire and Herefordshire County Councils and Mercia Waste Management. To clarify, Mercia Waste Management is underwriting this project and therefore carries the financial risk. Worcestershire County Council (as the Planning Authority) may reject the EnviRecover Planning Application in the same way that it has rejected other waste management applications from Mercia Waste Management in the past. Should the application be rejected and in turn appealed by Mercia Waste Management. Mercia will check this and respond in due course – cited WCC cabinet minutes were subsequently provided by a CLG representative.

Under the standard waste guidance, the Contractor is responsible for the cost of obtaining planning permission up to the Appeal Contingency. The Appeal Contingency is an amount bid by the contractor during negotiations as a sum to be used in the event that they have to go to planning appeal. So, for instance, if the Appeal Contingency is 500k, then the Contractor would be responsible for all costs up to an appeal plus all costs of the appeal up to 500k with costs to be shared over and above that level. Mercia has not discussed this with the Councils, and it is not a matter on which Mercia can comment.