

## CASE STUDY

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### Waste Treatment Delivery Strategy

**Client:** Peterborough City Council  
**Project:** Waste Sector - Diagnose  
**Purpose:** Finding a Cheaper Alternative to PFI



#### The Challenge

Local authorities are increasingly finding themselves struggling to meet the increased revenue costs of waste management due to the policy of diverting waste from landfill. This means that all councils are under huge pressure to be both environmentally and economically sustainable to meet these conflicting targets. Following research commissioned by an all-party working group, PCC elected to set up a number of new waste treatment facilities, including a major energy from waste plant.



#### What CWC and PCC Did

Until recently Defra favoured Private Finance Initiatives (PFIs) as the only effective means of raising private finance but it is now moving away from a "one size fits all" policy as there is growing evidence that PFI procurement results in high tender costs, high finance costs, high capital costs and even higher operating costs. CWC's analysis concluded that a PFI contract would be more expensive despite the 25-30% "free capital" included in PFI credits. Unknown factors around regulation, operation costs and technology mean that 25-year PFI contracts have significant risk contingencies built into the price.

Instead of financing Peterborough's waste strategy through PFI, PCC developed a new business model to reduce PFI's risk-associated costs. It selected to raise its own finance and to procure collaboratively to minimise risk and cost. Members have recently accepted CWC's research and recommendations to establish a local authority-controlled business to raise finance, procure new facilities and manage collection and other operations.

#### The Benefits

PCC's collaborative model is designed to reduce municipal waste collection prices and the council plans to bring the prices down again by further reducing subsidised municipal collection through management of commercial waste. CWC has shown that PCC can treat its municipal waste at a price of less than £70 per tonne; this compares with the £130 per tonne to be paid by nearby authorities adopting PFI deals and not taking advantage of the lucrative commercial market. By opting for conventional borrowing, secured by the domestic waste treatment contracts, to finance capital costs that will be reduced by up to £20million through collaborative procurement, PCC will save nearly £3 million (25%) per year from its revenue budget. Finally, PCC calculates that it could further reduce the cost of the municipal waste treatment service to just £50 per tonne, with no waste going to landfill, if it offered its facilities to the commercial sector.

#### For further information please contact:

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