Staffordshire County Council

Final Business Case July 2010
REDACTED VERSION
PFI Funding
Project W2R
Provision of a Residual Waste Treatment Facility

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1.1 Executive Summary Foreword

Staffordshire County Council is proposing to implement Project W2R comprising the development of a treatment solution that will contribute to the delivery of sustainable waste management in the County, and help further the same objectives in the neighbouring authorities of Warwickshire, Sandwell and Walsall.

This document is the Final Business Case (FBC) for Project W2R confirming the affordability and deliverability position of the original Outline Business Case (OBC) submitted in March 2008. It seeks only to highlight details which have altered significantly since the application for PFI funding. The document will show that not only was the original OBC robust but that Staffordshire County Council and its partners, advisors and the Preferred Bidder have worked on the original concept to improve affordability, deliverability and sustainability of the project as whole.

The Joint Municipal Waste Management Strategy for Staffordshire and Stoke-on-Trent published in May 2007 demonstrates the need for the development of a municipal waste treatment facility in the south of the County to achieve the objective of *Zero Waste Direct to Landfill by 2020*. The municipal waste strategies for the neighbouring authorities of Walsall, Sandwell and Warwickshire indicate a similar if not more pressing need for residual waste treatment that will help them achieve LATS compliance and maximise diversion of waste from landfill.

Project W2R constitutes the design, construction and operation, by 2013, of a 300,000 tpa Energy from Waste Plant (EfW) to convert residual waste from the authorities of Staffordshire (lead), Warwickshire, Sandwell and Walsall, primarily into electricity. The Authority recognises the potential advantages that enhanced resource recovery processes such as combined heat and power (CHP) and additional recycling from process waste may offer in terms of sustainability.

The project includes proposals to recycle over 80% of the process waste from the project. Options to develop CHP schemes have been and are continuing to be pursued by the Authority and the Preferred Bidder for their technical and financial feasibility. Staffordshire County Council is determined to realise the benefits of CHP if at all possible. However, the Authority is not in a position to proceed with any such project if its own costs and value for money criteria are jeopardised. The value for money implications, along with practical and legal feasibility of any potential CHP schemes will be tested further through negotiation with potential end users.

The Council undertook extensive work to identify a site suitable for the development of an EfW facility. This reference site is located on brown field land at Four Ashes in South Staffordshire. The site has industrial neighbours in an area known for its industrial land use. The Council acquired the site and a planning application was submitted in May 2008. Planning Permission was granted by Staffordshire County Council in December 2008, that decision being referred to the Government Office for the West Midlands (GOWM) for consideration. On 13th January 2009 the GOWM issued a letter confirming that the Secretary of State did not intend to intervene. The permission, subject to legal challenge by any third party, was issued on 9th April 2009.

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The reference project is for the management of residual waste arising in Staffordshire, Warwickshire, Sandwell and Walsall with the provision of a "stand alone" facility and landfill services for waste that cannot be treated or recycled following treatment. The provision of transfer facilities and other waste management infrastructure will be procured through separate but co-ordinated contracts. All four shortlisted bidders for the project proposed to use the reference site for their bids.

From the present time until 2020 it is expected that municipal waste within the County and Stoke on Trent will grow slowly from its current levels. Over the same period, Staffordshire's collection authorities working with the County via the Joint Waste Management Board (JWMB) will raise the recycling and composting rate from its current 43% to 55% of household waste countywide.

Staffordshire and Stoke on Trent have an existing Waste to Energy plant at Hanford within the Stoke City boundary. Continued use of this plant combined with increased recycling rates will leave approximately 125,000 tonnes per annum of residual waste requiring non landfill disposal. Project W2R is designed to deal with this remaining residual waste, thus avoiding LATS liabilities and allowing the county to achieve virtually zero waste being sent to landfill.

The Council has engaged with its neighbours, Warwickshire County Council, Walsall Council and Sandwell Council, and gained agreement from them to support a waste treatment facility with sufficient capacity to provide, in part, for their waste management needs. Project W2R will therefore also provide a sub-regional facility that will assist Sandwell, Warwickshire and Walsall with their strategies for achieving sustainable waste management and LATS compliance. Waste projection scenarios have indicated that the combined residual waste tonnage of the four authorities will range from 225,000 to 300,000 tonnes per annum with a "base case" of 265,000 tonnes per annum.

Further, the Council has tested the market for other municipal solid waste arising from its neighbours as well as commercial and industrial waste arising within and close to the County. The Council and the Preferred Bidder are confident that additional third party waste may be secured with appropriate gate fee sharing mechanisms to warrant the development of a 300,000 tpa facility. This will contribute to the UK's wider landfill diversion obligations and to ensure that any reserve capacity required to ensure flexibility of service to the four authorities can be economically utilised.

In developing Project W2R the County has taken into account the key requirements which must be fulfilled for a successful project. These are:

Affordability and Best Value – the project has been designed to be both affordable and to deliver best value for money for Staffordshire and its neighbouring authorities. The selection of thermal treatment has provided for a reliable and established technology that gives rise to increased confidence and lowered risk profiles for bidders and funders. This has ensured a best value for money solution for the Council.

By forming agreements with the neighbouring authorities of Warwickshire, Sandwell and Walsall and allowing for additional private sector waste inputs, the plant size has been optimised, gaining best value for all parties from economies of scale.

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Extensive market testing and analysis of other projects has led to a project which has proved to be attractive to the market, resulting in a highly competitive procurement in which a competitive tension was maintained throughout.

Deliverability – to avoid significant LATS liabilities and Landfill Tax payments, the W2R facility needs to be fully operational before 2015. Therefore, the Project has been designed to maximise its deliverability through a number of actions. These include:

- selection and acquisition of a viable site;
- gaining full planning permission for the reference facility prior to seeking detailed price solutions from participants;
- minimising contract complexity and the need for SoPC4 derogations with a simple project to manage residual waste arisings with a single treatment facility;
- the co-operation and agreements with neighbouring authorities on a contract basis rather than inter authority joint procurement or formal partnership to make the process more efficient and simplify procedures;
- full cross party support was gained from County Council Members allowing the procurement to proceed in a positive manner following the change of administration in June 2009.
- officers delegated sufficient authority to make appropriate decisions outwith the political arena, and;
- the adoption of a decisive and clear indication of preferred technology and procurement processes, with the aim of giving bidders and funders confidence in the deliverability of the project, and reducing the complexity of bid evaluation thereby making the process more efficient.

Information redacted due to commercially sensitive and confidentiality reasons

Sustainability – by choosing a thermal energy recovery solution, the Council believes the W2R project is both environmentally and economically sustainable in the long term. The energy recovery is completed on site with only untreatable waste and treatment by-products requiring onward transportation. The successful bidder will achieve XX% diversion of contract waste from landfill and XX% diversion of treatment bi-products from landfill also.

This, together with careful and strategic location of appropriate transfer stations, means the transport impact for the solution is minimised.

As noted above, opportunities for enhanced resource recovery will be explored as the project progresses. The opportunities for CHP development at the site are significant. The Authority and the Preferred Bidder have and are continuing to explore the options for CHP. It should however be realised that it will not be possible to confirm the development of a viable CHP scheme until after the award of contract. The final contract therefore does not contain a CHP scheme.

The preferred tender includes sustainable construction techniques and the proposed technology not only complies with or betters relevant environmental legislation, (particularly the Waste Incineration Directive) but is also one of the most modern designs that achieves improvements in the thermal efficiency compared to EfW plants currently operating in the UK. The proposed building and site design

incorporates a number of sustainable and wildlife habitat enhancing features including a 1.3 hectare wildlife conservation area.

Furthermore, the W2R project is designed not just to meet minimum legislative requirements but is based on the premise that Zero Waste to Landfill is both the most economic and most environmentally beneficial option for the County, as set out in the Joint Municipal Waste Management Strategy.

Waste Strategy for England 2007

This Final Business Case will also demonstrate that Project W2R in conjunction with the implementation of Staffordshire County Council's Municipal Waste Strategy is a key element in the Authority's drive to meet or better the objectives within the National Waste Strategy. Working in co-operation with our district authorities and the City of Stoke on Trent we will achieve or better the following key objectives of the National Waste Strategy:

Waste Reduction – Staffordshire will achieve by 2020 the National Strategy target through a reduction of 45% in household waste not re-used, recycled or composted per household compared to 2000 levels.

Recycling and Composting - Staffordshire will exceed national targets by recycling or composting at least 55% of its household waste by 2020. At least one authority in the County has achieved that target already.

Diversion from Landfill – by implementing its "Zero Waste to Landfill" policy through Project W2R, Staffordshire will achieve over 90% diversion of waste from landfill well in advance of 2020, thus making a major contribution to the nation's landfill diversion targets.

Project W2R also forms a vital role in assisting the neighbouring authorities of Walsall, Sandwell and Warwickshire in meeting the above targets by providing a non landfill disposal point for a significant proportion of their residual waste.

4Ps Gateway Review

In October 2008 an independent Gate Way 2 Review of Project W2R was conducted by the 4ps organisation (now Local Partnerships). It had the following comments to make about the current state of readiness and overall suitability.

- The Review Team finds that the project is currently well placed to succeed.
- There are clear aims and objectives and the project is being driven forward by a determined and committed team. It has widespread support across political parties, stakeholders and partner authorities and benefits from strong leadership.
- Project scope is well defined and has clear mechanisms to enable effective delivery against a challenging but achievable timetable. It is currently on target in terms of time and cost.

In February 2010, and independent Health Check Review of Project W2R was also conducted by the Local Partnerships organisation. It had the following comments to make about the current state of readiness.

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- The health check team finds that the project is well placed to succeed.

- The project has strong political support and was endorsed by all the stakeholders interviewed. There is a committed project team in place and the project is well run. The procurement process adopted to date appears to have been fair and robust as confirmed by internal audit and review by the projects legal advisors.

- The project remains affordable although the foreign exchange risk has increased the [potential] project cost. Other project risks have been identified and appear to be under control.

- The next procurement milestone is the closure of dialogue leading to the submission of final tenders. While project is broadly ready to proceed to this stage, in addition to the commercial review referred to above, there remain a few outstanding technical and financial issues to be resolved. There appears however no reason as to why these cannot be completed by the proposed date in March.

Staffordshire County Council's Internal Audit Section has undertaken reviews in July 2009 and April 2010 and the findings are summarised below:

July 2009
*"Based on our evaluation of the findings of the audit review, Internal Audit are able to give a **Substantial** level of assurance in relation to the system controls and the application of these controls in respect of the selection of final bidders within the W2R procurement project."*

April 2010
*"Based on our evaluation of the findings of the audit review, Internal Audit are able to give a **substantial** level of assurance in relation to the system controls and the application of these controls in respect of the final tender submission evaluation process for the Project W2R….."*

Defra and PRG

Following successful submission of the original OBC the project was given the go ahead from both Defra and PRG and awarded £122.4M of PFI credits in July 2008.

In February 2010 the Project was reviewed by the WIDP commercial review team who have agreed that the commercial position for the project is acceptable.

Procurement

The Project has undertaken the procurement through the competitive dialogue (CD) system of EU Procurement. An OJEU notice was issued in August 2008 with PQQs being submitted by bidders at the end of September 2008. A short list of 5 bidders was selected, one bidder (SITA UK Limited) however immediately withdrew leaving:

Covanta Energy Limited
MVV Umwelt GmbH
Shanks Group plc/Wheelabrator Technologies Inc
Veolia ES Aurora Limited

Invitations to submit detailed solutions (ISDS) were issued to the participants and returned on March 31st 2009. On June 19th 2009 MVV and Veolia were selected as the final shortlisted participants.

Extensive dialogue has been undertaken since that date with Calls for Final Tenders being issued on 19th March 2010.

On 23rd April 2010, Veolia was identified by the W2R Project Board as Pre Preferred Bidder. On 20th May, following Cabinet and full Council Approval, Veolia was confirmed as Preferred Bidder.

Following discussions regarding the HM Treasury's non acceptance of the SCC preferred position on electricity revenues (Veolia's Standard bid), the proposal to accept Veolia's Variant bid, which is compatible with HMT's requirements, was put before the W2R Project Board and then Cabinet on 2nd June. Veolia was confirmed as the Preferred Bidder on the basis of their Variant bid.

Conclusion

This FBC demonstrates that the W2R Project has been and will continue to be successful on the basis of the extensive work undertaken to date to obtain a position whereby:

- full political support for the project has been obtained
- a suitable site has been identified, acquired and was adopted by all bidders
- Energy from Waste is recognised as the optimum waste treatment solution for the County
- CHP is potentially a viable option
- the planning permission has been awarded
- three neighbouring authorities have entered into agreement thereby making a sub-regional facility
- a preferred bidder has been selected in timely and efficient manner
- clarity of purpose and effective project management has resulted in the maintenance of competitive tension throughout the procurement process
- the Preferred Bidder's solution is within the original affordability envelope set out in the OBC of March 2008.

Staffordshire County Council through Project W2R has demonstrated that it is possible to deliver a successful waste PFI scheme, in an efficient and effective manner. The facility will be delivered at a best value and affordable cost and in a timely fashion, whilst at the same time maximising sustainability and the environmental benefits of "Zero Waste to Landfill".

1.2 Background

Staffordshire – Key Characteristics

Geography

1.2.1 The County of Staffordshire and Unitary Authority of Stoke-on-Trent City Council are located near the geographical centre of the Country and are bounded by 12 other Waste Disposal Authorities. Below the County Council and Stoke City level, local government is provided through 8 district and borough Councils.

Figure 2-1: Map of Staffordshire and Stoke-on-Trent

Population and Housing

1.2.2 The combined population of Staffordshire and Stoke-on-Trent is 1,055,000, the population of Staffordshire being approximately 816,000. Population projections indicate that the population of Staffordshire will grow by between 4%-7.3% by 2029, resulting in a population increase for Staffordshire of about 45,000 by 2020. Household numbers are predicted to rise from 342,000 to 381,000 by 2020.

Waste Arisings

1.2.3 In 2008/9 total waste arisings excluding Stoke on Trent were in the order of 450,000 tonnes of MSW. Detailed analysis in 2006/7 results have indicated that Staffordshire's waste composition does not differ significantly from national averages. Table 2-1 below shows the Municipal and Household waste arising within Staffordshire County alone since 2006.

Table 2-1: Analysis of Waste Arising 2006-2009

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2006/07	370,654	5,719	82,338	19,563	478,274	2.70
2007/08	361,622	10,666	76,579	20,908	469,775	(-) 1.78
2008/09	356,569	9,055	65,087	18,912	449,623	(-) 4.29

Waste Growth

1.2.4 Due to recent economic circumstances and increased success in waste reduction, waste growth has recently become negative with total tonnages of waste falling from their 2006 peak. Predictions of future waste growth are therefore difficult to produce. It is considered that recent falls in waste production have been caused by a combination of factors including, reductions in packaging, increased waste awareness amongst the public and economic down turn which has hit the region badly. It is believed that the down turn in waste arisings will not continue indefinitely, but when the decline will halt and if, as the economy recovers, waste growth will return is very uncertain. The authority considers, therefore, that projections of current statistics are of little or no help in predicting future municipal waste production. It is, however anticipated that Staffordshire will continue to produce in the region of 215,000 tonnes per annum of residual waste.

Recycling Performance

1.2.5 Table 2-3 below summarises recycling performance for each district and the County HWRC service since 2006/7. It can clearly be seen that recycling rates over most of the County have improved dramatically in recent years. Staffordshire and Stoke on Trent have through the waste Strategy pledged to achieve a 55% household waste recycling and composting rate by 2020. This target is likely to be reached before the plant is operational in late 2013.

Table 2-3: Recycling and Composting Performance

Year	Recycling	Recycling	Composting	Composting
	Tonnes	% of HHW	Tonnes	% of HHW
2006/07	86,098	19.01	82,797	18.28
2007/08	94,951	21.67	90,468	20.65
2008/09	97,196	23.05	94,742	22.47

1.2.6 As can be shown by Table 2-4 below, residual waste treatment within the County especially tonnages sent to landfill, has been declining. Beyond 2013 when the W2R facility becomes operational, landfill will only be used for wastes that are unsuitable for treatment at the energy from waste facilities.

Table 2-4: Residual Waste Treatment

Year	Thermal Treatment	MSW Landfilled	Diversion Rate	BMW Landfilled	Landfill Allowances
	Tonnes	Tonnes	%	Tonnes	Tonnes
2006/07	92,955	197,901	58.6	136,077	189,303
2007/08	94,260	169,188	64.0	115,183	187,981
2008/09	95,615	143,125	68.2	96,495	186,328

Current Disposal and Recycling Arrangements

1.2.7 The County and the districts have a number of arrangements in place and these have not fundamentally changed since 2008.

Residual Waste Disposal

1.2.8 Residual waste disposal in Staffordshire relies on two principal methods, these being landfill and Energy from Waste (EfW).

1.2.9 ***Energy from Waste (EfW)*** **-** Since 1995 Staffordshire and Stoke on Trent (Lead) have held a joint contract with Martin Engineering Services Environmental (MESE) for the disposal of residual waste at the Hanford EfW plant near Stoke on Trent. The plant handles up to 185,000 tonnes of residual waste per year and forms an essential part of the strategy for achieving "Zero Waste to Landfill" up to 2038.

1.2.10 ***Landfill*** - All remaining residual waste generated by Staffordshire and Stoke on Trent is sent to landfill (currently about 140,000 tonnes per year).

1.2.11 ***Transfer Stations*** **-** The County uses a number of transfer stations to facilitate the bulking and haulage of residual waste. Additional transfer facilities will be required to provide an economic and practical means of delivering waste to the W2R facility.

City of Stoke on Trent

1.2.12 Staffordshire County Council and the City of Stoke on Trent enjoy a close and long lasting relationship with regard to waste management which has continued uninterrupted since Stoke became a Unitary Authority in 1997. Stoke on Trent has retained its independent status in regard to its duties as both collection and disposal authority, but has voluntarily worked closely with and is an active member of the Joint Waste Management Board (JWMB). Stoke also fully endorses and has adopted the Staffordshire and Stoke on Trent Joint Municipal Waste Strategy. Because of the Hanford facility, the City is virtually self sufficient in terms of residual waste treatment capacity and therefore is not an active participant in this PFI project.

1.3 Strategic Waste Management Objectives

1.3.1 Section 3 of this FBC will demonstrate how Staffordshire has developed clear and well defined waste management objectives which are in accordance with the Waste Strategy for England 2007.

Status of Staffordshire's Municipal Waste Strategy

1.3.2 The authorities of Staffordshire and Stoke on Trent have worked together through the JWMB since 2002 and have had a Municipal Waste Strategy in place since 2003. This was updated in 2007 and promotes the principles of "*Zero Waste to Landfill*", waste reduction and maximisation of kerbside recycling.

Waste Minimisation

1.3.4 Staffordshire County Council and all the partners within the JWMB are dedicated to the principle of waste minimisation. We support the government's intention to decouple waste growth from national income growth. The table below shows how Staffordshire will meet the targets for waste minimisation stated within the *Waste Strategy of England 2007.*

Table 3-1: Waste Minimisation and Reduction Performance

	2000-01	2006-07	2020-21
Total Household Waste arisings	410,150	452,992	517,000
Total reused, recycled or composted	48,560	168,895	284,360
Total Household Waste not reused, recycled or composted	361,590	284,097	232,640
Number of households	325,186	342,000	381,000
Kilogrammes per household	1,112	831	611
Percentage reduction from 2000-01		25%	45%
Target reduction			45%

1.3.5 As a result of the current actions being taken and rapid improvement in recycling rates, it is anticipated that by the time the plant is operational in 2013, the average recycling and composting rate across Staffordshire will be over 50%, exceeding both Government and our own targets. The recycling rates of the partners will either match those of Staffordshire or meet government targets.

Landfill Targets

1.3.6 The key objective of the Staffordshire MWMS is to achieve "Zero Waste to Landfill" by 2020. This will be achieved through a combination of waste growth reduction, the recycling and composting targets described above and the implementation of Project W2R as described in this FBC.

1.3.7 Once Project W2R is operational in 2013, landfilling of BMW by the County will have virtually ceased. There will inevitably be some wastes which are unsuitable for either the Hanford or W2R plants or have been diverted due to operational issues. The W2R facility will also make a substantial contribution to the diversion of residual waste from landfill for Walsall, Sandwell and Warwickshire.

Appraisal of Technical Options

1.3.8 The Authority has originally used WIZARD and WRATE life cycle analysis techniques as well as drawing upon the experience and expertise of its own staff, advisors and other varied sources, to conduct detailed and exhaustive technical appraisals of the available options at different stages of the project and OBC development. To date there have been no major changes in the environmental aspects of the project which would lead to a review of this data. The bidders for the W2R contract have submitted their own WRATE analysis for their individual solutions. The successful bidder's WRATE analysis shows a reduction in both the carbon foot print and the overall environmental impact of the Project in comparison to the generic analysis provide in the OBC.

1.4 Procurement Strategy and Reference Project

1.4.1 This section will demonstrate that the authority has given careful consideration to the procurement of W2R and how it will meet both the County's requirements and the objectives of Defra and HM Treasury.

Overall Strategy for Procurement

1.4.2 The overall strategy for procurement adopted by the County has been to make both the scope and the process of procurement as simple and as transparent as possible. In this way, all the stakeholders involved have benefitted from the advantages of clear direction, efficiency and speed of implementation. The existing waste facilities and service arrangements will be retained and/or modified as required.

1.4.3 The W2R project and this FBC do not include the procurement of any facilities for kerbside waste collected by the district authorities for recycling, composting or AD.

1.4.5 **Transfer Stations** – Both to reduce the costs and the environmental impact of road haulage and to improve the operational efficiency of the Districts' collection infrastructure, it is proposed that two new transfer facilities will be required. These will be at Burntwood and Tamworth. Construction of any buildings and plant will be subject to a separate procurement process, as will the operation of the transfer facilities and haulage of waste to the W2R site.

These contracts will be let independently of the main W2R facilities but will be closely linked in terms of timing and operational requirements.

1.4.6 **Hanford EfW Plant –** This FBC is submitted on a working assumption that the Hanford infrastructure will have an economic life commensurate with the expiry of the W2R Project in 2039. It does not therefore form part of the FBC or the W2R Project. The operation of the Hanford Plant does however form an integral part of the current operations and will be co-ordinated with the operations of the W2R facility.

1.4.7 **Landfill Services** – The County has secure landfill void until at least 2019 (section 2.3). Outside of the W2R contract the County's requirement for landfill void will be less than 10% of its current needs.

1.4.8 **Waste Treatment PFI Project (termed "Project W2R")** – The scope of the project for Project W2R thus comprises the following elements:

- Design, build, finance and operation of the new W2R Facility;
- Management of all of Staffordshire's residual waste which is not delivered to Hanford (~125,000), minimising landfill of the same through maximising treatment at the W2R Facility.
- Management of approximately 35,000 tonnes of residual waste from Warwickshire which will be delivered to the W2R facility, via a transfer station on the Tamworth – Warwickshire border
- Receipt at the W2R facility, and subsequent diversion from landfill of approximately 55,000 tonnes of residual waste from Walsall
- Receipt at the W2R facility, and subsequent diversion from landfill of approximately 50,000 tonnes of residual waste from Sandwell
- Disposal of residual waste which is unsuitable for treatment and/or unable to be treated due to facility unavailability.

1.4.9 **Interim Arrangements** – If recycling targets are met, the County will not incur a significant LATS liability until 2015/16. The W2R facility for the treatment of residual waste is expected to be operational in 2013. As a result, no specific interim residual waste treatment methods are proposed.

1.4.10 **Reference Site** – A site for the facility has been identified and acquired. The purchase cost of the site has been met through project funding from the County Council's Corporate Priorities Fund.

The Key facilities to be procured under the PFI scheme are therefore:

Table 4-13: Proposed Facility

Proposed Facility	Number of proposed Facilities	Proposed Operational Commencement Date	Capacity of facility
Energy From Waste Plant	1	October 2013	300,000 tpa

Procuring Project W2R

1.4.11 In developing a procurement strategy for Project W2R, the County has taken into account the key requirements which must be fulfilled for a successful project. These are:

Affordability and Best value – the project has been designed to be both affordable and to deliver best value for money for Staffordshire and its neighbouring authorities.

Deliverability – to avoid significant LATS liabilities the W2R facility needs to be fully operational before 2015.

Sustainability – the Council believes the W2R project should be both environmentally and economically sustainable in the long term.

1.4.12 The procurement of Project W2R has followed the guidelines set out in the 4ps procurement pack. The competitive dialogue (CD) procedure is the most appropriate EU tendering procedure for this contract. The Council has followed SoPC4, as amended through the DEFRA sector-specific guidance, and has benefited from precedents established through recently closed projects undertaken by the Council's advisory team.

Options Appraisal

1.4.13 A number of options for residual waste treatment were considered using both financial and environmental models and well as the WIZARD, WRATE and MBEAM evaluation tools. In summary, based on the findings of technology, risk and financial review, the authority considered that EfW offered the most deliverable and sustainable solution. Subsequent financial and environmental analysis has not changed that position.

EfW Sizing

1.4.14 The waste flow modelling undertaken for the OBC indicated that to achieve the objective of minimum waste to landfill by 2020 a capacity of up about 125,000tpa was required. The Authority recognised, however, that there would be economies of scale that allowed a better value for money solution to be achieved by procuring a larger facility that could provide capacity for neighbouring authorities.

1.4.15 As a result of this, the authority has secured firm commitments to import MSW from Walsall, Sandwell and Warwickshire of approximately 55,000tpa, 50,000tpa and 35,000tpa respectively.

1.4.16 A plant capacity of 300,000 tonnes was therefore chosen as an optimal capacity to meet cost, political and demand requirements. Although the base waste figures have changed somewhat since the original OBC was submitted, it is considered that the sizing of the plant is still appropriate as it allows for potential growth in waste arisings resulting from increased population, housing and other factors.

Neighbouring Authorities – Impact of Neighbouring Strategies on Procurement

1.4.17 Staffordshire and some of its neighbours have recognised that joint working can bring significant cost and environmental advantages and to that end, Staffordshire, Warwickshire, Sandwell and Walsall have agreed to co-operate in Project W2R. The four authorities have chosen to adopt a "contractual" rather than "partnership" style of relationship for the project. This relationship was examined in detail by the 4ps Gateway review team, their conclusion was:

"Contractual arrangements for taking waste from adjacent disposal authorities are progressing well, appear robust and should deliver effective working relationships into the future. A high level of trust has been established between the Authorities."

1.4.18 Other authorities in and around the region such as Derbyshire, Cheshire, Worcestershire and Telford have suffered setbacks or delays to their residual waste procurement. This has put additional demand pressure on Staffordshire's existing plants and potentially could impact on the demand for the W2R facility.

1.5 Risk Management, Risk Allocation and Contractual Structures

1.5.1 This section demonstrates that the Authority has undertaken a thorough exercise in identifying and actively managing the risks inherent in both the procurement and the subsequent delivery of the project.

1.5.2 The W2R Project Team appreciates that the management of risk is an inherent aspect of projects of this nature. The Project Team accepts the philosophy that the risks that cannot be economically eliminated must be managed by the most appropriate party to achieve the best value outcome for the project.

Risk Analysis

1.5.3 The Project Team has developed and maintains a W2R Headline Risk Register that endeavours to identify the significant risks to the success of the W2R Project. The register identifies potential mitigating activities, and assigns ownership of the risk items to members of the project team such that the risks can be managed and monitored throughout the procurement process. The register is presented in a format which is consistent with the County's existing internal risk evaluation and management systems.

1.5.4 The register has been maintained and updated by the Project Team but also monitored by the Project Board and Corporate Risk Team.

Market Attractiveness

1.5.5 Further to this reduction in contract risk and subsequent cost to the Authority, by reducing uncertainty in the procurement process we have made the contract attractive to the market.

Planning Risk

1.5.6 Possibly the most significant risk to the procurement process and the success of the procured services is the risk of planning failure with regards the waste treatment facility.

1.5.7 To reduce planning risk the Authority has acquired a suitable reference site and made a successful planning application in Spring 2008. The Planning authority was minded to grant planning permission in November 2008 and referred their recommendations to the Government Office for the West Midlands (GOWM). GOWM advised that that they had no grounds for intervention in regard to the decision in January 2009. The planning was therefore, subject to details on conditions, effective from April 2009.

1.6 Project Team and Governance

1.6.1 Robust and accountable project management and governance arrangements have been put in place for Project W2R. These are being strengthened and adapted to account for the changing nature of the skills, experience and control required as the project moves forward from conception and strategy through procurement to contract inception and management.

1.6.2 The project has a dedicated and robust Governance structure to provide the following:

- Dedicated W2R Project Board comprising of members and officers of the Project Team, Procurement Board and Cabinet
- The W2R Project Board reporting directly to Cabinet.
- The Project team and Director reporting directly to the W2R Project Board

1.6.3 The W2R Project Board is comprised of the most senior and expert persons from the Procurement Board in order that:

- Decisions will be informed and based on high level of expertise and knowledge
- Recommendations will carry weight with Cabinet
- Individuals will be aware of Cabinet and corporate policy and opinion so that the W2R Project can be managed to take account of relevant issues.

1.6.4 In addition to the direct governance structure for the project, the project also comes within the remit of the corporate scrutiny committee, development service scrutiny, internal audit and corporate change board.

Member Approval

1.6.5 As a key corporate project, approval for the key elements of the Project and the principal decisions are gained through Cabinet**,** having first been approved by the Project Board and individually with senior members of the Project Board such as the Director of Finance and the Head of Procurement.

Project Management Team

1.6.6 The W2R Project Team has been established since October 2006 and consists of a core of dedicated professionals each of whom brings a specialist knowledge and expertise to the project.

1.6.7 In line with PRG Criteria No. 8, key specialist advisors have been appointed to assist the project team with the preparation of the business case and to help with both the preparation and assessment of tender documentation. These advisors were appointed through an OJEU process, starting their commission in June 2007. Performance of the advisors to date has been excellent and all continue to be retained

1.6.8 The advisors appointed are:

Deloitte	Financial Advisors
Eversheds	Legal Advisors
SKM Enviros	Technical and Planning Advisors

This team of consultants has worked individually and as a consortium on a number of waste PFI and other non PFI schemes and is a highly skilled and experienced group of companies and individuals.

Working Arrangements with District Councils and Stoke on Trent City

Staffordshire and Stoke on Trent Joint Waste Management Board

1.6.8 The Staffordshire and Stoke on Trent Joint Waste Management Board (JWMB) is made up of the Portfolio holders from each District Authority as well as senior officers from the Districts, Stoke City and the County. The board acts as a high level strategic policy and communications forum rather than an active operational board.

1.6.9 In support of the JWMB and also as a forum in its own right, a Senior Waste Management Officers Group (SWMOG) meets more regularly. This group is tasked with the implementation of the Board's Strategy and serves to provide a more "hands on" conduit by which issues can be discussed and practical solutions implemented.

Joint Working with other WDAs

Warwickshire County Council, Sandwell and Walsall Councils

1.6.10 As participants in Project W2R Warwickshire, Sandwell and Walsall have representative managers as an integral part of the Project Team. The Authorities' governance procedures are similar and equally robust to that of Staffordshire

1.7 Sites, Planning and Design

1.7.1 Staffordshire County Council appreciates that issues associated with sites and planning need to be addressed rigorously throughout the procurement process. The County Council has therefore taken a proactive approach with a view to securing sites and planning permissions as early as possible in the process.

1.7.2 Experience learned from other authorities combined with WIDP advice and concerns in regard to planning has led to the conclusion that significant commercial, environmental, technical and practical advantage can be gained by the authority acquiring a reference site and applying for full planning permission on that site. This policy has been pursued vigorously.

1.7.3 The County now has full ownership of a 4 hectare site at Four Ashes Industrial Estate and has planning permission for a 300,000 tpa EfW plant.

1.7.4 The successful bidder will be submitting their own planning application for their specific design of facility. However the basic parameters of the contractor's EFW are the same as those of the existing SCC planning permission. In this way planning risk has been significantly reduced for the Contractor and the Project.

1.8 Costs, Budget and Finance

1.8.1 This section:-

- Discusses the cost of the Preferred Bidder's solution and compares this against both the available budget and the cost of a "Do Minimum" scenario in order to assess the project's "affordability".

- Provides evidence that the authorities of Staffordshire, Warwickshire, Sandwell and Walsall understand the project costs (and the inherent risks associated with these costs), and will commit to funding the affordability implications of Project W2R.

1.8.2 The estimated costs of Project W2R have been calculated using the financial models supplied by the Preferred Bidder as part of their Final Tender submissions. These contain all costs associated with the development of the facility, operational costs, energy and recyclable revenues, recovery/disposal of treatment residues and financing costs and which will be paid to the contractor as part of the Unitary Charge.

1.8.3 The total cost of the project to Staffordshire has then been derived from this by taking into account revenues from our partner authorities and PFI funding, any residual landfill costs, contract administration costs, transfer costs and recycling credit payments to Waste Collection Authorities.

1.8.4 After consideration of the OBC, approval to PFI credits of £122.4M was given. The associated Revenue Support Grant has been calculated by using HM Treasury's discount rate of 5.5% from the Planned Readiness Date (30 October 2013). This is in accordance with Defra's guidance that the Authority will be eligible for grant at the commencement of hot commissioning.

1.8.5 The calculations have been based on the following base case tonnages which have been agreed with our partners as part of the Inter Authority Agreement:

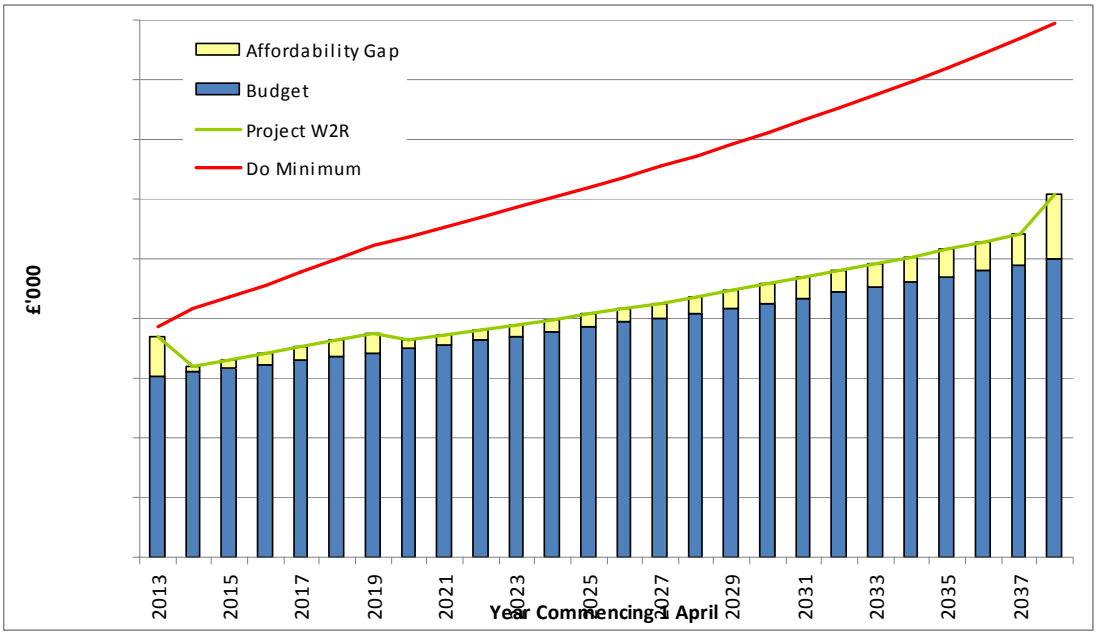
Staffordshire	125,000
Warwickshire	35,000
Walsall	55,000
Sandwell	50,000
Total	265,000

1.8.6 Costs have been modelled over the period from 1 April 2013 to 31 March 2039, the expiry date of the PFI contract, during which all financing charges will be repaid and the Authority's residual landfill costs have been modelled up to the Planned Services Commencement Date. The Preferred Bidder's financial models were based on various assumptions which included:

- inflation of 2.5%;
- a Foreign Exchange £:€ rate of 1.09 and
- Energy prices based on OFGEM's report of February 2010 "Project Discovery; Energy Markets Scenario Update". The scenario used was "Green Transition", one of the four scenarios detailed by the report. In order to provide a prudent estimate of electricity revenues, "Green Transition" was chosen as it predicts the second lowest set of prices for electricity.

1.8.7 The cost of the project has been assessed against the cost of continuing to landfill over this period as the "Do Minimum" scenario and which now includes the effect of the recent announcements on the Landfill Tax Escalator which will rise to £80 in 2014. The current waste management budget comparable to the project has also been updated for inflation of 2% per annum over the life of the project in order to highlight the affordability gap which will need to be funded by the Authority. The results are summarised in the graph below:

Figure 8-1: Project W2R Affordability



Information redacted due to commercially sensitive and confidentiality reasons

1.8.8 The total nominal cost of the project including all these items is £XXXm over the next 26 years as compared with £XXXm for the Do Minimum position and £XXXm current budget levels. The overall affordability gap for the project is therefore £XXXm of which £XXXm will need to be funded in 2014/15 the first full year of operation.

1.8.9 The sensitivity of the modelled costs due to various issues which could occur prior to formal close of contract and during operation have been modelled illustrating the potential additional costs which could impact upon the project. The Authority's costs are still subject to fluctuations in the foreign exchange rate which will be fixed prior to close of contract. After this date, the contractor will take full risk on any movement in the exchange rate. A sensitivity has therefore been modelled whereby the exchange rate falls to 1.04 to assess the impact of this. The impact of a delay of 12 months in the delivery of the facility has also been modelled. If both of these happen, the overall affordability gap for the project would increase by £XXXm. This would give an affordability range of £XXXm to £XXXm over the life of the project.

1.8.10 These details have been presented to and agreed by the W2R Project Board explaining the estimated affordability gap and its potential variance. Project Board agreed to recommend to Cabinet that sufficient funds should be made available to cover the residual cost of Project W2R. At the meetings of 19 May and 2 June 2010, Cabinet considered the costs of the project and confirmed Veolia as the Preferred Bidder on the basis of their Variant energy bid. They also approved an affordability gap of £XXXm and an affordability range of £XXXm to £XXXm over the life of the project.

1.8.11 The Cabinet report also included the impact of the project costs on Warwickshire, Sandwell and Walsall councils. These costs have been considered by these authorities and their Cabinets have approved their own affordability positions.

1.9 Stakeholder Communications

1.9.1 A communications strategy has been developed and covers how communications will be handled for each stakeholder or group of stakeholders as the project progresses. The communications strategy will be updated from time to time as the project moves forward and different issues come to the fore or are superseded.

1.9.2 The communications strategy has been developed in consultation with our communications advisors which identifies when and how each Stakeholder group should be kept informed about the progress of the project. Feed back from each Stakeholder group as well as individuals who may be affected by the Project or have a relevant input was logged and appropriate action taken.

1.10 Timetable

1.10.1 The timetable for Project W2R provided in Appendix 9 has been devised by the Project Team and Preferred Bidder, and is approved by the Project Board and County Cabinet.

Table 10-1 : Key Procurement Events Timetable

14	Pre -Preferred Bidder Identified (submission of Pre FBC)	January 2010	26th April 2010 [+3]	26th April 2010	+[ ]
15	Preferred Bidder Submission of FBC	February 2010	[+4]	21st May	+[ ]
16	Approval of FBC	May 2010	[+1]	4th June	[+1]
17	Preferred Bidder Confirmed	May 2010	[+1]	4th June	+[ ]
18	Contract Signed/Financial Close	May 2010	[+2]	30th July	+[ ]
19	Bidders Planning application submitted	N/A	+[ ]	July 2010	+[ ]
20	Bidders Planning application approved	N/A	+[ ]	January 2011	+[ ]
21	Environmental permit submitted	N/A	+[ ]	Autumn 2010	+[ ]
22	Environmental permit approved	N/A	+[ ]	Autumn 2011	+[ ]
23	Construction Commencement	N/A	+[ ]	April 2011	+[ ]
24	Start of Hot Commissioning	April 2013	[+5]	September 2013	+[ ]
25	Operational Commencement	May 2013	[+7]	December 2013	+[ ]

Section 1
Executive Summary

SECTION

2

BACKGROUND

Section 2
Background

2. Background

2.1 Introduction

2.1.1 This section provides a brief description of the changes in background information to the project which have occurred since the OBC was prepared in March 2008 and an addendum issued in June 2008 when Sandwell Council joined the project.

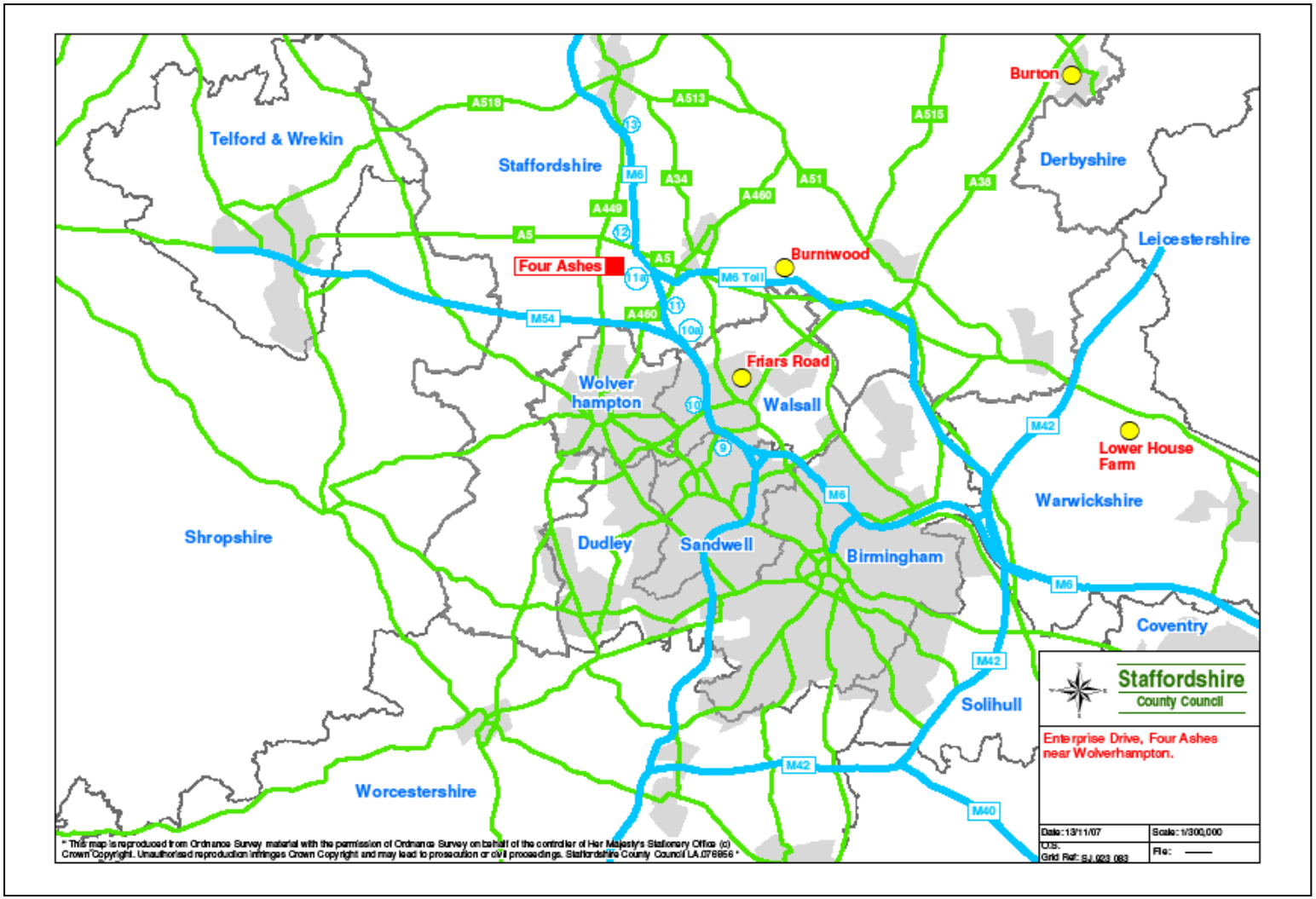
2.1.2 Figure 2-1 below shows how Staffordshire is situated in regard to its neighbours and in particular how the W2R site is accessed from the major road networks which link Staffordshire, Warwickshire, Sandwell and Walsall. The plan indicates that the site for Project W2R is well located in terms of road access not only for Southern Staffordshire, but also for the key contractual partners of Warwickshire, Sandwell and Walsall.

2.2 Key Characteristics of Area, the Authority and Partners

2.2.1 The structure of Staffordshire has not altered since the submission of the OBC in 2008. However, political control shifted in June 2009 from a long standing Labour Authority to one with an overwhelming Conservative majority. This change in political leadership has not resulted in any reduction in support for the project. If anything the new leadership is even more determined to see the project delivered as soon as possible.

2.2.2 Political control of the District Councils within Staffordshire and that of our partner authorities, Sandwell, Walsall and Warwickshire remains largely unaltered.

Figure 2-1: Staffordshire Site and Neighbouring Authorities



2.3 Population and Housing

2.3.1 Demographic studies of the West Midlands conurbation and its surrounding counties predict a steady increase in both the population and the amount of housing in the foreseeable future, with Staffordshire and especially southern Staffordshire being particularly affected. The 2004 based Sub-national Population projections indicate that the population of Staffordshire, currently approximately 820,000 will grow by 4% by 2029. However, these projections do not take into account the housing developments proposed in the RSS. If RSS projections are included the population could grow by as much as 7.3% by 2026, with the bulk of that growth being centred on Stafford, East Staffordshire, Lichfield, Cannock and Tamworth.

2.3.2 The recent economic down turn has had a dramatic negative effect on new build development in the region resulting in far fewer new houses coming on to the market. However, it is believed that the underlying reasons for the projected housing growth still remain and therefore the long term projections are considered still to be relevant. That is, a moderate but steady increase in population and housing for the foreseeable future.

2.4 Analysis of Waste Arisings

2.4.1 The combination of the recent economic down turn and the improvements made by Staffordshire's Waste Collection Authorities, the County Council and the people of Staffordshire in reduction, reuse and recycling of waste, has led to a marked reduction of both total MSW and the proportion of MSW that is residual waste. These factors caused the W2R project team to remodel our waste projections based on 2009 waste statistics. These revised figures formed that Base Case upon which the ISDS was based.

2.4.2 Table 2-1 below shows the Household and Municipal actual waste arisings for Staffordshire County only since 2006.

Table 2-1: Analysis of Waste Arising 2006-2009 - Staffordshire

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2006/07	370,654	5,719	82,338	19,563	478,274	2.70
2007/08	361,622	10,666	76,579	20,908	469,775	(-) 1.78
2008/09	356,569	9,055	65,087	18,912	449,623	(-) 4.29

2.4.3 Table 2-2 shows the projected waste arisings over the life of the contract. These figures are based on 2008/9 actual statistics updated for predicted waste arisings for 2009/10.

Table 2-2: Analysis of Waste Arising 2009-2039 - Staffordshire

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2009/10	348,963	9,055	63,699	18,912	440,629	(-) 2.0
2010/11	351,758	9,055	64,209	18,912	443,934	0.75
2011/12	354,573	9,055	64,723	18,912	447,263	0.75
2012/13	357,410	9,055	65,241	18,912	450,618	0.75
2013/14	360,269	9,055	65,762	18,912	453,998	0.75
2014/15	363,148	9,055	66,288	18,912	457,403	0.75
2015/16	366,049	9,055	66,817	18,912	460,833	0.75
2016/17	368,971	9,055	67,351	18,912	464,289	0.75
2017/18	371,916	9,055	67,888	18,912	467,771	0.75
2018/19	374,883	9,055	68,430	18,912	471,280	0.75
2019/20	377,872	9,055	68,975	18,912	474,814	0.75
2020/21	379,036	9,055	69,188	18,912	476,191	0.29
2021/22	380,204	9,055	69,401	18,912	477,572	0.29
2022/23	381,375	9,055	69,615	18,912	478,957	0.29
2023/24	382,550	9,055	69,829	18,912	480,346	0.29
2024/25	383,728	9,055	70,044	18,912	481,739	0.29
2025/26	384,909	9,055	70,260	18,912	483,136	0.29
2026/27	386,094	9,055	70,476	18,912	484,537	0.29
2027/28	387,283	9,055	70,693	18,912	485,943	0.29
2028/29	388,474	9,055	70,911	18,912	487,352	0.29
2029/30	389,669	9,055	71,129	18,912	488,765	0.29
2030/31	390,867	9,055	71,348	18,912	490,182	0.29
2031/32	392,070	9,055	71,567	18,912	491,604	0.29
2032/33	393,276	9,055	71,787	18,912	493,030	0.29
2033/34	394,484	9,055	72,008	18,912	494,459	0.29
2034/35	395,697	9,055	72,229	18,912	495,893	0.29
2035/36	396,913	9,055	72,451	18,912	497,331	0.29
2036/37	398,133	9,055	72,674	18,912	498,774	0.29
2037/38	399,356	9,055	72,897	18,912	500,220	0.29
2038/39	400,583	9,055	73,121	18,912	501,671	0.29

2.4.4 The decline in waste arisings in Staffordshire has also been mirrored in Sandwell, Walsall and Warwickshire and would seem to indicate that the combination of economic downturn and increase efforts on waste reduction and recycling have had a wide spread effect. Details of the partners' waste arisings can be found in Appendix 2.2.

2.4.5 It is considered that recent falls in waste production have been caused by a combination of factors including, reductions in packaging, increased waste awareness amongst the public and economic down turn which has hit the region badly. It is believed that the down turn in waste arisings will not continue indefinitely, but when the decline will halt and if, as the economy recovers, waste growth will return is very uncertain. Predictions of future waste growth are, as a result, difficult to produce and the authority considers that projections of current statistics are of little or no help in predicting future municipal waste production. It is however, anticipated that Staffordshire will continue to produce in the region of 215,000 tonnes per annum of residual waste.

2.4.6 Recent unaudited figures from Staffordshire have indicated that the fall in waste arisings for 2009 has not been as great as expected. It is anticipated that with economic recovery, waste levels are likely to stabilise if not rise marginally over the next few years. As a result of the uncertainty of future waste arising it has been decided not to rebase the waste arising model from that used at ISDS.

2.4.7 The authority therefore believes that with the combination of population and housing growth, economic recovery and sustained levels of recycling and waste reduction, the tonnage of residual MSW available for the W2R plant will remain steady or grow marginally over the foreseeable long term future.

2.5 Current Arrangements for Disposal and Recycling - Staffordshire

2.5.1 The County and the districts have a number of arrangements in place, details of which can be found in the 2008 OBC. These arrangements have not altered significantly since that date. However, there has been a steady increase in the proportion of waste MSW collected for recycling and composting as well as an increase in the standardisation of collection systems. Lichfield and Tamworth WCAs are now well advanced in a project to form a joint waste collection organisation, based on comingled collections of recyclable materials. Cannock Chase District Council is also moving over to a comingled system for recyclable materials. All WCAs have experienced an increase in waste collected for recycling as a result of these and continual improvements.

2.5.2 The net result of these continuing changes in systems and improvement in performance is that the current average recycling and composting level for the County is 45%. It is anticipated that we will meet the national targets for waste recycling and composting well ahead of the target dates.

2.6 Performance of Existing Services - Staffordshire

Recycling and Composting Service

Table 2-3: Recycling and Composting Performance 2006-9- Staffordshire

Year	Recycling	Recycling	Composting	Composting
	Tonnes	% of HHW	Tonnes	% of HHW
2006/07	86,098	19.01	82,797	18.28
2007/08	94,951	21.67	90,468	20.65
2008/09	97,196	23.05	94,742	22.47

Household Waste Recycling Centres (HWRCs)

2.6.1 The County continues to operate a network of 14 HWRCs from which it diverts 60% of materials away from landfill. A new contract for the operation of these facilities was awarded in summer 2008. The contract period will expire just before the W2R facility is operational (5 years with optional 5 yr extension), but in any event the new contract has been formulated so that the operation of the W2R facility and the HWRC network are compatible.

Residual Waste Treatment

Table 2-4: Residual Waste Performance 2006-9 – Staffordshire

Year	Thermal Treatment	MSW Landfilled	Diversion Rate	BMW Landfilled	Landfill Allowances
	Tonnes	Tonnes	%	Tonnes	Tonnes
2006/07	92,955	197,901	58.6	136,077	189,303
2007/08	94,260	169,188	64.0	115,183	187,981
2008/09	95,615	143,125	68.2	96,495	186,328

Table 2-5: BMW Treatment – Staffordshire

Year	Total BMW Arising	BMW Landfilled	LATS Allowance	Surplus /(Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2006/07	201,278	136,077	189,303	53,226
2007/08	181,504	115,183	187,981	72,798
2008/09	162,403	96,495	186,328	89,833

2.6.2 Residual waste disposal in Staffordshire is currently reliant on two principal methods, each of which accounts for approximately half of the residual waste arising in the County. These are landfill and Energy from Waste (EfW).

2.6.3 ***Energy from Waste (EfW)*** **-** In 1995 Staffordshire County Council entered into contract with Martin Engineering Services Environmental (MESE) for the treatment of residual waste at their Hanford EfW plant near Stoke on Trent. In 1997 Stoke on Trent became a Unitary Authority, and the arrangement was altered such that both the City of Stoke on Trent and Staffordshire hold a joint contract with MESE, with Stoke on Trent taking the role of the Lead Authority.

Information redacted due to commercially sensitive and confidentiality reasons

2.6.4 The Plant principally handles waste from Stoke on Trent and Staffordshire although increasingly a small proportion of waste from other authorities and the private sector has been treated. Staffordshire has a minimum contractual input of 90,000 tonnes pa to the plant. ……

2.6.5 The contract with MESE runs until 2021. Upon termination of the contract, both the plant and the land revert to Stoke on Trent ownership. Discussions with MESE and other suppliers of the same and similar technology have indicated that the plant is likely to have a working life up to and beyond 2038. This Final Business Case has therefore assumed that the Hanford plant will be available to provide part of the residual waste solution for the County outside the scope of the W2R project until at least 2038. This will be achieved by extending and or re-tendering the operation and maintenance of the Hanford Plant in 2020.

2.6.6 ***Landfill*** – All remaining residual waste generated by Staffordshire and Stoke on Trent is sent to Landfill. The situation with regard to landfill has not altered since submission of the OBC.

2.6.7 ***Transfer Stations*** **-** The County uses a number of transfer stations to facilitate the bulking and haulage of residual waste which were detailed in the OBC.

2.6.8 Additional transfer facilities will be required to provide an economic and practical means of delivering waste to the W2R facility.

2.7 Partners Update

2.7.1 The Partners have provided an update on their background details in Appendix 2.2.

SECTION

3

STRATEGIC WASTE MANAGEMENT OBJECTIVES

Section 3
Strategic Waste Management Objectives

3. Strategic Waste Management Objectives

3.1 Introduction

3.1.1 The key strategy objectives of the County and its partners have not altered significantly since the preparation of the OBC for Defra in 2008. It is not therefore proposed to repeat this information in the FBC. One new element, which was not evident in 2006 when the Joint Municipal Waste Strategy was prepared, is the effect the landfill tax escalator has had on the project. The predicted cost of landfill tax (continuing to rise from £48 per tonne in 2010 to £80 by 2014) will, long before 2020 make landfill a more expensive option than most alternative technologies, strengthening any effect of LATS or environmental reasons for moving away from landfill solutions.

3.2 Staffordshire's Municipal Waste Strategy

3.2.1 The Staffordshire and Stoke on Trent Joint Waste Management Board (JWMB) was formed in January 2002 with the objective of co-ordinating activities and increasing co-operation between the Staffordshire collection and disposal authorities. The most recent Municipal Waste Strategy was finalised in 2007. This strategy had as its core the concept of *Zero Waste to Landfill by 2020* as the key element and objective of the JWMB.

3.2.2 The strategy has not been updated since 2007 as the key principles and objectives of the strategy have not changed. The speed at which those objectives have been met my both the County and the Districts has however, considerably improved upon the time scales of the document.

3.3 Waste Minimisation

3.3.1 Staffordshire County Council and all the partners within the JWMB are dedicated to the principle of waste minimisation. A number of schemes are in progress throughout the authorities designed to encourage householders and business to avoid the production of waste in the first instance. These were detailed in the original OBC and have been maintained. In addition the JWMB authorised joint funding for two new waste minimisation officers to be employed by SCC and available for waste minimisation projects throughout the County.

3.4 Recycling and Composting

3.4.1 The Staffordshire and Stoke on Trent Joint Waste Management Strategy for 2007 is based around the objective of achieving a 55% household waste (50% MSW) recycling and composting rate by 2020. Although set as a County wide target before the publication of the Waste Strategy England 2007, it exceeds the national target. This target is now set to be achieved in advance of the 2020 target date set by the Waste Strategy.

3.4.2 The projections and targets for recycling and composting in Staffordshire's Municipal Waste Strategy are set out in Tables 3-1 and 3-2 below.

Section 3
Strategic Waste Management Objectives

Table 3-1: Recycling Projections - Staffordshire

Year	Per OBC		Pre Preferred Bidder FBC	
	Tonnes	% of HHW	Tonnes	% of HHW
2008/09	104,217	22.6	97196	23.1
2009/10	112,573	24.0	84,643	20.5
2010/11	118,817	25.1	89,071	21.4
2011/12	125,398	26.1	93,730	22.4
2012/13	132,334	27.3	98,632	23.3
2013/14	139,642	28.5	103,791	24.4
2014/15	145,083	29.2	107,925	25.1
2015/16	150,180	30.0	112,224	25.9
2016/17	155,457	30.9	116,694	26.7
2017/18	160,917	31.7	121,341	27.6
2018/19	166,570	32.6	126,173	28.5
2019/20	172,420	33.5	131,197	29.4
2020/21	172,950	33.5	131,601	29.4
2021/22	173,482	33.5	132,007	29.4
2022/23	174,015	33.5	132,413	29.4
2023/24	174,549	33.5	132,821	29.4
2024/25	175,086	33.5	133,230	29.4
2025/26	175,623	33.5	133,640	29.4
2026/27	176,163	33.5	134,052	29.4
2027/28	176,704	33.5	134,464	29.4
2028/29	177,246	33.5	134,878	29.4
2029/30	177,790	33.5	135,293	29.4
2030/31	178,336	33.5	135,709	29.4
2031/32	178,883	33.5	136,127	29.4
2032/33	179,432	33.5	136,545	29.4
2033/34	179,982	33.5	136,965	29.4
2034/35	180,534	33.5	137,386	29.4
2035/36	181,088	33.5	137,808	29.4
2036/37	181,643	33.5	138,232	29.4
2037/38	182,200	33.5	138,656	29.4
2038/39			139,082	29.4

Table 3-2: Composting Projections - Staffordshire

Year	Per OBC		Pre Preferred Bidder FBC	
	Tonnes	% of HHW	Tonnes	% of HHW
2008/09	87,094	18.9	94,742	22.5
2009/10	98,429	21.0	103,118	25.0
2010/11	102,206	21.5	106,653	25.6
2011/12	103,386	21.5	107,507	25.6
2012/13	104,571	21.5	108,367	25.6
2013/14	105,761	21.5	109,233	25.6
2014/15	106,957	21.5	110,106	25.6
2015/16	107,768	21.5	110,986	25.6
2016/17	108,584	21.5	111,872	25.6
2017/18	109,407	21.5	112,765	25.6
2018/19	110,235	21.5	113,665	25.6
2019/20	111,069	21.5	114,571	25.6
2020/21	111,411	21.5	114,924	25.6
2021/22	111,753	21.5	115,278	25.6
2022/23	112,096	21.5	115,633	25.6
2023/24	112,441	21.5	115,989	25.6
2024/25	112,786	21.5	116,346	25.6
2025/26	113,133	21.5	116,705	25.6
2026/27	113,480	21.5	117,064	25.6
2027/28	113,829	21.5	117,424	25.6
2028/29	114,178	21.5	117,785	25.6
2029/30	114,528	21.5	118,148	25.6
2030/31	114,880	21.5	118,511	25.6
2031/32	115,232	21.5	118,876	25.6
2032/33	115,586	21.5	119,241	25.6
2033/34	115,941	21.5	119,608	25.6
2034/35	116,296	21.5	119,975	25.6
2035/36	116,653	21.5	120,344	25.6
2036/37	117,010	21.5	120,714	25.6
2037/38	117,369	21.5	121,085	25.6
2038/39			121,457	25.6

3.4.3 The Tables in Appendix 2.2 set out how the current projections for Sandwell, Warwickshire and Walsall compare with recycling and composting targets at OBC and also that they intend to respond to national and local recycling and composting targets. This clearly demonstrates that these authorities also see waste recycling and composting as the principle means of diverting waste away from landfill, with the W2R facility acting as a means of disposal for residual waste only.

3.4.4 Tables 3-1 and 3-2 show what Staffordshire believes to be an ambitious but achievable recycling and composting target. Each of the 8 Waste Collection authorities as well as Stoke on Trent has signed up to these targets.

Section 3
Strategic Waste Management Objectives

3.5 Landfill Objectives

3.5.1 The key objective of the Staffordshire MWMS remains to achieve "Zero Waste to Landfill" by 2020. This will be achieved through a combination of reduced waste growth, the recycling and composting targets described above and the implementation of Project W2R as described in this FBC.

3.5.2 Once Project W2R is operational in 2013, landfilling of BMW by the County will have virtually ceased. There will inevitably be some wastes which are unsuitable for either the Hanford or W2R plants or have been diverted due to operational issues. However, it is anticipated that less than 10,000 tonnes per year of MSW will be landfilled as a result.

Table 3-3: Landfill Projections – Staffordshire

Information redacted due to commercially sensitive and confidentiality reasons

3.6 Appraisal of Technical Options

3.6.1 The technical options investigated as part of the March 2008 OBC have not been revisited for this update. Those technologies assessed were:

- Energy from Waste (EfW);
- Mechanical Biological Treatment (MBT - RDF);
- Mechanical Biological Treatment (MBT - Biostabilisation);
- Anaerobic Digestion (AD) and
- Autoclave, also known as Mechanical Heat Treatment (MHT)

3.6.2 In summary, based on the findings of that review, it was concluded that the MHT and MBT options are inherently more risky with regards the deliverability of the solution. EfW offers a significantly more deliverable solution.

3.7 Environmental Impact

3.7.1 Again, the environmental impact of the Project has not been reassessed since March 2008 and the preparation and amendment of the Planning Application from May until October 2008. No further details have therefore been prepared for this FBC.

3.7.2 The Authority (with the assistance of WIDP) remains in active discussion, with the Department of Justice in regard to the potential for a CHP scheme involving the Featherstone prison complex. Initial studies by the Preferred Bidder and the Authority have indicated that a viable CHP scheme is potentially achievable. This will be pursued vigorously by the Authority and the Contractor.

3.8 Partners Waste Management Strategy Update

3.8.1 The Partners have provided an update on their strategic waste management objectives in Appendix 2.2

SECTION

4

PROCUREMENT STRATEGY & VALUE FOR MONEY ASSESSMENT

Section 4
Procurement Strategy and Value for Money Assessment

4. Procurement Strategy and Value for Money Assessment

4.1 Introduction

4.1.1 The following section will demonstrate that the County Council has followed a robust and structured procurement process in line with that set out in the OBC of March 2008. The Authority has not found it necessary to make any significant moves away from the process originally envisaged and has, we believe, conducted the process entirely within the EU Procurement Regulations. Competitive tension between bidders has been maintained throughout and the authority is confident that a Best Value for Money (VfM) position with the Preferred Bidder has been achieved.

4.1.2 Competitive Dialogue was selected at an early stage as the most appropriate EU tendering procedure for the contract. The County Council has remained mindful of the costly process that Competitive Dialogue engenders for all parties, and as such has strived to achieve an efficient process through to Final Tender. A complete timetable for the procurement exercise can be found in Table 4-3 at the end of this section.

4.1.3 Following a period of soft market testing (reference OBC March 2008) Staffordshire County Council advertised and published the procurement in the Official Journal of the European Union (OJEU) on 2nd August 2008 with a closing date for receipt of Pre-Qualifying Questionnaires of 22nd September 2008.

4.2 Overall Strategy for Procurement

4.2.1 The overall procurement strategy for Project W2R remains unaltered from that described in the OBC of March 2008.

4.3 Output Specification for the Project

Information redacted due to commercially sensitive and confidentiality reasons

4.3.1 The Output Specification for the Project remains largely unaltered since submission of the OBC. The only significant changes to the Specification are that the Authority has required the 2 shortlisted participants to achieve XX% diversion of Contract waste from landfill and an extremely high level (+80%) of process waste recycling. The Preferred Bidder has proposed a solution which achieves these aspirations.

4.3.2 The guaranteed minimum tonnage for the facility is 225,000 tpa and the maximum quantity of Contract Waste within which the Contractor is obliged to achieve XX% diversion from landfill is 300,000 tpa. There is therefore a large degree of flexibility within the contract for dealing with variations in waste arisings for all the partner authorities. There are no exclusivity clauses within the contract.

4.4 Pre-qualification – (PQQ)

4.4.1 The Authority produced a well-defined scope of the project, which, combined with the relatively small number of bidders with relevant experience, allowed this stage to be completed in the most efficient and cost effective manner, resulting in a relatively small shortlist of bidders with whom dialogue and the development of suitably detailed solutions could be progressed. This has had consequent benefits to both the Authority and bidders.

4.4.2 The PQQ stage was conducted as a short listing process based on the technical and professional ability and the financial standing of prospective bidders. This was based on a number of stages as follows:

Stage 1: an initial Pass/Fail test of compliance;

Stage 2: Assessment against Selection Criteria. These comprised a test of technical ability (for which a score greater than 50% made a Participant eligible for selection) and company turnover (which was required to be >£100M per annum); and

Stage 3: Assessment of those bidders meeting the Stage 2 selection criteria against Short listing Criteria (published within the PQQ Documentation). Details are set out in Table 4-4 at the end of this section.

4.4.3 The OJEU allowed for between 3 and 6 Participants to be taken forward, with the Authority expressing a preference, in the Information Memorandum, to shortlist 4 to 5 of the top ranking Participants.

4.4.4 Over 30 sets of documents were downloaded from the dedicated W2R web site with 13 completed submissions being returned by the due date. These are set out in Table 4-1 below.

Table 4-1: PQQ Submissions Received

PQQ Submissions Received
Biffa Waste Services
Cory Environmental Management Ltd
Covanta Energy Ltd
Cyclerval (UK) Ltd/Standardkessel Power Systems Holding GmbH/Nehlsen AG/TIRU SA
Enterprise Managed Services Ltd
MVV Umwelt GmbH
Orchid Environmental Ltd
Shanks Group plc/Wheelabrator Technologies Inc
SITA UK Ltd
United Utilities plc/John Laing Investments Ltd/Costain Engineering and Construction Ltd
Urbaser SA
Veolia ES Aurora Ltd
Waste Recycling Group Ltd

4.4.5 All submissions passed the Stage 1 compliance check but 3 submissions failed the Stage 2 selection criteria. A shortlist of 5 applicants was drawn up from the remaining 10 submissions. However, one of the shortlisted companies, SITA UK Ltd withdrew from the process on 27th October 2008 due to commitments on other projects. Therefore, the shortlist became 4 participants, namely:

Covanta Energy Limited;

MVV Umwelt GmbH;

Shanks Group plc/Wheelabrator Technologies Inc;

Veolia ES Aurora Limited.

It was felt that the remaining 4 shortlisted applicants were more than sufficient to provide a satisfactory level of competition.

4.4.6 A report recommending the shortlist of participants was prepared and approved at the County Council Cabinet meeting on 15 October 2008. Cabinet also agreed the Evaluation Criteria for the procurement process. By mid October 2008 all bidders received notification to inform them if they had been selected or not. This was accompanied by a written debriefing, giving their scores for each of the above criteria, and how their overall score compared with both the highest and lowest scoring bidders.

4.5 The Outline Solutions Stage of Competitive Dialogue

4.5.1 The Authority took the decision to omit the Invitation to Submit Outline Solutions (ISOS) stage of the procurement. The procurement strategy developed replaced a formal ISOS submission with more informal submissions and dialogue. This helped to streamline the procurement process whilst benefiting from early contractor involvement. Experience has also shown that it is more efficient to discuss and develop the Authority's approach to managing key issues through informal dialogue with participants rather than a more formal submission, clarification and evaluation process.

4.5.2 The Authority also considered that competitive tension would be maintained if all four participants were asked to submit Detailed Solutions. Therefore, with no requirement to deselect any of the participants before ISDS, a formal ISOS was not required. This approach is entirely permissible within the EU Procurement Regulations. This approach was also tested during soft market testing exercises and received support from potential bidders who appreciated the consequent efficiencies in time and cost, thereby making the project more attractive to the market.

4.5.3 As a result, all parties were allowed to concentrate on a relatively small number of key issues, during a phase of Initial Dialogue which were able to be resolved early on and incorporated into draft contract documentation for the formal stages of the process.

4.6 Invitation to Participate in Dialogue (ITPD) and Initial Dialogue

4.6.1 An Invitation to Participate in Dialogue (ITPD) was issued to short-listed bidders on 31st October 2009.

The ITPD included five parts:

- A formal ITPD letter to participants;
- An Invitation to Participate in Dialogue (ITPD) containing instructions for Participants, guidelines for submitting solutions at each de-selection stage of the process and the Authority's award criteria that would apply to the procurement through to the final tender stage;
- A formal Descriptive Document with further detail about the project and procurement arrangements;
- Draft Contract Documentation including an Output Specification and Performance Framework, and principle papers on the payment mechanism and project agreement; and
- A Scope of Initial Dialogue Document containing a series of briefing papers setting out information to Participants regarding a number of key issues where the Authority sought views from Participants.

4.6.2 The evaluation criteria that have applied throughout the procurement process are set out in Table 4-5 at the end of this section. The Initial Dialogue phase of the project did not require any formal submissions from participants which would be used for de-selection, and the ITPD documentation did not therefore need to include details of the evaluation methodology (which was included within the ISDS stage as appropriate).

4.6.3 The Authority used the Initial Dialogue phase of the project to establish the proposed solutions for each of the participants. All participants proposed to build a 300,000 tpa Energy from Waste facility on the Authority's site at Four Ashes.

4.6.4 The key issues discussed with participants during the Initial Dialogue are listed below:

Participants' approach to CHP
Approach to planning and obtaining consents
Procurement process and timescales
Risk allocation of energy revenues
Approach to funding
Comments on contract documentation
Supply chain management

4.7 The Detailed Solutions Stage of Competitive Dialogue (ISDS)

4.7.1 Once the Authority had established the proposed solutions for all participants and had agreed its position on the various key issues for the contract, all four bidders shortlisted at PQQ were invited to submit detailed solutions.

ISDS Documents

4.7.2 The Invitation to Submit Detailed Solutions was issued on 24 December 2008. The Documentation issued was as follows:

Contract Documentation – this comprised a substantive draft of the Project Agreement and all the supporting schedules

Submission Requirements – giving detailed instructions on exactly what information was to be supplied in the formal submissions

Evaluation Methodology – giving clear and transparent methodology for evaluating submissions based on the agreed Evaluation Criteria

4.7.3 Formal submission requirements and the evaluation methodology were set out in the ISDS Document included in Appendix 4.3. Participants were given a set of bid assumptions to facilitate the submission of comparable bids and to enable evaluation to concentrate on those elements critical to the bidders' proposed solutions. Participants were required to submit:

- Detailed Contractors Proposals;
- Detailed financial models;
- Funding proposals and
- A mark up of the Contract Documentation

4.7.4 At ISDS no substantial changes to the scope of the Project or the Specification had been made by the Authority or proposed by the bidders. Through dialogue and further input by the Authority and its advisors the scope, specification and commercial position had been refined and amended but no substantive changes to the concept of the project or its overall aims had been made.

ISDS Evaluation

4.7.5 The aim of the ISDS stage was to obtain a shortlist of 2 bidders in order to go onto the next stage of the procurement with substantially developed contract documentation and identified outstanding issues to be addressed.

4.7.6 Several dialogue meetings and site visits were held with all contractors to inform the development of their detailed solutions. All contractors subsequently submitted their detailed proposals for the new facility on 31 March 2009.

4.7.7 A detailed programme to evaluate all the bids in line with the published evaluation methodology was undertaken. The process was completed by 1 June 2009 and recommended a shortlist of two contractors to be taken forward into the remaining phase of the procurement. The evaluation selected MVV and Veolia as the highest scoring participants and they were invited to go through to the next stage. The scoring also demonstrated that there was a substantial gap between the second and third placed bidders. The two shortlisted contractors both submitted bids that fell within the overall affordability range approved by Cabinet in March 2008 as part of its consideration of the OBC.

4.7.8 Letters to all ISDS participants were distributed on 19 June 2009 informing them of the outcome of ISDS evaluations and inviting them to a debriefing meeting.

4.7.9 The unsuccessful participants received written feedback as well as a verbal debriefing. Unsuccessful Participants received detailed scores and rankings and were provided with an overall comparison with the highest scoring bid, along with a verbal debriefing of the strengths and weaknesses of their submission.

4.7.10 Successful Participants were not given detailed feedback on ranking or overall scores due to the need to maintain competitive tension and to avoid giving a commercial advantage. However, they were given a verbal debriefing on their strengths and weaknesses of their submission as well as discussing next steps.

4.7.11 There were no material changes in the technical aspects of the project that impacted on the evaluation at this stage. The assessment and evaluation of bids were undertaken exactly as detailed in the pre ISDS documentation. The technical solution still mirrored closely the Reference Project solution outlined in the OBC.

4.7.12 The only change from the project outlined in the OBC was that at OBC the Authority believed it may have been possible for the successful contractor to undertake the development using the Planning Permission gained by the Authority. However, due to design changes suggested by all participants and the view taken by the Planning Authority on those design changes, it was realised that any potential contractor would have to submit their own planning application. Therefore, one of the criteria used in the assessment of bids at ISDS was the potential for the bidder's design and their design team to gain planning permission in the light of the existing permission for EfW at the site.

4.8 The Refined Solutions Stage of Competitive Dialogue

4.8.1 At the end of the ISDS stage, the Authority proceeded to enter into further competitive dialogue to refine solutions with shortlisted bidders. This process continued up to the point of closing dialogue on 19 March 2010. As part of this dialogue, a draft of the Call for Final Tender Protocol was issued to participants.

4.8.2 The purpose of sending a draft CFT Protocol, and subsequent amendments, to participants was to set out the process by which the Authority would agree the scope and form of the documentation upon which each Participant's final tender ("Final Tender") would be based and how Final Tenders would be evaluated. In this way the participants were kept fully informed of what was required in their final bids and how they would be evaluated and scored.

4.8.3 This document provided Participants with a clear indication as to what was expected of them before Dialogue could be closed and given that the Final Tender period would be very short, provide a basis for them to understand the areas where their Solution needed to develop during the remaining Dialogue period.

4.8.4 During the final Dialogue period, the Authority proposed to reach the following position:

- Contract documentation in respect of each Participant was to be developed and agreed by the Parties. At CFT there were to be no substantive contract issues outstanding.
- Participants would have submitted and discussed Contractor's Proposals, financial models, and associated supporting information to an appropriate level whereby they were agreed by the Parties. It was made clear to the participants that, any agreement confirmed only that the Authority had sufficient information and understanding to evaluate that aspect of the proposal and did not indicate in any way how well that aspect of the submission would be evaluated by the Authority. All proposals would be determined by the evaluation criteria and methodology set out in the CFT Protocol (Appendix 4.4).
- Any documents which were agreed during the Dialogue were, immediately before Call for Final Tenders ("CFT"), to be placed in a secure area of the Project W2R Extranet ("SharePoint"). The Final Tender would merely have to confirm that these documents form the basis of that Final Tender and resubmission of these documents would not be required.

4.8.5 During this period of further dialogue, the Authority also kept the affordability and VfM aspects of the proposed solutions under review. Once the authority was satisfied with the quality, content and affordability of the participants' solutions, authority was sought from Cabinet to close the Competitive Dialogue process and call for final tenders. Authority was delegated to the Leader of the Council in his capacity as Chair of the W2R Project Board.

4.9 The Call for Final Tenders

4.9.1 The Competitive Dialogue process was formally closed on 19 March 2010 and the 2 participants, MVV and Veolia, were invited to submit final tenders by 23 March 2010. Both participants submitted compliant submissions by the due date and these were evaluated in accordance with the evaluation methodology set out in the CFT Protocol which is attached as Appendix 4.4.

4.9.2 The evaluation process and its outcome were reviewed by the W2R Project Board on 23 April 2010. The Board agreed to recommend to Cabinet that Veolia should be approved as the Preferred Bidder for the contract and that the associated affordability position, based on the Standard Bid, should be approved and funded by the Authority. Additionally the process had been subjected to internal audit review and a Gateway Health Check.

4.9.3 The Pre-Preferred Bidder FBC was submitted to Defra on 26 April 2010.

4.10 The Solution Proposed by the Preferred Bidder

4.10.1 The Preferred Bidder's technical solution is for a 300,000 tpa Energy from Waste facility at the Authority's Four Ashes site which will be operational during 2013.

Table 4-2: Proposed Technical Solution

Proposed Facility Type	Number of Proposed Facility	Capacity of Facility	Year of Operational Commencement
		Tonnes pa	
Energy from Waste Plant	1	300,000	2013

4.10.2 The waste flow model from the Preferred Bidders' financial model is included as Appendix 8.1. The Authority's Technical Advisor has also supplied a letter evidencing full understanding and robustness of the proposed technical solution and this is included in Appendix 2.1.

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4.10.3 The Payment Mechanism contains a Diversion Performance Adjustment which is a Deduction depending on the extent (if any) to which the Contractor's performance falls short of the Contract Waste Treatment Target of XX% and/or Treatment Residues containing BMW are disposed of to Landfill in contravention of the Output Specification. The Deductions are £XX per tonne of Treatable Contract Waste which is landfilled and £XX per tonne of BMW of treatment residues which are landfilled.

4.11 Process from Preferred Bidder to Financial Close

4.11.1 The Authority informed the Preferred Bidder on 23 April of its intention to appoint them prior to the WIDP evaluation of the final FBC report. The Preferred Bidder has been able to move forward with the project at their own risk with a number of issues as they chose. This has served to maintain and improve the overall schedule.

4.11.2 The unsuccessful bidder was also made aware of the intention to appoint Veolia as the Preferred Bidder at the Pre PB FBC stage. The Authority believes that by informing the unsuccessful bidder at this early stage, it prevented the unsuccessful bidder incurring any further unnecessary expenses and resources on what has already been a very costly project.

4.11.3 The Preferred Bidder was made aware that the intention to award the contract to them was subject to WIDP approval of the FBC and possibly both internal and external audit and/or challenge that may subsequently arise. It has also been made clear that any works the Preferred Bidder may undertake will be done at their own risk in accordance with the contract.

4.11.4 The losing bidder was informed in a similar manner and told that they would be officially debriefed only following confirmation of the selected preferred bidder. However, an informal debriefing was given to MVV on 10 May 2010.

4.11.5 In respect of any issues which remained outstanding at the date of the Final Tender, the Final Tender was based upon a "Preferred Bidder Adjustment Protocol" setting out how such issues would be fixed between Final Tender and Financial Close. The Preferred Bidder Adjustment Protocol also provides a mechanism whereby the Unitary Charge may be varied for any changes that occur to such parameters between the submission of the Final Tender and Financial Close. Once the Dialogue was closed, Participants were not permitted to amend this protocol and subsequent events during the preferred bidder period have been governed by its content.

4.12 Formal Contract Award

4.12.1 Cabinet, full Council and Defra approval of the Pre PB Final Business Case were received by 20th May 2010. Following further discussions in regard to energy options, it was made clear to the W2R team that HMT would not accept the Standard bid. Veolia's Variant bid was therefore put to and approved by Project Board and was considered by Cabinet on 2nd June 2010. Cabinet confirmed their decision to appoint Veolia as the Preferred Bidder and agreed to award the contract to them on the basis of their Variant Bid.

4.12.2 It was therefore decided that this was an appropriate point to issue the Alcatel letters and undertake the mandatory 10 day standstill period. The standstill period is an EU mandatory process and encourages transparency in the award process. Undertaking this at this stage of the process would enable potential challenges to be addressed well before contract signature.

4.12.3 All of the 12 original and unsuccessful PQQ participants were notified on 15 June 2010 of the outcome of the procurement and the scores of the Preferred Bidder. The participants were advised that the Authority would observe the mandatory standstill period which would end on 25 June 2010 and that it was the Authority's intention to award the contract on or after 28 June 2010 to Veolia.

4.12.4 MVV's letter was prepared using the requirements of the Remedies Directive although it was not strictly necessary as the procurement started prior to 20 December 2009. However the Authority considered that it should be as open as transparent as possible with the unsuccessful final tenderer. An additional debrief was given to MVV on 21 June 2010.

4.12.5 No challenges were received by the end of the Alcatel period. The Authority is continuing to work with Veolia to achieve contract close on 21 July.

Table 4-3: Key Procurement Events Timetable

Event	Date	Comment
OJEU Publication	2 August 2008	The OJEU documentation has been developed in parallel to Defra/PRG Approval of OBC. Ready to submit on OBC approval. Submissions must be made within 37 days of the OJEU Publication.
Issue PQQ and Information Memorandum	2 August 2008	
Bidders Day	4 September 2008	
Receive PQQ documentation returns	22 September 2008	
Shortlist of Participants presented to Cabinet	15 October 2008	Short listing for Dialogue
Issue Invitation to Participate in Initial Dialogue ahead of ISDS Submission	31 October 2008 (latest)	Descriptive Document and Evaluation Criteria issued
Initial Dialogue with shortlisted participants	October- December 2008	Focus on key issues (e.g. timetable, approach to CD, CHP, key commercial terms)
Issue Invitation to Submit Detailed Solutions	24 December 2008	Contract Documentation issued
Receive ISDS returns	31 March 2009	
Shortlist of Participants	June 2009	Short listing for Final Tenders
Further dialogue with shortlisted participants	June 2009 to March 2010	Leading to price certainty, finalisation of contract documents and funder due diligence
Issue Draft Call for Final Tender Protocol	21/08/09	Participants to provide comments on: Draft CFT, Contract Documentation,
Close Dialogue and call for final tender	19/03/2010	
Final Tender to be submitted	23/03/2010	
Provisional selection of Pre Preferred Bidder	23/04/2010	
Submission of Pre PB Final Business Case	26/04/2010	

Approval of Pre PB Final Business Case	20/05/2010	
Announcement of preferred bidder	20/05/2010	
Alcatel standstill period		
Submission of Final Business Case	W/c 5 July 2010	
Approval of Final Business Case	21 July 2010	
Commercial/Financial Close	21/07/2010	

Table 4-4: PQQ Assessment Stages

Stage	Score/Pass/Fail
Stage 1 – Compliance	
Information Requirements	Pass/Fail
Eligibility	Pass/Fail
Stage 2 – Assessment against Selection Criteria	
Technical and Professional Ability	Threshold
Economic and Financial Standing	Pass/Fail
Turnover	Threshold
Stage 3 – Assessment against Shortlisting Criteria	Maximum Score
Technical Assessment	
Corporate Responsibility	60
Management Systems	100
Technical Experience	320
Project Experience	85
Staff Experience	85
Financial Assessment	
Financial Solvency and Strength	245
Fundraising Ability	105
Total Score	**1000**

Table 4-5: Evaluation Criteria

Core Criteria	Sub-Criteria	Weighting
TECHNICAL RELATIVE WEIGHTING:		**40%**
Deliverability & Service Quality		45%
	Technology Deliverability	30%
	Contract & Service Management	20%
	Planning and Consents	25%
	Timescales	25%
Performance		30%
	Treatment Performance	50%
	Treatment Residues Landfill Diversion Performance	50%
Added Value and Innovation		10%
Sustainability		10%
	Greenhouse Gas Emissions	40%
	Sustainable Design and Construction	60%
Contract Interfaces		5%

Section 4
Procurement Strategy and Value for Money Assessment

Core Criteria	Sub-Criteria	Weighting
COST RELATIVE WEIGHTING:		40%
Economic Cost	Total expected net present cost of the project to the Councils taking into account direct costs, indirect costs, project risks and uncertainties	100%
COMMERCIAL RELATIVE WEIGHTING:		10%
Deliverability of Funding		25%
Acceptance of Authority's Contract Terms		25%
Contract Structures and Guarantees		25%
Acceptance of Authority's Payment Mechanism and Performance Framework		25%
SOLUTION INTEGRITY RELATIVE WEIGHTING:		10%
Completeness and Consistency of Solution		33%
Cohesiveness of Project Team		33%
Partnership Working with Authority		34%

SECTION

5

RISK MANAGEMENT, RISK ALLOCATION & CONTRACTUAL STRUCTURES

Section 5
Risk Management, Risk Allocation and Contractual Structures

5. Risk Management, Risk Allocation and Contractual Structures

5.1 Introduction

5.1.1 Staffordshire County Council has recognised that the management of risk throughout a project such as Project W2R is essential to achieve successful delivery, both in terms of delivery of a successful procurement, and the contracted services. Staffordshire's treatment of and attitude to Risk Management has not altered since the outset of the project. During the process the Authority's attitude to eliminate risk altogether rather than transfer risk to the private sector has been vindicated in many aspects of the Project. Increased project certainty and reduced authority and contractor risk have resulted we believe in a more competitive commercial position and a greater level of price certainty. Examples of this are:

Information redacted due to commercially sensitive and confidentiality reasons

5.2 Risk Management

Attitude to Risk

5.2.1 The W2R Project Team appreciates that the management of risk is a crucial aspect of projects of this nature. The Project Team accepts the partnering principle that the risks that cannot be economically eliminated must be managed by the most appropriate party to achieve the best value outcome for the project.

5.2.2 Within a project such as W2R there are certain unavoidable, inherent risks e.g. the risks associated with gaining planning permission. It was the primary objective of the Project Team to manage, monitor and control the inevitable risks whilst avoiding the introduction of additional risk where possible.

5.2.3 The Project Team recognised there were two main areas of risk for the project:

- risk to the Council in delivery of the procurement, and;
- risk to the delivery of the procured services.

5.2.4 Risk to the Council were managed, monitored and controlled by the Project Team, Project Board, advisors and others within the Council as set out within the W2R Headline Risk Register.

5.2.5 The Council established clear communications as a priority with Participants, including clear bid assumptions where there was any residual uncertainty in a particular issue.

5.2.6 The principal ways in which, at a project level, the authority reduced uncertainty and risk were:

- resolved land and planning issues in advance of and in parallel with procurement;
- maintained a clear definition of the project scope;
- provided a clear mandate for the project from Cabinet;
- kept with the preferred technology, developed and improved output specification;
- established a preferred plant capacity and its justification;
- developed the relationship with our project "partners" with suitable waste guarantees, through an inter authority Agreement (IAA) ;
- provided and updated adequate support data and background information;
- demonstrated and maintained a clear vision and purpose to the participants, combined with a professional and efficient approach to the procurement by the Project Team
- adhered to the selection criteria and a definitive and realistic timetable for the Competitive Dialogue process.

5.2.7 The W2R team maintained a risk register throughout the process. Risks were identified and assessed at monthly intervals with new risks being added and risks which were avoided being clearly identified. This risk register will continue to be maintained throughout the life of the Project. A copy of the July 2010 register can be found in Appendix 5.2.

5.2.8 The Project Agreement is very much a standard WIDP SoPC4 document and as such does not have any significant derogations in regard to the transfer of risk. The authorities' approach to risk and its transfer to the contractor or retention by the authority have resulted in a number of risks being accepted by the contractor which have historically stayed with the client. A limited number of risks, have however been retained by the authorities. On balance it is the authorities' position that the overall risk profile of the project has been reduced by the SCC's action resulting in an overall beneficial risk situation for SCC and the Partner Authorities.

5.2.9 Key additional risks accepted by the Contractor are:

Information redacted due to commercially sensitive and confidentiality reasons

5.2.10 Key risks accepted by the Authority

- Planning Condition discharge – SCC has accepted the risk of discharging some of its outstanding planning conditions in regard to the reference site. These relate principally to issues of access and road improvement.

5.3 Risk Allocation Matrix

5.3.1 The risk Allocation Matrix can be found in Appendix 5.1. The current matrix does not differ significantly from that originally set out in the OBC. Notes within the Matrix comments boxes clearly identify the current risk position and any changes from that adopted at OBC.

Section 5
Risk Management, Risk Allocation and Contractual Structures

5.4 Commercial Issues Not Covered by SoPC4

5.4.1 The Head of WIDP's Commercial Team signed off the commercial aspects of the contract documentation at close of dialogue subject to further assurances regarding risk management strategies for energy prices. The Commercial Team's letter and issues log is included as Appendices 5.4 and 5.3 respectively.

5.4.2 The Authority's preferred option is the standard bid received from Veolia which has been evaluated as providing the best value for money and involves the Authority taking the risk on energy tariffs. The variant energy bid from Veolia provides less favourable value for money but a lower risk profile. Following discussion with WIDP and advice from HM Treasury the Authority has concluded that the benefits accruing from the lower risk profile of the variant bid outweigh those of potential higher electricity income from the standard bid. We therefore propose to proceed with the variant bid.

5.5 Project Agreement and Other Contractual Documents

Proposed Derogations

5.5.1 The table of the derogations is included as Appendix 5.5. There are no significant derogations from SoPC4 required drafting. The derogations that have been included have been approved by the WIDP commercial team and are discussed in the derogations report Appendix 5.5

5.6 Markets for Process Outputs

Information redacted due to commercially sensitive and confidentiality reasons

5.6.1 ……

5.7 Budgetary Treatment

5.7.1 As part of their review prior to close of dialogue, WIDP's Commercial Team confirmed that they were satisfied with their assessment of the treatment of the project for central government budgeting purposes under ESA 95. This was reconfirmed during their approval of the PPB Final Business Case. There have been no changes since this time which would affect this assessment.

5.8 Summary

5.8.1 The Council has undertaken a proactive approach to risk management, ensuring those risks with significant impact were identified early on in the process to allow for effective mitigation ahead of any approach to DEFRA for funding or to the market to gauge interest.

5.8.2 As the project has developed, and the Project Team expanded, the Council has developed the initial assessment of risk to greater detail, ensuring that

those risks to delivery of the procurement and the procured services are evaluated and effectively mitigated as appropriate.

SECTION

6

PROJECT TEAM & GOVERNANCE

Section 6
Project Team and Governance

6. Project Team and Governance

6.1 Introduction

6.1.1 This section will demonstrate that the Authority has had in place sufficient Project Management and Governance arrangements which are robust, effective and efficient in order that the Project was delivered in a timely and effective manner without compromising the Authority's legal, ethical and contractual obligations and duties.

6.2 Legal Context

6.2.1 There has been no change from the position at OBC.

6.3 Project Governance

6.3.1 In the OBC of March 2008, this section demonstrated that the authority had in place sufficient Project Management and Governance arrangements that were robust, effective and efficient in order that the Project could be delivered in a timely and effective manner without compromising the Authority's legal, ethical and contractual obligations and duties. These arrangements are still in place and have over the past months proved effective and efficient. No significant changes have been made other than to add Sandwell Council to the Project Team.

6.3.2 Since the submission of the OBC in March 2008, the Authority has changed political administration from Labour to a Conservative administration with an overwhelming majority. As a result, the individual elected Members on the Project Board have changed in that the Council Leader and Portfolio Holder are new to the Project. There are now no opposition members on the Project Board, but the previous (Conservative) opposition Member has been retained to ensure continuity of member involvement and understanding.

6.4 Project Management

6.4.1 There has been one addition to the internal Project Team since the OBC:

Stuart Rutherford BAHons, APM – Project Support Officer

Stuart has had a key role in the successful implementation of the project, providing technical and administrative support. He acts as a key contact for the project, co-ordinating and controlling the flow of information. Part of his role is to provide Joy Currey with project management support allowing Joy to concentrate of the financial aspects of the project. Stuart assumed responsibility in the handling of day to day project matters. He is also responsible for the building and management of the SharePoint server system that has played an important part in the Procurement process.

Stuart has worked as a Project Co-ordinator on two other major projects within Staffordshire County Council, the £850 million Building Schools for the Future PFI project, structuring systems to help in the implementation and

management of work streams. He also worked closely in the delivery of Communications strategies ensuring a high level of visibility on the project. He was involved on the PISCES project, working in the creation of a newly designed computer system that will help amalgamate and streamline C&LL and SC&H services.

6.4.2 The Authority's Medium Term Financial Strategy contains provision for the project team to continue for future phases of the project. Detailed plans for future phases post contract close will be finalised prior to contract close. The Authority will work with WIDP and draw on their work with operational projects when formulating our plans

6.5 Advisors

6.5.1 There has been one addition to the team of advisors since OBC:

William Spickett LLB (Law with French Law and Language)

Will is a Solicitor at Eversheds LLP. After finishing the LLB at Leicester, Will went on to study the Diploma in Legal Practice at Nottingham Trent University. He currently works on negotiating and drafting PFI contracts mainly on behalf of local authorities, and assisting in managing the development of the related project documentation.

6.6 Outline of partnership arrangements with other WDAs

6.6.1 Staffordshire has continued to work with the three partnering authorities, providing monthly reports at team meetings. The partners have agreed both the nature and content of the Inter Authority Agreement (IAA) and have individually endorsed the agreement at their Cabinets in January and February 2010. The Final version of the IAA will, along with the PA, be approved by the Partners' cabinets prior to Financial Close. At financial close arrangements will be made to simultaneously sign both the PA and the IAA. Once the IAA has been signed, the Contract Management Board will be created featuring representatives from all four authorities. In addition to and in support of the Contract Management Board, a Working Officers Group will be established which will work closely with the successful bidder in ensuring that agreed objectives are met.

6.7 District involvement

6.7.1 The W2R Project though the waste management function of the County Council has agreed with and arranged for all of the districts within Staffordshire to provide waste to the W2R Plant. This agreement supplements the statutory duties of the authorities and has been provided in the form of a signed Service Level Agreement (Appendix 1.2)

SECTION

7

SITES PLANNING & DESIGN

7. Sites, Planning and Design

7.1 Introduction

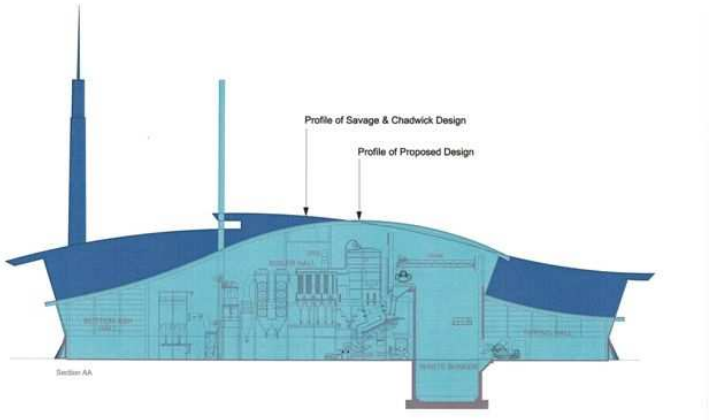
7.1.1 Staffordshire County Council has been pro-active in acquiring a reference site for the W2R Project and obtaining planning permission for a generic building which has established the principle of the use on the site and the mass of the building. (Planning Permission SS.08/10/636W)

7.1.2 All four of the Bidders at the ISDS stage chose to develop solutions based on the reference site which the County Council had acquired with freehold title and to design their Detailed Solutions based on the planning permission which the County Council obtained. The ISDS evaluation and the CFT evaluation both took into account and scored the probability of the submitted scheme obtaining planning permission.

7.1.3 The Preferred Bidder has submitted a solution which is based on the planning permission which the County Council has obtained. It utilises the site which the County Council has purchased and which it is intended to lease to the successful Bidder. The building follows closely the design which has been approved but occupies a smaller footprint as the proposed solution and the mass of the building has been reduced as shown in Figure 7-1 below. The Preferred Bidder has revisited the layout, orientation, plant configuration and building form so as to optimise the design both operationally and environmentally and to mitigate further the scale and bulk of the facility. The proposed amendments to the scheme permitted in 2009 include:

- Reduction in the height of the facility main building from 42m to 40m;
- Rearrangement and optimisation of plant components to allow a smooth, free flowing roof radius to the building envelope delivering an overall reduced building mass and lower eaves heights;
- Incorporation of the twin exhaust stacks within the building structure as opposed to freestanding stacks to reduce their bulk and visual prominence; and
- Removal of the elevated tipping hall for operational and building height reduction purposes.

Figure 7-1: Preferred Bidder Facility Design



7.2 Procurement Process

7.2.1 During the ISDS and Further Dialogue stages, meetings were facilitated between the Bidders and the County Council's Development Control Planning team to assist in the development of design solutions which would be compliant with the County Council's planning expectations. Meetings were also arranged with the Police Architectural Liaison Officer and Fire and Recue Service's Fire Prevention Officer and the Environment Agency's Local PPC Compliance Team during the Further Dialogue stage to enable the Bidders to obtain feedback on their specific proposals so that any amendments could be taken on board and costed. Subsequent to being selected, the Preferred Bidder has held a meeting with the Planning Development Control team, the County Council's landscape and ecological specialists and the Police Architectural Liaison Officer and Fire and Recue Service's Fire Prevention Officer to ensure that the different elements and interests are co-ordinated.

7.2.2 The County Council and the Bidders were able during the Further Dialogue process to agree what work and planning conditions would be discharged by the County Council and what would be the responsibility of the successful bidder. The County Council is in the process of translocating Great Crested Newts from the site and has obtained approval to the detailed design of the off-site road improvements which are required before construction on site can start. These off-site works will be completed by the time that the Preferred Bidder's planning application is approved.

7.3 Enabling and Mitigation Works

7.3.1 The County Council is undertaking off-site highway works to facilitate unrestricted access to the site from the principal road network during both the construction and the operation of the plant and has acquired freehold title to land adjoining the development site to enable ecological mitigation works to be undertaken. It has obtained a licence from Natural England to translocate Great Crested Newts from the development site to the mitigation site and to fence the development site so that Great Crested Newts cannot re-enter the site. This work is being undertaken at the present time. The Preferred Bidder will be responsible for the management of the "Mitigation Site" in accordance with an agreed Management Plan as well as the development site for the life of the contract.

7.3.2 During the Further Dialogue stage the County Council invited the final 2 Bidders to submit a list of works that they would like to be undertaken as part of a Ground Investigation (GI) programme for the site and the 2 lists were amalgamated to enable the County Council to let a single contract to confirm the ground conditions to both Bidders satisfaction. The GI reports have enabled the Preferred Bidder to submit firm estimates for the construction works.

7.4 Bidder's Planning Application

7.4.1 The Preferred Bidder will be responsible for submitting and obtaining their own planning permission and for submitting an Environmental Statement. The final 2 Bidders included an outline of the proposed Environmental Statement and the Bidders have held informal discussions with the consultees on the Scoping Opinion to ensure that the Scoping Report could be submitted immediately that after there was a public announcement of the successful Bidder. A Scoping Opinion was submitted within one week of the Preferred Bidder being notified of their status. The Preferred Bidder will be able to utilise the background information which supported the generic planning permission which has been granted. The air quality and ecological surveys are being kept up to date so that there is continuity in the data to support the bespoke planning application, environmental statement and the Environmental Permit application.

7.4.2 The selected scheme is based on the planning permission which Staffordshire County Council obtained but with a smaller footprint and a significantly reduced mass whilst still retaining the overall design concept and shape. The risk of a new planning permission not being granted is therefore minimal. Fully worked plans and elevations of the proposed building have been submitted with the Bid and have been discussed with the Planning Authority.

7.4.3 By having a planning permission in place prior to the Call for Final Tenders and having had face to face meetings with the Waste Planning Authority and its key consultees, the Preferred Contractor has been able to develop a design solution for the site with a high degree of confidence that it will be able to obtain planning permission for their bespoke solution within a reasonable timescale and the County Council has that same level of confidence that the project can be delivered on schedule and with a minimum of provision for contingencies in the costing.

7.4.4 The Preferred Bidder's design solution complies with the County Council's Climate Change policy and incorporates a Sustainable Urban Drainage Scheme, a "Living Roof" and a draft Site Waste Management Plan. The scheme meets the BREEAM "Very Good" standard with regard to sustainable construction materials and energy efficient operation. The site is a former sand and gravel quarry which has been backfilled with inert waste. It is expected that no material excavated as part of the development will be removed from the site.

7.4.5 The ISDS and CFT evaluation took into account the WRATE scores of the different bids and the schemes are classed as Recovery Facilities in terms of their energy efficiency.

Information redacted due to commercially sensitive and confidentiality reasons

7.4.6 The contract sets a target for diversion for waste and recovery and diversion from landfill of post incineration residues. The Preferred Bidder proposes a high level of diversion of waste delivered to the site through ……..

7.4.7 The Incinerator Bottom Ash will be taken off site and processed to remove all ferrous and non-ferrous metals which will be sold for re-use and the processed ash will be sold as a secondary aggregate with a Key Performance Indicator to ensure that diversion targets are met. The Air Pollution Control Residues will be ……..

7.5 Planning Health Framework

7.5.1 An updated Planning Health Framework is attached as Appendix 7.1

SECTION

8
COSTS, BUDGET & FINANCE

Section 8
Costs, Budget and Finance

8. Costs, Budget and Finance

8.1 Introduction

8.1.1 This section sets out the cost of the Preferred Bidder's solution and compares this against the estimated costs of the reference project included in the OBC and both the available budget and the cost of a "Do Minimum" scenario in order to assess the project's affordability.

8.1.2 In particular, information is provided in the following key areas:

- The cost of the Preferred Bidder's solution over the contract period (up to 31 March 2039). This is compared to the estimated costs included in the OBC which were derived from the Authority's shadow bid model;
- A summary of the sources of funding proposed by the Preferred Bidder;
- An updated affordability analysis for the project in comparison with that set out in the OBC. This includes an analysis of the medium term budgets available to deliver Project W2R and how these compare with projected project costs in order to indentify the "affordability gap";
- Sensitivity analyses showing how project costs may change if key project risks crystallise in order to identify the required "affordability envelope";
- The cost of the "Do Minimum" scenario whereby:
    - Recycling/composting is maximised in accordance with the JMWMS (achieving the same levels of recycling/composting as assumed in Project W2R);
    - 90,000 tonnes per annum of residual waste from North Staffordshire is continued to be disposed of at the existing Hanford EfW facility in Stoke on Trent ;
    - The remainder of the residual waste is disposed of to landfill as at present.
- The methodology for the calculation of the revenue support contribution of the PFI credit and
- A summary of the procurement costs incurred by the Authority.

8.1.3 It will provide evidence that the Authority and its Partners have a full understanding of the costs of the solution (including the inherent risks associated with these costs), that they are affordable and that the necessary approvals from elected members will be in place to achieve financial close.

8.2 Procurement Costs

Information redacted due to commercially sensitive and confidentiality reasons

8.2.1 Table 8-1 below sets out a summary of the procurement costs which are predicted, at the point of FBC submission, to be incurred on delivering the project. These are compared with the levels estimated at OBC, as amended by the Addendum submitted in June 2008. These costs cover the period up to 31 March 2011 and the approved budget has been adjusted to £XXXM to include existing staffing resources involved on the procurement.

Table 8-1: Procurement Costs

8.2.2 The Authority In House costs estimated at OBC included funds for a dedicated Procurement Officer and also for providing a CDM role during the whole procurement phase. In the event, it was not necessary to appoint a Procurement Officer as support was provided from our in house Procurement Team and the CDM function was transferred to the two bidders shortlisted after the ISDS stage.

8.2.3 External advisor costs are expected to be slightly less than estimated due to an efficient procurement process. Other procurement costs include the cost of securing a generic planning permission for the W2R facility, site investigations and surveys to complement the procurement process. Additional site investigations and surveys were agreed during the procurement of the facility.

8.2.4 The procurement has therefore been effectively managed within agreed budgets and timescales.

8.3 Cost of the Preferred Bidder's Solution

8.3.1 The Preferred Bidder's financial model is included in Appendix 8.1 and a summary of costs is set out in Table 8-2 below. As part of their submissions, bidders were required to base their financial models on various assumptions which in particular included:

- inflation of 2.5%;
- a Foreign Exchange £:€ rate of 1.09 and
- Energy prices based on OFGEM's report of February 2010 "Project Discovery; Energy Markets Scenario Update". The scenario used was Green Transition, one of the four scenarios detailed in the report, and which predicts the second lowest set of prices.

Section 8
Costs, Budget and Finance

Information redacted due to commercially sensitive and confidentiality reasons

Table 8-2: Summary of Preferred Bidder Financial Model

8.3.2 The Pre Preferred Bidder FBC was submitted on the basis of the Veolia's Standard Energy Bid. However, during the approval process of the PPB FBC, it was made clear to the Authority that this would not receive PFI support and therefore Cabinet decided to confirm Veolia as the Preferred Bidder on the basis of their Variant Energy Bid.

Information redacted due to commercially sensitive and confidentiality reasons

8.3.3 The shadow bid model included assumptions with regard to electricity revenues for the facility which were based on tenders current at the time. Energy revenues were a major area of discussion throughout the procurement process and ……. The income from commercial waste has also increased due to the Authority's revised waste flow predictions.

Information redacted due to commercially sensitive and confidentiality reasons

8.3.4 The procurement process was effective in achieving the best value for money regarding the cost of the facility. …….

8.4 Funding

Information redacted due to commercially sensitive and confidentiality reasons

8.4.1 The financing proposals have been developed by Veolia to provide a guaranteed and secure funding package to the Authority……..

8.4.2 ……

8.4.3 ……

8.4.4 Full details of the funding terms and arrangements are set out in the project data template which is included as Appendix 8.6.

8.5 Affordability Analysis

Projected Budgets

8.5.1 Staffordshire's current waste disposal budget covers a number of key areas associated with the Council's obligations in its capacity as a waste disposal authority:

a) landfilling of waste which is not re-used, recycled, composted or otherwise recovered

b) landfill tax

c) disposal of waste at the existing Hanford EfW facility

d) transfer and haulage of waste to Hanford EfW facility

e) management and operation of Household Waste Recycling Centres

f) waste recycling, minimisation and education activities

g) payment of Recycling Credits to the Waste Collection Authorities

8.5.2 The Waste Management budget for the current year (2010/11) is summarised in Table 8-3 below

Information redacted due to commercially sensitive and confidentiality reasons

Table 8-3: Waste Management Budget 2010/11

8.5.3 Items (a) landfill and (b) landfill tax will be superseded by Project W2R and hence this budget will be wholly available for the project.

8.5.4 Items (c) to (f) are substantially independent of Project W2R and have already achieved steady levels of expenditure resulting from the high levels of performance already achieved.

8.5.5 Item (g) Recycling Credits forms an important component of the project in order to drive down the quantity of waste which would otherwise have to be treated in the Project W2R facility. Accordingly, changes to this budget are also crucial to the success of the project.

8.5.6 The existing budgets which form the baseline against which the project costs have been assessed are set out in Table 8-4 below:

Information redacted due to commercially sensitive and confidentiality reasons

Table 8-4: Existing Budgets

8.5.7 The Authority's Medium Term Financial Strategy assumes inflation of 2% per annum. Inflating these budgets at this rate, this equates to an available budget of £XXXXXXk in the first Contract Year.

8.5.8 In reality, the associated costs over the next few years will increase at a rate faster than inflation, due to escalating landfill tax rates, waste growth and performance improvements in the WCAs resulting in higher recycling credit

payments. Staffordshire's Medium Term Financial Strategy acknowledges these factors and the Council is committed to paying the associated costs. The associated budgets are included in Appendix 8.2.

PFI Credit Payments

8.5.9 After consideration of the OBC, approval to PFI credits of £122.4M was given. The associated Revenue Support Grant has been calculated by using HM Treasury's discount rate of 5.5% from the Planned Readiness Date (30 October 2013). This is in accordance with Defra's guidance that the Authority will be eligible for grant at the commencement of hot commissioning.

8.5.10 The details of the calculation of PFI credits are shown in Table 8-5 below:

Information redacted due to commercially sensitive and confidentiality reasons

Table 8-5: Calculation of PFI Credits

Information redacted due to commercially sensitive and confidentiality reasons

8.5.11 The costs associated with procurement, obtaining planning permission, contract management and land acquisition have been borne by Staffordshire County Council. As part of the approval of the Inter Authority Agreement by the partner authorities, it has been agreed that these factors, along with the inherent issues for Staffordshire as a "host authority", will be reflected in Staffordshire retaining a "top slice" of the PFI credit equating to £XXXM per annum. The remaining PFI credit will then be apportioned on a pro-rated basis between all waste from the four authorities treated at the Project W2R facility.

8.5.12 The revenue support grant would be paid to Staffordshire with the impact of credits being reflected in a discounted cost paid to Staffordshire by the partner authorities.

Cost of the PFI Contract

8.5.13 The cost of the PFI Contract to Staffordshire and the Partner Authorities is included in Appendix 8.3 and summarised in Table 8-6 below.

Information redacted due to commercially sensitive and confidentiality reasons

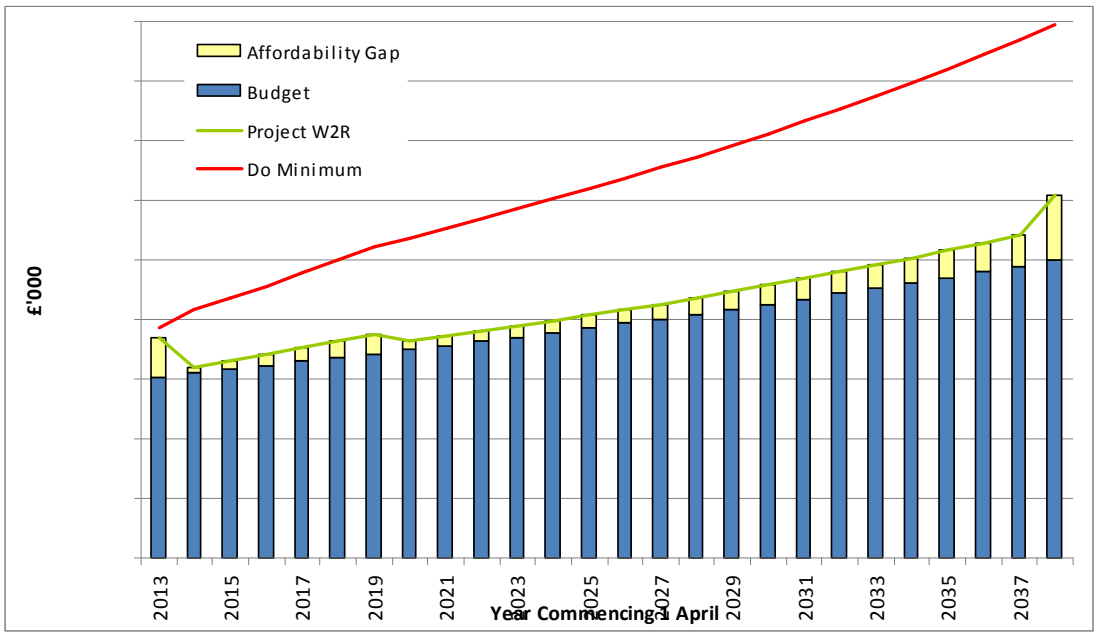
Table 8-6: Cost of PFI Contract

Information redacted due to commercially sensitive and confidentiality reasons

8.5.14 The reduction in Unitary Charge and associated energy revenues reflects the improved value for money provided by the contractor as set out in section 8.3. The contractor is guaranteeing XX% diversion from landfill. Therefore landfill costs are substantially reduced and now relate to the period prior to service commencement. ……..

8.5.15 Figure 8-1 below summarises the affordability gap (compared to existing inflated budgets) identified in Table 8-4. For comparison, this graph also includes the cost of the "Do Minimum" scenario discussed in paragraph 8.1.2.

Figure 8-1: Project W2R Affordability



8.5.16 The majority of budget increase required to implement the contract occurs in the period up to service commencement of Project W2R in 2013/14. The Council has already committed to this funding through its medium term budgets included in Appendix 8.2. Thereafter, the committed medium term budgets need to be sustained for the duration of the project.

8.5.17 The costs of the project to Warwickshire, Walsall and Sandwell are summarised in Appendix 8.3 and in Table 8-6 above.

The Authority's LATS Strategy

8.5.18 The Authority's Affordability Model does not include any revenue from the sale of any LATS allowances once the plant is operational.

Recyclate Income

Information redacted due to commercially sensitive and confidentiality reasons

8.5.19 The Authority's Affordability Model does not include any revenue from the sale of recyclates which are included within the Pre Preferred Bidder's Financial Model. ……..

Landfill Tax

Information redacted due to commercially sensitive and confidentiality reasons

8.5.20 The Contractor has guaranteed XX% diversion of waste from landfill and …….

8.5.21 For the "Do Minimum" scenario, the Authority has assumed that after Landfill Tax reaches £80 per tonne in 2014 it will inflate by 4.5% until 2019/20 inclusive and 2.5% thereafter

. ***Contract Monitoring Costs***

Information redacted due to commercially sensitive and confidentiality reasons

8.5.22 The Authority's Affordability Model includes costs of £XXXK per annum (as at 1 April 2010, indexed at 2.5% thereafter) between the Planned Readiness Date and 31 March 2039. This represents the cost of two contract monitoring posts within the Authority. The Authority's Medium Term Financial Strategy also includes provision for the current project team to continue until the plant is operational.

Sensitivity Analysis

8.5.23 The following sensitivity analyses summarised in Table 8-7 have been undertaken in order to understand the risks to Staffordshire's project costs in various scenarios. The risks which have been considered are as follows:

- A delay of 12 months in the achievement of a Satisfactory Planning Permission which is incapable of being challenged;
- Foreign exchange rate risk remains with the Authority until Contract Close and sensitivities have been done to highlight the impact on project costs if the exchange rate falls to 1.04 during this period;
- The Authority's Affordability Model assumes inflation of 2.5% and a sensitivity has been prepared using a higher value of 3.5% and

8.5.24 The results and impact on the Standard Bid costs are set out below. The cost of the energy variant bid submitted by the Preferred Bidder is also included in the table below.

Information redacted due to commercially sensitive and confidentiality reasons

Table 8-7: Sensitivity analyses

8.5.25 In all instances, even if all scenarios happened together, the project costs remain lower than the "Do Minimum" scenario such that the business case for the project is retained.

Costs and Impact of Carbon

8.5.26 The evaluation of Bidders' solutions included an assessment of the associated reductions in greenhouse gas emissions through the use of the Waste and Resources Assessment Tool for the Environment (WRATE).

8.5.27 The Pre Preferred Bidder's solution will provide a reduction of some 66,000 tonnes CO_2 eq. per annum which compares with an estimated reduction of 50,000 tonnes CO_2 eq. per annum at OBC.

8.6 Member Approval of Affordability

8.6.1 The W2R Project Board is composed of senior members and officers of the Authority. In particular, the Leader of the Council is Chair of the Board and the Cabinet Portfolio holder for waste is also a member. The Section 151 Officer, Director of Law and Governance, Head of Procurement and the Corporate Director for Development Services are also Board members. The Board reviewed the evaluation process for final tenders at its meeting of 23 April 2010 and agreed Veolia ES Aurora Ltd as the Pre Preferred Bidder.

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8.6.2 The Board also considered a summary report on the associated affordability position for the project based on the costs of the standard energy bid. The Board confirmed that they would recommend to Cabinet that sufficient funds should be made available to cover the residual cost of Project W2R. This was based on an affordability gap for the project of £XXm of which £Xm needs to be funded in 2014/15, the first full year of operation. The sensitivity of the modelled costs to various issues was set out in the report and on this basis an affordability range of £XXm to £XXm over the next 26 years was recommended to Cabinet. These recommendations were approved by Cabinet at its meeting of 19 May 2010. A copy of the report is attached as Appendix 8.4.

8.6.3 Subsequently, the Authority was informed that the standard energy bid would not receive PFI funding and, at its meeting of 2 June 2010, Cabinet reconsidered the costs of the project and confirmed Veolia as the Preferred

Bidder on the basis of their variant energy bid. This was on the basis of a revised affordability gap of £XXm and an affordability range of £XXm to £XXm over the life of the project. A copy of the report is also attached in Appendix 8.4.

8.7 Partners Costs

8.7.1 The Cabinet report also included the impact of the project costs on Warwickshire, Walsall and Sandwell. These costs have been considered by these authorities and their Section 151 Officers and their Cabinets have approved the affordability implications for their authorities. Copies of the Cabinet reports are included in Appendix 8.5.

SECTION

9

COMMUNICATIONS

Section 9
Communications

9. Communications

9.1 Introduction

9.1.1 The basic communications strategy has not altered in concept from the original established for the 2008 OBC. It has been and will continue to be updated on a constant basis, maintaining an ongoing programme of effective and robust communication that has helped define and shape the delivery of Project W2R. The communication strategy has been founded on the firm understanding that Project W2R will only be successful if key stakeholders and other interested parties buy in to the project and work towards collectively agreed aims and objectives. Equally important, bringing together a range of audiences will contribute expertise and experience towards the delivery of Project W2R thus enhancing its overall quality and cost effectiveness. Communication has been central to the operational effectiveness of the project.

9.2 Strategy

9.2.1 The W2R strategy sets out Project W2R's approach to:

1. Who will be engaged
2. Why they will be engaged
3. How they will be engaged
4. When they will be engaged

The strategy has been structured to cover from April 2008 (submission of the Outline Business Case or OBC) to July 2010 (Contract Award).

9.2.2 Within this timeframe the three main aspects covered by this strategy were:

- The acquisition of a site and planning permission for the W2R facility
- The overall need for the facility, its Value for Money and affordability.
- The procurement process and selection of a contractor.

9.2.3 The strategy identified three main groups that have been consulted and managed:

1) Local Stakeholders and in particular political leaders
2) Regional and National Stakeholders and bodies
3) The Wider Community

9.2.4 W2R has strived to provide information that meets the needs of the Stakeholders whilst ensuring that the Project meets a minimal level of resistance. The Project has received little in the way of negative stories in the media and has encountered little resistance from Stakeholders.

9.3 Transfer of Undertaking – Protection of Employment (TUPE)

9.3.1 This is not applicable to this project as no staff will be transferred or made redundant as a result of this project.

Other relevant authorities

9.4 Staffordshire County Council Cabinet, Members and other Key Committees

9.4.1 W2R has consistently provided information that has ensured that not only appropriate, operational, governance and scrutiny bodies have always been fully aware of the project and the overall strategy, but also every individual member of the Authority. This has ensured that there has always been full support of the principles and details of the Project. The Project also handled the transition when there was a change in political control, by gaining support for W2R prior to the election it ensured that there was no challenge or review and that was secure as it was delivered as part of the Conservative Manifesto.

9.5 Staffordshire and Stoke on Trent Joint Waste Management Board (JWMB)

9.5.1 The director of Project W2R has attended all meetings to continue to ensure that there is county wide support for the aims of the strategy and that all the collection authorities are committed to achieving the recycling and composting targets set out in the Strategy. This support has allowed the Project Team and the County Council to proceed with a degree of confidence in the ability and willingness of the districts to deliver residual wastes required by the Project. This has been coupled with each district providing a Service Level Agreement stating that are willing to provide input to the W2R plant.

9.6 Partner Authorities

9.6.1 The W2R team continues to have monthly meetings with partners on this project. The three partnering authorities have been given approval by their Cabinets to proceed with project and have provided SCC with a signed copy of the Heads of Terms which outlines the general nature of the future agreement. The Inter-Authority Agreement will be signed in conjunction with the Project Agreement.

9.7 Public engagement

9.7.1 Although Planning for the site has been granted, the Authority continues to liaise with members of the public in general and specifically with local residents. As the Preferred Bidder has now been selected, the local communication role will pass to the contractor although the Authority will keep a watching brief and will continue to have a major input to all communications.

9.7.2 In addition to attending numerous Parish Council, District Council and pressure group meetings, the Authority held a two day event on 5th and 6th June 2008 within the village of Calf Heath, which allowed the residents to ask questions and view information about both the plant, the changes to the site and the improvements to the local road network. The residents were also given information on the reasons behind the project.

9.7.3 The W2R team has also kept the public informed through a series of leaflets that have provided information on the project. It was decided that anyone that resided or had a business within a 4 km radius of the site would be kept up to date with progress. So far the following information has been distributed directly:

- Nov 2007 Essential Information Guide
- May 2008 EFW Update Leaflet
- May 2008 Improving the Road Network
- July 2008 Update information Letter
- August 2008 W2R Briefing Note
- December 2008 W2R Briefing Leaflet
- Update leaflet September 2009
- Update leaflet March 2010
- Information regarding the selection Contract May 2010

The junction update issued in May 2008 contained a response slip which allowed the receiver to provide feedback on proposed junction improvements; this facility was also provided to attendees at open days. Overall only 23 responses were received - 22 via the leaflets and one through the telephone information line. This reflects a response rate of 4.84% on the 475 leaflets distributed.

9.7.4 In addition the Project has created a dedicated website:

http://www.staffsprojectw2r.info/

The website has provided a range of information for the general public including a monthly blog, the W2R planning application and a FAQ section. The website has allowed the Public to keep up to date with the progress of the project and has allowed the Project team to provide relevant up to date information.

9.7.5 The Project has also utilised other forms of media to convey information with the Project Director appearing on both local radio and television programmes publicising the project and responding to any criticism of the Project.

9.8 Community sector/Non-Government Organisations (NGOs)

9.8.1 Throughout the life of the Project, the W2R team has met with various groups from both the Community Sector and Non-Government Organisations whenever a meeting has been requested. The team ensured that information was constantly put into the public arena so that people could continue to be fully informed.

SECTION

10

TIMETABLE

Section 10
Timetable

10. Timetable

10.1 Introduction

10.1.1 The Project Team has throughout this process given careful consideration to the many factors that may influence the project timetable for delivery of Project W2R.

10.1.2 Since before the submission of the OBC the timetable set by the authority has been tight, but achievable. The W2R team has actively managed the timetable of events and ensured that wherever and whenever possible key target dates have been met or achieved ahead of schedule.

10.1.3 The comprehensive identification of procurement risks, how they impact on the project timescale, and the mitigation measures that have been implemented to maintain the Project W2R programme has proved to be successful to date.

10.1.4 The Project Team has consequently been able to keep to the programme with only a minor slippage of 2 months projected to Financial Close. Risk mitigations measures in regard to planning have allowed Financial Close to be taken out of the critical path for that process.

10.1.5 Upon the Preferred Bidder's advice for the construction programme, the authority now anticipates the plant will not to be accepting waste until October 2013, some 6 months later than the original time table.

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Timetable

10.2 Timetable

10.2.1 The revised project time table is detailed below.

Table 10-1: Project Timetable

		As Per OBC		As Per FBC	
Index	**Stage**	**Proposed Date**	**Actual Date - [Months Variance]**	**Proposed Date**	**Actual Date [Months variance]**
1	Submission of EoI	Sep 2007	Sep 2007		
2	Approval of EoI	Dec 2007	Dec 2007		
3	OBC Approved by Council	March 2008	19th March 2008		
4	Submission of OBC	April 2008	31st March 2008[-1]		
5	Defra Approval of OBC	July 14th 2008	July 2008		
6	PRG Approval of OBC	September 16th – 26th 2008	July 2008 [-2]		
7	OJEU Published	October 2008	July 2008 [-2]		
8	Descriptive Document & PQQ Issued	October 2008	August 2008 [-2]		
9	Receive PQQ documentation returns	December 2008	September 2008 [-2[		
10	ISDS Issued	January 2009	December 2008 [-2]]		
11	ISDS Returned	May 2009	March 2009 [-2]		
12	ISRS	September 2009	September 2009 – March 2010]		
13	Call For Final Tenders	November 2009	19th March 2009 [+3]		
14	Pre -Preferred Bidder Identified (submission of Pre FBC)	January 2010	26th April 2010 [+3]	26th April 2010	+[ ]
15	Preferred Bidder Submission of FBC	February 2010	[+4]	21st May	+[ ]
16	Approval of FBC	May 2010	[+1]	4th June	[+1]
17	Preferred Bidder Confirmed	May 2010	[+1]	4th June	+[ ]
18	Contract Signed/Financial Close	May 2010	[+2]	30th July	+[ ]
19	Bidders Planning application submitted	N/A	+[ ]	July 2010	+[ ]
20	Bidders Planning application approved	N/A	+[ ]	January 2011	+[ ]
21	Environmental permit submitted	N/A	+[ ]	Autumn 2010	+[ ]
22	Environmental permit approved	N/A	+[ ]	Autumn 2011	+[ ]
23	Construction Commencement	N/A	+[ ]	April 2011	+[ ]
24	Start of Hot Commissioning	April 2013	[+5]	October 2013	+[ ]
25	Operational Commencement	May 2013	[+7]	December 2013	+[ ]

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