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Mr George Nobbs
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18 October 2013

From Lord de Mauley
Parliamentary Under Secretary

Dear Mr Nobbs

Review of Norfolk County Council (NCC) Waste Infrastructure Credits (WIC)

I write further to previous correspondence between my officials and your Authority's officers in respect of the above subject matter.

You are aware that following the breach of one of the conditions (no. 7) of the Annex to the Waste Infrastructure Credit ("WIC") letter dated 7 February 2012, Defra carried out a review of the allocation of WICs to NCC's residual waste infrastructure project (the "Project"). We confirmed that this exercise was taking place in our letter of 13 June 2013 to Mike Jackson, NCC's Director of Environment, Transport and Environment.

We have engaged with NCC throughout the review and in accordance with the terms and conditions of the WIC letter. We took account of the Defra criteria against which the provisional allocation of WIC was made, as well as all the information and documentation received from NCC and the contractor during the review.

We also considered the likelihood of England making the necessary contribution towards meeting the UK's 2020 EU Landfill Directive target for the diversion of biodegradable municipal waste (BMW) from landfill, considering scenarios with and without the Project (the "Need Case").

Based on our assessment of all the evidence available and the Need Case, I have to write to tell you that we have decided to withdraw the WIC letter and consequently, revoke the allocation of WICs to the Project.

In making this decision, we were very conscious of the likely implications for NCC including the potential significant impact on the Project, the value of the Project to NCC and the wider



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implications for NCC's finances and services. We took account of the progress made by the Project (including through the planning inquiry and current work on the Revised Project Plan (RPP)). We were also aware that if NCC decided not to proceed with the Project in the light of this decision, it would potentially incur significant financial costs. We also considered the points NCC raised in correspondence exchanged with Defra during the review, including your view of:

- (1) the delay to the Project not being material given the lifetime of the Project;
- (2) the delay in the Project securing satisfactory planning permission by the longstop date in the Contract being caused by the decision of the Secretary of State for Communities and Local Government to call in the planning application for his determination;
- (3) Defra's overall approach to forecasting levels of waste arisings and treatment capacity in England in 2020 in order to assess future infrastructure requirements.

We were further conscious of the need for certainty and predictability in the way "PFI" projects are progressed for the reasons raised by NCC and others, as well as the potential impact on market confidence in future infrastructure projects and programmes and potential implications for inward investment and economic growth.

We have reached our conclusion having considered the full range of relevant factors and having regard to the original purpose of the award of WICs, which was to ensure that England diverts sufficient BMW from landfill to enable the UK to comply with EU Landfill Directive targets.

To ensure value for money for the public purse we regularly monitor information on waste infrastructure projects to assess progress towards meeting the targets. Having updated our infrastructure forecasting model (which has been independently verified) with current progress on projects across the country and most recent national data on waste flows, we consider it sufficiently likely that the EU Landfill Directive targets will be met without a contribution from the NCC Project. This was the overriding factor in the review. In short, we do not consider that the award of WICs to this Project is necessary to increase the estimated likelihood that the 2020 Landfill Directive target will be met and therefore the principal purpose underlying the award of WICs no longer applies.

In addition, we considered the potential impact on the environment, but have concluded that, in the current financial circumstances, the decision to withdraw the WIC letter is justified.

In your letter to the Environment Secretary dated 21 June 2013, you sought clarification on the transferability of the WICs and the availability of other sources of funding from Defra if the existing contract were not to go ahead for any reason. We have previously provided a response to these questions in a letter dated 10 July 2013 from Defra's Director of Waste Infrastructure Delivery Programme (WIDP). Further to that letter, I can confirm that WICs are not transferable and there is no other equivalent funding stream within Defra to support local authorities in the same way and to the same extent as WICs.



I appreciate this is a decision that will be extremely disappointing to the authority. It has not been taken lightly, but is considered appropriate and necessary in the circumstances. NCC will clearly need to consider its implications, which as we have already acknowledged are likely to be significant and wide ranging. You may wish to note that commercial and technical support will continue to be available to your Project from WIDP should you require it.

For more details of Defra's latest forecast of 2020 waste arisings and treatment capacity, please see our website: <https://www.gov.uk/government/policies/reducing-and-managing-waste/supporting-pages/waste-infrastructure-delivery-programme>

Please contact my office (ps.lord.demauley@defra.gsi.gov.uk) if you would like to discuss this matter.

*Ys sincerely,
Baroness de Manley*

- Cc Anne Gibson, Acting Managing Director
- Cc Mike Jackson, Director of Environment, Transport and Development
- Cc Teresa Oliviere, WIDP Transactor
- Cc: Colin Church, Director Resource, Atmosphere and Sustainability
- Cc: Nigel Atkinson, WIDP Programme Director
- Cc: David Watts, WIDP Programme Manager



