

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY THE DEPUTY OF ST. MARY  
ANSWER TO BE TABLED ON TUESDAY 8th SEPTEMBER 2009**

**Question**

Will the Minister advise the Assembly of the exact details of the total overspend on the incinerator to date, where by overspend is meant amounts which lie outside the sum voted in P73/2008, namely £102,810,000 plus the £3.5 million previously voted.

Would the Minister make quite clear to members in his answer the amounts due to:

- a) any additional costs added after propositions P.72/2008 and P.73/2008, other than those due to currency fluctuations, specifying exactly what these were;
- b) the amount of the offsetting savings arranged by Transport and Technical Services to reduce the impact of the above increases, specifying exactly what these were for;
- c) the amount due to the fall in the value of the pound before the contract was signed; and
- d) the amount due to the fall in the value of the pound after the contract was signed, up to and including the most recent actual payment made to the contractor?

For each category above, would the Minister advise:

1. when the additional expense (saving) was known about?
2. who sanctioned the additional spend (reduction), and when?
3. the exact source of the extra funding? and
4. the legal authority for the additional spending?

**Answer**

P72/2008 and P73/2008 detailed the capital cost of the EfW project as £106,310,000 comprising two budgets of £102,810,000 and £3,500,000; this specifically excluded provision for the project contingency: "*The total cost of £106.31 excludes provision for contingency items which will be managed from within the risk element of the States Capital Reserve Vote.*" Publishing this information at the time of contract signature could give a negotiating advantage to the contractor.

Transport and Technical Services has advised that the detail of the component costs of this project are the subject of a confidentiality agreement with the contractor concerned and therefore, costs can only be disclosed at a summary level.

To date, the expenditure and savings approved outside the £106,310,000 is detailed in Ministerial Decisions MD-T-2008-0105 and MD-TR-2008-0125.

Page 97 of the Comptroller and Auditor General's report, dated March 2009, details the additional costs, savings and associated information relating to the project as at the Engineering Procurement and Construction (EPC) contract signature on 14th November 2008.

As with any significant capital project, there may be additional project costs and savings identified as the project progresses. In line with other projects of this nature, a contingency was established to meet such costs. Project claims and variations are being managed and mitigated by the EfW Project Board as the project progresses.

Transport and Technical Services have advised that since the EPC Contract was awarded, forecast variations and

claims costing an additional £302,321 have been identified as necessary by the EfW Project Board, and will be subject to consideration and approval by the Minister for Transport and Technical Services.

These variations and claims relate to the requirement for a Bulky Waste Facility shredder and amenity facilities, windows within the Energy from Waste Facility, gabion walls along the perimeter of the site, a revised process plant schedule and revised detailing for bunker concrete chute walls.

Transport and Technical Services has indicated that project management costs relating to the development of a Letter of Intent during the Preferred Bidder Period and to appoint the Architectural Design Consultant required by the Reserved Matters Approval are £79,708; these costs will be subject to consideration and approval by the Minister for Transport and Technical Services.

The total impact of all these costs and savings is not yet known. Any variation or claim that materialises with a value over £25,000 will be subject to consideration and approval by the Minister for Transport and Technical Services.

The sources of funding for any such costs will be the project budget and the associated project contingency. The authority for additional spending is via Ministerial Decision.

The Comptroller and Auditor General's report, dated March 2009, details his assessment of the additional cost relating to the exchange rate movements both prior and subsequent to the signing of the contract.

When publishing his report, the Comptroller and Auditor General estimated the variation in cost of the approach at that date at £3.06 million, subject to further exchange rate movements. The Comptroller and Auditor General's comprehensive report addresses the specific points that the Deputy raises.

Euro payments made against the contract to date are €9.1 million with a sterling cost of £27 million. A further €8.5 million (sterling cost £16 million) have been acquired and are being held to meet future payments. A further €7.6 million of Airport income in Euros over 2009-2011 has also been allocated to fund future payments at a fixed rate. The remaining €0.6 million are required at the end of 2010. They are to be acquired under an approved policy which includes a stop loss. The forecast cost of exchange rate fluctuations compared to that at contract signing date is not yet finalised but the maximum under the policy will be £2.7m, and at the exchange rate on 7th September would be £2.5m.

The cost of the exchange rate fluctuations has been funded from the project budget, including the project's contingency and the capital reserve, subject to Ministerial Decision.