

Outline Business Case

October
2008

PFI Credit Support for Waste Treatment Facilities



RUBBISH
or Resource?

The West of England Partnership

Partnership Board Version

1 Executive Summary

1.1 Introduction

- 1.1.1 The three Authorities of Bristol City (BCC), North Somerset (NS) and South Gloucestershire (SG) Councils have formally joined together as part of the West of England Partnership to procure a shared solution to their future residual waste disposal needs.
- 1.1.2 They have prepared this Outline Business Case (OBC) to support an application for PFI funding as an integral part of delivering the West of England Joint Waste Management Strategy (Joint Waste Strategy).
- 1.1.3 The Joint Waste Strategy focuses on the management of municipal solid waste (MSW) for the next 25 years, and beyond, over four phases:
- **Phase 1:** Increasing waste minimisation and recycling efforts;
 - **Phase 2:** Diverting waste from landfill in the short term;
 - **Phase 3:** Diverting waste from landfill in the long term; and
 - **Phase 4:** Building in additional flexibility in the longer term to embrace emerging new technologies and accommodate changing volumes of waste due to future housing growth.
- 1.1.4 The Joint Waste Strategy includes targets for achieving recycling levels in excess of 50% of household waste by 2020. The chosen Reference Project does not present a barrier to further improvements in source segregation performance, which is anticipated to reach well beyond the 50% level.
- 1.1.5 Each of the Authorities formally adopted the Joint Waste Strategy individually in June 2008.
- 1.1.6 The Authorities are also engaged in the production of a land-use planning Joint Waste Development Plan Document (the Development Plan) - also known as a Joint Waste Core Strategy. This Development Plan will establish the spatial strategy for the distribution of strategic waste facilities for all controlled waste arising within the sub-region, including commercial and industrial waste.
- 1.1.7 This OBC deals with the procurement of waste treatment capacity under Phase 3 to secure the necessary diversion of biodegradable municipal waste (BMW) from landfill required under the Landfill Allowance Trading Scheme (LATS), meeting the Authorities' LATS allowances in 2020, whilst at the same time achieving and exceeding National targets for recycling.
- 1.1.8 A dedicated website www.rubbishresource.co.uk has been established to promote the Joint Waste Strategy throughout its development and implementation. The website also acts as an important interface between the Authorities, the public and all stakeholders.

- 1.1.9 The West of England Partnership has been established to provide leadership, direction and strategic co-ordination on transport, housing supply, economic competitiveness and inclusion, culture, leisure, tourism, learning and skills, planning and waste management. It operates under a Joint Working Agreement, which provides for, amongst other things, a Joint Waste Management Committee.
- 1.1.10 The West of England Partnership also includes Bath & North East Somerset Council (B&NES). B&NES is not a co-signatory to this OBC, but is nevertheless, a partner to the Joint Waste Strategy.
- 1.1.11 The procurement and development of the required waste treatment infrastructure will represent a radical change in the way waste is managed in the West of England. All residual MSW generated in the sub-region is currently landfilled, the majority of which is disposed of outside the area. Any new disposal arrangements are expected to deliver significant improvements in the quality of the environment. The Strategy seeks local solutions in support of the principles of self-sufficiency and proximity.
- 1.1.12 In accordance with Department for Environment, Food and Rural Affairs (Defra) guidelines, the OBC has been developed around a Reference Technology and based upon a Reference Site, so that Project costs can be determined and evaluated.
- 1.1.13 Following Defra approval of the Expression of Interest (Eoi) for PFI credits in May 2008, the Authorities have now developed this OBC which is seeking PFI funding support of at least 50% of the capital expenditure element of the senior debt, to fund the residual waste treatment project - equivalent to Defra PFI support of £74.9 million. This equates to an annual PFI Revenue Support Grant of £5.9m per annum.
- 1.1.14 Calculations in support of these figures are given in Appendix 8-2. The Reference Technology in the OBC is Energy from Waste (EfW) by incineration with Combined Heat and Power (CHP). To arrive at this Reference Technology, the Authorities undertook a comprehensive Technology Options Appraisal (TOA) of a broad and representative range of potential technology solutions. EfW by incineration with CHP emerged as the highest ranking deliverable and bankable solution, which met the agreed evaluation criteria following public consultation.
- 1.1.15 The OBC sets out details of the proposed procurement strategy together with the anticipated timescales for project delivery. The approach to procurement will be for the Authorities adopt a neutral position on both technology and sites in order to encourage competition from the market and ensure that the most environmentally sustainable solution is forthcoming. All bids received will be evaluated on the basis of environmental, technical and financial considerations.
- 1.1.16 The West of England Partnership will have a major influence on the sub-region's future waste management arrangements, building on the recent success and exceptional performance of the Authorities.

1.2 Background

West of England Characteristics

- 1.2.1 The Authorities are located within the West of England sub-region. This covers approximately 740 square miles. The population of the Authorities at 2006 was estimated to be 868,400 living in 370,000 households. The physical, social and economic geography of each Authority varies considerably.
- 1.2.2 The sub-region enjoys an outstanding strategic location with an excellent motorway and major road network spanning the entire sub-region.
- 1.2.3 The West of England sub-region includes the major city of Bristol. Substantial urban development has taken place in recent years on the southern fringes of South Gloucestershire and in Weston-super-Mare, North Somerset.
- 1.2.4 As a consequence, the Authorities' population has grown faster than the UK average. This population growth presents a particular challenge for the Authorities in controlling and managing waste arisings.
- 1.2.5 The Authorities will be required to deliver significant increases in new housing in the next 20 years. Currently the proposal is to build 96,050 new homes, over this period which will bring with them a significant additional quantity of MSW. This additional level of housing growth has been included in future waste predictions.
- 1.2.6 Local Government administration within the West of England comprises single tier unitary authorities, each of which is responsible for household waste collection and disposal. The Authorities each have a requirement to find alternative means of disposing of their waste other than by landfill. The Authorities have joined together in partnership to procure a joint solution to their waste disposal needs.
- 1.2.7 The Authorities believe working together offers them environmental and socio-economic advantages, including:
- Maximising economies of scale
 - Minimising environmental impacts
 - Minimising transport requirements
 - Providing best value for the tax payer

Future Waste Arisings

- 1.2.8 Municipal waste arisings are predominantly affected by population and the number of households. The Authorities expect household numbers to increase considerably each year up to at least 2026.

- 1.2.9 Future changes in arisings have been projected for each of the Authorities and are aligned with their validated annual WasteDataFlow returns made to the Environment Agency.
- 1.2.10 Waste compositional analysis has also been carried out by each of the Authorities over the period since 2005.
- 1.2.11 In order to further refine future forecasting of waste arisings, the Authorities plan to carry out additional waste compositional analyses within the next 12 months. This will ensure that comprehensive data on composition and calorific values will be available for bidding contractors.

Current Waste Management Arrangements

- 1.2.12 Each of the Authorities provides slightly differing waste collection and recycling services. All have made significant investment in these services in recent years with a corresponding improvement in performance.
- 1.2.13 Each of the Authorities is currently wholly reliant on landfill as a means of disposing of their residual waste, all of which is conveyed by road and/or rail to distant landfill sites. Other than landfill, there are no large scale waste treatment or disposal facilities in the South West region, and to date, there has been little investment in waste management infrastructure by the commercial sector other than that which has been stimulated by local authorities.

1.3 Strategic Waste Management Objectives

Joint Municipal Waste Management Objectives

- 1.3.1 The Joint Waste Strategy sets out the Authorities' objectives, which are to manage municipal waste by the most sustainable means, by meeting and exceeding the requirements of the Landfill Allowance Trading Scheme and the National Waste Strategy 2007 targets.
- 1.3.2 The Joint Waste Strategy incorporates a vision which is to provide a clear, non-technical statement of intent. The Vision has been consulted upon with local residents and stakeholders and has been adopted by the Authorities to influence and guide the implementation of the Strategy.
- 1.3.3 The objective of the Joint Waste Strategy is to deliver:
- An immediate and sustained campaign to reduce MSW arisings, in parallel with a co-ordinated effort to further improve performance on reuse, recycling and composting across all the Authorities; and
 - To implement a phased approach to managing LATS risk in:
 - The Short-term to 2015; and in
 - The Medium and long-term 2015/16 to 2020 and beyond, by procuring waste treatment capacity within the sub-region.

- 1.3.4 The execution of the Joint Waste Strategy through this phased programme will ensure that LATS allowances are met.
- 1.3.5 Delivery of the Joint Waste Strategy will significantly improve the proximity and self-sufficiency of waste management in the sub-region.

Waste Minimisation, Recycling and Composting

- 1.3.6 The Authorities are individually and jointly aiming to optimise waste reduction and reuse, taking into account the Waste Strategy for England 2007 targets. Table 1-1 shows that the Reference Project will exceed the National Waste Strategy 2007 targets for recycling of household waste in each of the target years.

Table 1-1 The Authorities' Modelled Recycling and Composting Performance compared to the National Waste Strategy 2007 Targets

Year	National Waste Strategy %	Reference Project %
2009/10	40.0	41.4
2014/15	45.0	49.4
2019/20	50.0	51.2

- 1.3.7 Each Authority is responsible for implementing its own programmes to improve recycling performance as part of their waste collection services and at their Household Waste Recycling Centres (HWRC).
- 1.3.8 In order to achieve this projected performance, the Authorities propose to improve their existing reuse, recycling and composting services through a series of Programmed Service Improvements (PSI). Changes to the frequency and nature of kerbside collections, together with changes in waste containment are key aspects of the PSI. Particular emphasis is being placed on organic waste.
- 1.3.9 As a result of the PSI, it is expected that BCC, NS and SG will reduce the quantity of residual waste arisings over the contract period. Table 1-2 shows the projected performance of the Authorities against National Waste Strategy 2007 targets for residual household waste per household and per person.

Table 1-2 Residual waste produced per household and per person compared to the National Waste Strategy 2007 Targets

Year	Residual household waste per household (kg)		Residual household waste per person (kg)	
	National Waste Strategy	Reference Project	National Waste Strategy	Reference Project
2009/10	741	621	310	266
2014/15	678	522	270	224
2019/20	574	505	225	218

- 1.3.10 BCC and SG have both benefited from the Waste & Resources Action Programme (WRAP) in developing their waste minimisation, recycling and composting services.
- 1.3.11 The Authorities are in the process of co-ordinating their efforts on waste reduction, reuse, recycling on a collective basis, particularly in areas where working jointly together has been assessed as adding Value for Money (VfM).

Landfill Objectives

- 1.3.12 The Joint Waste Strategy replicates the objectives of the National Waste Strategy 2007 to reduce waste arisings and to divert waste from landfill.
- 1.3.13 The Authorities are collectively targeted to landfill only 80,000 tonnes of BMW by 2020. They currently (2007/08) landfill approximately 187,000 tonnes of BMW. Achieving this target requires a considerable reduction in the quantity of BMW sent to landfill.
- 1.3.14 In recognition of the serious risk posed by LATS penalties, a phased approach has been adopted within the Joint Waste Strategy which provides flexibility together with the potential for improved recycling performance over the lifetime of the Strategy. This is reflected in each phase of the Strategy.
- 1.3.15 Assuming that the requisite treatment capacity in each Phase is secured, and the Programmed Service Improvements are achieved, the projected performance of the Authorities in relation to the amount of BMW landfilled is shown in Table 1-3 against the target dates in the National Waste Strategy 2007.

Table 1-3 The Authorities' LATS Performance set against the Target Years of the National Waste Strategy 2007

Year	LATS Allowance Tonnes	Reference Project BMW to Landfill Tonnes
2009/10	173,143	152,221
2012/13	115,325	92,261
2019/20	80,697	48,080

Sustainability and Environmental Objectives

- 1.3.16 At all stages in the preparation of the Joint Waste Strategy and the Development Plan, the Authorities sought to incorporate and build upon established sustainability assessment processes, including the Environment Agency's WRATE software model and the Carbon Trust's Local Authority Carbon Management Programme.
- 1.3.17 A full WRATE assessment was conducted in the course of undertaking the Technology Options Appraisal. Further modelling of the environmental impacts of potential solutions will be undertaken when bids are received, particularly in respect of CO₂ carbon equivalent (CO₂e) emissions. Each Authority has adopted National Indicator NI 186 for CO₂ emissions in their Local Area Agreements.
- 1.3.18 CHP is deliberately included in the Reference Project in order to improve carbon efficiency, maximise energy recovery, improve energy off-setting and reduce climate change impact. Moreover, CHP addresses concerns about future energy policy and energy security. The EfW with CHP option has been found to be a net contributor to reducing baseline CO₂e emissions.

1.4 Procurement Strategy and Reference Project

Overall Strategy for Procurement

- 1.4.1 To reflect the requirements of the National Waste Strategy 2007, the outcome of public consultation, the need to manage LATS risk, and the desire to accommodate the future opportunities of emerging new technologies, the Authorities are pursuing a four phased approach to implementing the adopted Joint Waste Strategy.
- 1.4.2 Phase 1 is an immediate campaign to reduce MSW arisings in parallel with a co-ordinated effort to improve source segregation and recycling performance across all the Authorities.
- 1.4.3 Phase 2 is to procure sufficient treatment capacity to avoid LATS penalties over the period to 2015, by which time the major infrastructure under Phase 3 is programmed to be operational.

- 1.4.4 Phase 3 recommends that for medium and long-term treatment capacity, 2015/16 to 2020 and beyond, the Authorities adopt 160,000 tpa EfW by incineration with CHP as their Reference Project. This is the basis of this OBC.
- 1.4.5 Phase 4 will take into account future changes in waste arisings to establish if further treatment technologies are required beyond 2020. It also provides flexibility to enable new treatment technologies to prove themselves, before being further considered as potential treatment solutions.
- 1.4.6 The Authorities have agreed and are committed to a procurement process in Phase 3 which will not be technology specific. This will encourage as wide a range of waste treatment technologies or combination of technologies as possible to come forward. Given the projected waste arisings, the 160,000 tonnes per annum Reference facility does not present a barrier to improvements in waste reduction, reuse and recycling, including Defra's recently recorded aspirational benchmark of 60% recycling.

Output Specification

- 1.4.7 A technology neutral, output based Specification is expected to attract a wide range of potential solutions for Phase 3. The Output Specification will not specify or exclude any particular technology, however, bidders will be expected to offer technologies which have the potential to offer enhanced recycling performance.
- 1.4.8 The cornerstone of the Specification will be key service performance criteria that are consistent with the Authorities' residual waste treatment objectives. These are focused on meeting LATS allowances at each target year. The Output Specification and Evaluation Criteria will determine the most suitable solution.
- 1.4.9 An operational period of 24 years with up to four years for development (including any commissioning period) is proposed.
- 1.4.10 The programmed delivery of the facility will be indicated in the Output Specification so as to ensure a seamless integration with existing collection services and the Phase 2 solution.
- 1.4.11 The Authorities have reviewed the latest Defra Waste Infrastructure Delivery Programme (WIDP) Output Specification drafting. They intend to base their Output Specification on extant model documentation and best practice.
- 1.4.12 The Authorities recognise the shortage of disposal capacity in the sub-region for commercial and industrial waste. Subject to meeting Defra Private Finance Initiative (PFI) criteria, the acceptance of any third party waste will require the solution to provide enhanced Value for Money (VfM).

Long and Short-listing of Technology Options to determine the Reference Technology and Project

- 1.4.13 During the preparation of the Joint Waste Strategy, the Authorities conducted a comprehensive TOA, between May and October 2006, in consultation with a wide range of stakeholders. Stakeholders also helped determine the evaluation criteria.
- 1.4.14 The TOA was based on Government (4ps, Defra, HM Treasury) guidance issued to local authorities undertaking major procurements, and on best practice from other similar local authority projects.
- 1.4.15 In March 2006, the Authorities' technical advisors conducted a gap analysis across a range of disciplines connected with the production of the Joint Waste Strategy. Part of that gap analysis included a review of technology options previously considered by the Authorities.
- 1.4.16 At a technologies workshop in June 2006, the technical advisors presented the long list of options from which a short list was presented to the Member Project Board in July 2006. It was agreed that this short list of options would be modelled and evaluated in the TOA in order to determine the Reference Project.
- 1.4.17 The short-listed technology options which were taken forward for the TOA are detailed in Table 1-4.

Table 1-4 Technology Options Modelled for the Reference Project

Option	Description
1	Energy from Waste by incineration
2	Biological Mechanical Treatment + 3 rd Party Thermal Treatment of Solid Recovered Fuel (SRF) + In-Vessel Composting of waste derived compost
3	Mechanical Biological Treatment + 3 rd Party Thermal Treatment of SRF + Landfill of stabilised output
4	Autoclave + Anaerobic Digestion of Fibres
5	Mechanical Treatment + 3 rd Party Thermal Treatment of SRF + Anaerobic Digestion of waste derived compost + maturation of digested compost product
6	Autoclave + Thermal Treatment of Fibre
7	Pyrolysis / Gasification (with fuel preparation)

- 1.4.18 These options were assessed and modelled in detail and were evaluated, weighted and scored by Members and stakeholders against a range of technical, environmental, financial and planning criteria to assess their relative performance. EfW by incineration emerged as the highest ranking deliverable and bankable solution.
- 1.4.19 As a result of public consultation feedback there was recognition of the efficiencies of a facility that recovers heat and power and that can

reduce climate change impact. Furthermore the Authorities considered the outcomes of the Sustainable Environmental Assessment (SEA) on the Joint Waste Strategy. This recommended that: "policy should be included to promote the recovery of energy and, in particular, the generation of CHP wherever practicable".

1.4.20 The Authorities took these issues into consideration and have adopted as the Joint Waste Strategy's Phase 3 Reference Technology, not just EfW by incineration, but a high efficiency EfW by incineration with CHP solution, including recovery of bottom ash and metals for reprocessing.

1.4.21 Details of the required infrastructure are given in Table 1-5.

Table 1-5 Key Facilities included within the Reference Project

Proposed Facility	Number of Proposed Facilities	Capital Expenditure	Capacity of Facility
EfW with CHP	1	£111,500,000	160,000 tpa

1.4.22 The recovery performance of the Reference Project is compared against the National Waste Strategy 2007 targets in Table 1-6 below.

Table 1-6 The Authorities' Modelled Recovery Performance compared to the National Waste Strategy 2007 Targets

Year	National Waste Strategy %	Reference Project %
2009/10	53.0	43.7
2014/15	67.0	69.3
2019/20	75.0	83.1

1.5 Risk Management, Risk Allocation and Contractual Structures

Risk Management and Risk Allocation

1.5.1 The Authorities have placed a great deal of importance on ensuring that risks are identified, monitored and managed, and on putting mitigation measures into effect where necessary and appropriate.

1.5.2 Risk management is integral to the project. A number of parallel exercises in risk assessment and mitigation are being carried out both before and during the procurement process and, furthermore, during the delivery of the residual waste treatment facilities. The aim of this is to eliminate, or reduce risk to an acceptable level.

1.5.3 Alongside these internal risk management tools, the Authorities are also utilising the 4ps Gateway Review process to provide external review,

verification and challenge. The Gateway Gate 0 review held in June 2007 was highly successful in embedding the Project and providing it with timely advice and guidance. A Gateway Review Gate 1 review is planned following OBC submission.

- 1.5.4 A dedicated Risk Register has been prepared for Phase 3. The Joint Waste Management Board is tasked with monitoring, owning, continuously reviewing and updating all Risk Registers as the project progresses.
- 1.5.5 Risk allocation post-financial close will be structured within the contract. Defra's Standardisation of PFI Contracts guidance and drafting (SoPC4) will be followed to ensure that contractual risk transfer is aligned with the PFI process.
- 1.5.6 An Officers' risk allocation workshop in September 2008 involving legal, financial and technical advisors, established a methodology for allocating risk between the contractor and client. This Risk Allocation Matrix was further used to underpin the quantification of risks as part of the VfM calculations.

Project Agreement and other Contractual Documents

- 1.5.7 The Authorities propose a contract based on HM Treasury's Standardisation of PFI Contracts guidance and drafting (version 4 dated March 2007) (SoPC4), as amended by the Defra Standardisation of Waste Management PFI Contracts: Guidance on SoPC Derogations (dated May 2006). The contract will consider sector specific principles, including the planning regime, from the model form drafting in the 4ps Waste Management Procurement Pack (WMPP).

1.6 Project Team and Governance

Partnership Agreements and Governance

- 1.6.1 The Authorities have in place robust project management and governance arrangements which can deliver a project of this scale over the timetable set out in this OBC.
- 1.6.2 A legally binding Joint Working Agreement is being considered to be agreed through which a Joint Waste Management Committee (comprising Executive Members for Waste Management) has been established to oversee the implementation and procurement of the Joint Waste Strategy. The Joint Working Agreement provides the constitutional and legal framework on which the project will move forward. It sets out the roles and responsibilities, cost sharing arrangements, the consequences of withdrawal during the procurement and the operational phases of the contract.
- 1.6.3 The arrangements also include for a Joint Scrutiny Committee (comprising the Authorities' individual Scrutiny Committees) to oversee the work of the

Joint Waste Management Committee. The governance arrangements therefore recognise and reflect the scale of the project and the level of investment required for its delivery.

- 1.6.4 The Joint Waste Management Committee will monitor and oversee the procurement process on behalf of the Authorities and will be responsible for many of the key decisions. These include the approval of the evaluation criteria for the contract, the selection and approval of short-listed and preferred bidders and the execution of the ensuing contract, subject to it being in accordance with the budgets approved by each Authority and their individual Strategic Plan Frameworks.
- 1.6.5 The Joint Waste Management Board comprising the Lead Officers of the partnering Authorities will be responsible for the day-to-day delivery and procurement of the Project. The Project Team will be led by an experienced full-time Project Director and assisted by a full-time Project Manager and Project Co-ordinator. Other Officers who will represent their Authority and/or the Project in specialist areas such as finance, communications, legal and property, will also be dedicated as required, and the Project Team will continue to be supported by external advisors.

External Advisors

- 1.6.6 The Authorities have appointed nationally recognised and experienced waste PFI specialist advisors to assist in the development, procurement and delivery of the Project. These are:
- Technical - Jacobs Engineering UK Ltd
 - Financial – PricewaterhouseCoopers LLP
 - Legal – Pinsent Masons LLP.
- 1.6.7 Although the Project Team includes a part-time dedicated Communications Officer, the Authorities will continue, from time to time, to employ specialist communications consultancies, particularly in support of public consultation.

1.7 Sites, Planning and Design

Site Identification, Acquisition and Planning

- 1.7.1 The Authorities have carried out a comprehensive Planning Risk Assessment and Site Selection Methodology Study to establish in greater detail the suitability of sites which are considered to be appropriate for the development of strategic waste management facilities at the scale required. This work was built on that done previously during the preparation of the Development Plan's Preferred Options Consultation Document.

- 1.7.2 A detailed sites appraisal process has been undertaken in which evaluation criteria were used to identify a Reference Site which meets existing planning policy statements.
- 1.7.3 The proposal to utilise the site of the former Texaco Fuel Storage Depot, in the ownership of BCC, is consistent with the emerging Development Plan.
- 1.7.4 The site is within an area allocated to provide industrial and warehousing uses, including port related, waste management, energy production and distribution activities. It is covered by Bristol Local Plan Policy EC4A.
- 1.7.5 The proposal is consistent with regional policy as set out in the draft Regional Spatial Strategy (RSS) for the South West of England. The Project will assist in meeting a large proportion of the RSS's indicative apportionment for MSW management capacity in the sub-region. The Project upholds the principles of self-sufficiency and proximity.
- 1.7.6 The emerging Development Plan has reached the stage where Preferred Options are about to go to public consultation. The Reference Site is identified in the Preferred Options Consultation Document as a potential site for a strategic waste management facility.
- 1.7.7 Within the Joint Replacement Structure Plan for the Authorities adopted in September 2002, this proposal is consistent with Policy No. 29 which seeks to ensure that the development of waste management facilities is sustainable, meets the needs of waste arisings in the area and employs the Best Practicable Environmental Option. The proposal is also aligned with the draft RSS waste policies, including Regional Planning Guidance No. 10 (RPG10).
- 1.7.8 These policies will be used to help determine any early planning applications.
- 1.7.9 There are no policies that indicate that the site would not be suitable for the intended use in principle.
- 1.7.10 The Texaco site is in the ownership of BCC and is available, subject to planning consent, for immediate occupation. It has been removed from the BCC commercial property portfolio to enable site investigations to be completed. It is anticipated that BCC would lease the site to the successful contractor under a commercial agreement for the duration of the contract.

Facility Design

- 1.7.11 The Authorities recognise the importance of design quality and sustainability within the built environment and that this Project represents an opportunity to deliver high quality, sustainable, well designed infrastructure. As part of this process, the Authorities' plan to consult with the Commission for Architecture and the Built Environment (CABE).

- 1.7.12 The Authorities believe that the most appropriate environmental assessment methodology for this type of development is currently CEEQUAL (Civil Engineering Environmental Quality Award). CEEQUAL is recognised under the Office of Government Commerce (OGC) Common Minimum Standard's.
- 1.7.13 Design quality and sustainability criteria will be used to evaluate bids. Bidders will be required to demonstrate how their approach to sustainability will improve the overall design of the proposed solution.
- 1.7.14 It is proposed that the design criteria which will be provided to all bidders shall not be overly prescriptive. This is in order to encourage bidders to carry out their own research so as to bring forward an innovative, high quality, sustainable design.

1.8 Cost, Budget and Finance

Procurement Costs

- 1.8.1 Detailed budget allocations and contingencies have been approved by each Authority in terms of an indicative budget for the Project over the period 2008/9 to 2011/12. The cost of the procurement process is being shared between the Authorities, based on the quantity of residual waste arising for disposal in the preceding year. Calculations are made on the basis of each Authorities' verified WasteDataFlow returns to the Environment Agency.

Value for Money (VfM) Assessment

- 1.8.2 In order to confirm that the PFI procurement route is likely to deliver VfM in comparison to conventional procurement, the Authorities utilised the HM Treasury's Stage 2 "Value for Money Assessment Guidance" as issued in November 2006.
- 1.8.3 The Authorities believe that the characteristics of this project indicate that the PFI procurement route is appropriate, and are confident that the proposed project meets the viability, desirability and achievability requirements set out for PFI.
- 1.8.4 The output of the HM Treasury Model shows that the project offers VfM through PFI of 11.9% under a (base case) pre Tax Internal Rate of Return (IRR) of 15%. This 11.9% represents the percentage difference in Net Present Value (NPV) costs between the PFI Option and the Public Sector Comparator (PSC) Option i.e. conventional procurement.
- 1.8.5 As this value is positive, the PFI Option offers better VfM than conventional procurement. The figure of 11.9% exceeds the HM Treasury benchmark figure of 5-10%.
- 1.8.6 The OBC contains a sensitivity analysis demonstrating the sensitivity of the VfM assessment to variations from the base case assumptions.

Reference Project and Affordability

- 1.8.7 Detailed modelling as part of the OBC development has shown that the Reference Project offers the Authorities the best solution when assessed against a range of technical, environmental, economic and deliverability criteria.
- 1.8.8 The development of the Reference Project demonstrates that the nominal cost of all phases of the Strategy over a 24 year operational contract would be £2,854.7million.
- 1.8.9 The Reference Project which includes PSI for each Authority, PFI credit support and provision to accommodate the implications arising from SG being already a party to a contract for some of its waste services with SITA until 2026, shows that there is a net total Affordability Gap for the Authorities of £174.2million over the life of the contract 2015-2039.

Bankability

- 1.8.10 It is accepted that the current financial environment is an exceptionally difficult one, the likes of which has not been seen in recent times. However, the Authorities and their advisors are aware that despite these difficulties senior debt providers are continuing to show interest in lending to waste PFI projects. The Authorities will work closely with its advisors to ensure that any PFI procurement is conducted in such a way to attract maximum possible interest from lenders and to fully understand and address any issues that may act as potential barriers to funding.
- 1.8.11 The Affordability Gap for each of the Authorities is shown in Table 1-7.

Table 1-7 Indicative Affordability for the Authorities

Authority	Total Affordability Gap over life of the Project 2015-2039 (\$m)
BCC	(58.5)
NS	(60.2)
SG	(63.3)
Sub-total Difference	(182.0)
Gap due to difference between modelling assumptions and current SG PFI contract	7.8
Total	(174.2)

- 1.8.12 As an integral part of the OBC approval process, described in more detail in Section 1.11, each Authority has explicitly acknowledged their share of

the Reference Project and has formally resolved to meet the total Affordability Gap.

1.9 Stakeholder Communication

Communications Strategy and Engagement with the Public and Other Bodies

- 1.9.1 The Authorities recognise the importance of good communications in the development of both the Joint Waste Strategy and the Development Plan.
- 1.9.2 The need to consult with stakeholders and raise awareness of the issues around waste management was identified in the first Communications and Stakeholder Engagement Plan that was prepared in June 2006. This was subsequently reviewed, revised and enhanced ahead of the Issues and Options public consultation exercise in spring 2007.
- 1.9.3 A high priority was given to identifying the stakeholder groups who were to be invited to participate in the early 'awareness-raising' consultation and who would continue to contribute to the development of the project at all future stages.
- 1.9.4 The list of target groups included opinion formers such as journalists, elected Members, business leaders, influential organisations, environmental interest groups and waste industry professionals. The Communications and Stakeholder Engagement Plan has also identified the need to target those who might be regarded as 'hard to reach', as their opinion is just as valid as those who are often more forthcoming in expressing their views.
- 1.9.5 The Communications and Stakeholder Engagement Plan aims to provide a long term plan of activity which addresses the communications requirements of each and every phase of the project.
- 1.9.6 The creation of a dedicated website has enabled the Authorities to place in one location all public documents on the Project. These can be downloaded at any time. The site also provides information about past and future Executive Member meetings and Scrutiny Committees which are held in public forum. These provide an additional opportunity for interested persons to witness the decision-making process and, if they wish, to submit statements and questions. In many instances, the proceedings of Executive/ Cabinet meetings are 'webcast' so that the decision-making process can be viewed both in real-time and from archived recordings.
- 1.9.7 Although discussions on the Project took place with other authorities who border the West of England during 2006 and 2008, it was not possible to broker any further mutual benefits beyond those to be gained by BCC, NS and SG.

Market Interest

- 1.9.8 The Authorities have carried out two soft market testing exercises in respect of Phase 3 of the Joint Waste Strategy.
- 1.9.9 These took the form of one-to-one, face-to-face, confidential meetings with potential bidders. Ten organisations were engaged comprising two construction organisations, as well as eight established and new entrant waste management companies.
- 1.9.10 The exercises generated a good response, which confirmed that there is firm market interest in the project. The companies provided valuable information and feedback, and confirmed the Authorities' approach in several aspects, including its approach towards procurement, sites, planning, technology and contractual and commercial matters. Contact with the market will continue and the information gained used to help refine the development of the Project. The Authorities have already gained useful experience from holding Bidders' Days for other projects, and this principle will be upheld at the point at which a notice is published in the Official Journal of the European Union.

1.10 Timetable

- 1.10.1 The project delivery timetable has been developed in accordance with programming guidance from Defra, the 4ps and Office of Government Commerce (OGC).
- 1.10.2 The OBC period began with the submission of the EoI on 31 March 2008 and will end with the submission of the OBC to Defra on 31 October 2008. This will be followed by the review and approval processes with Central Government. An OJEU notice is anticipated to be released by 31 March 2009, the timing of which is dependent upon HM Treasury Project Review Group approval decision on PFI funding being made on 17 February 2009.
- 1.10.3 Any delay in approval brings forth the risk of the pre-procurement process falling into the period of 'purdah' ahead of planned local government elections in June 2009.
- 1.10.4 The procurement itself will follow the Competitive Dialogue process. Both BCC and SG have recent experience of this process in seeking a strategic partner to manage and deliver a number of their services.
- 1.10.5 Various timetable risks and contingency measures have been identified and allowed for within the programme. The operational commencement date of the Project facility of October 2015 is considered realistic. The Authorities will keep its procurement and programming strategy under review so that key milestones can be adjusted in order to secure the best possible outcome for delivery of the Project. A summary project timetable is shown in Table 1-8.

Table 1-8 Summary of project timetable

Activity	Date	Activity duration
Submission of EOI	31 March 08	1 Day
Approval of EOI	30 May 08	2 months
OBC being considered for approval by Authorities	October 2008	1 Month
Submission of OBC	31 October 2008	1 Day
Defra Approval of OBC	January 2009	3 Months
PRG Approval of OBC	17 February 2009	1 Day
OJEU Published	31 March 2009	1 Day
Descriptive Document Issued	March 2009	1 Day
Invitation to Submit Outline Solutions (ISOS) Issued	July 2009	1 Day
Dialogue and completion of ISOS by bidders	July to November 2009	5 Months
ISOS returned by bidders	November 2009	1 Day
Invitation to Submit Detailed Solutions (ISDS) Issued to bidders	March 2010	1 Day
Dialogue and completion of ISDS by bidders	April to September 2010	6 Months
ISDS returned by bidders	September 2010	
Dialogue	September to November 2010	2 Months
Call For Final Tenders issued to bidders	December 2010	1 Day
Preparation of the FBC commences	December 2010	7 months
Submission of Final Tenders by bidders	April 2011	4 Months
Submission of FBC to Defra	June 2011	1 Day
Defra/ PUK/ PRG approval of FBC	August 2011	2 Months
Preferred Bidder appointed	August 2011	3 Months
Contract awarded	December 2011	1 Day
Financial close	January 2012	1 Month
Planning application submitted	February 2012	
Planning application successfully determined	October 2012	8 Months
Construction of facility commences	October 2012	2.5 years
Construction completed and commencement of commissioning	April 2015	6 months
Operational commencement of facility	October 2015	

1.11 OBC Approval and Commitment

- 1.11.1 The OBC has been prepared jointly with input from the Authorities and is in the process of being formally approved by each Authority.
- 1.11.2 The OBC and the Joint Working Agreement will be presented in full to each of the Authorities' Executive/ Cabinet with an accompanying Officer report to each. These reports summarise the key sections of the OBC including the costs of the Reference Project compared with the landfill alternative, together with its affordability implications and a VfM assessment. Draft versions of the OBC and Joint Working Agreement were made available to Executive and Council Members at the end of September 2008, and they have been scrutinised by the individual Authority Scrutiny, and Joint Scrutiny Committees.
- 1.11.3 Each Executive/ Cabinet is in the process of being made fully aware of the magnitude and timing of their financial commitments to deliver the Project, and the consequences of withdrawal from the governance arrangements.
- 1.11.4 Meetings are in place for each of the Authorities' Executive/ Cabinets to consider the final OBC and approve its submission to Defra during week commencing 27 October 2008.
- 1.11.5 Copies of the reports and minutes of the meetings will be published when they have been formally approved and signed off.
- 1.11.6 The Authorities are confident that this OBC is robust and that they have the appropriate levels of expertise and experience available to them to ensure a successful outcome. With PFI credit support, the Authorities have confirmed that the affordability gaps will be met

