



NORTH YORKSHIRE COUNTY COUNCIL and the CITY OF YORK COUNCIL

Waste Treatment Contract

Application for Private Finance Initiative Credits

Pre Preferred Bidder Final Business Case Review

(Based on WIDP Final Business Case Template Version 1.4)

Issue 2 April 2010

Glossary

AD	Anaerobic Digestion
BMW	Biodegradable Municipal Waste
CABE	Commission for Architecture and the Built Environment
CHP	Combined Heat and Power
DCLG	Department for Communities and Local Government
DEFRA's PFI Criteria	See Appendix A
FBC	Final Business Case
ISDS	Invitation to Submit Detailed Solutions
ISOS	Invitation to Submit Outline Solutions
ISRS	Invitation to Submit Refined Solutions
MWMS	Municipal Waste Management Strategy
NGO	Non-Government Organisations
NPC	Net Present Cost
NPV	Net Present Value
OBC	Outline Business Case
Output Specification	Definition of Service Requirements included in PFI Contract
PPS10	Planning Policy Statement 10
Reference Project	The technical solution selected as the basis for establishing the operational and financial deliverability of the project.
SoPC4	HM Treasury: Standardisation of PFI Contracts, Version 4
WIDP	Waste Infrastructure Delivery Programme
WRATE	Waste and Resources Assessment Tool for the Environment

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1 Executive Summary

1.1 Introduction

1.1.1 The County Council and City Council have been working together on waste management issues as the York and North Yorkshire Waste Partnership since 1999. In 2007 the partnership submitted an Outline Business Case for PFI support to the procurement of a residual waste treatment facility. In September 2007 £65million of PFI credits were allocated to the project following which a notice for the procurement was published in the Official Journal of the European Union.

1.1.2 By September 2008 the final two bidders AmeyCespa and Earth Tech Skanska were invited into further dialogue to develop their solutions towards final tenders in accordance with the competitive dialogue procedure. Final tenders were received in October 2009 and have now been fully evaluated and a Preferred Bidder, AmeyCespa, selected.

1.1.3 The purpose of this report is to advise DEFRA of the outcome of the Council's procurement process and to provide sufficient supporting evidence to demonstrate, as the **pre-preferred bidder Final Business Case submission**, that the project remains viable, affordable and in line with the previous approved Outline Business Case. A Final Business Case will be submitted prior to the financial close for the project.

1.2 Background

1.2.1 The key characteristics of North Yorkshire and the City of York remain substantially as described in the OBC. As with other WDAs the North Yorkshire Region has experienced a significant decline in waste arisings and the waste flow model has been updated and refined in light of these changing local circumstances.

1.2.2 Overall the collection arrangements remain largely as detailed in the OBC with further roll out of kerbside collection of recyclables in many areas. There has been no significant changes to the existing waste management infrastructure since the OBC except reductions in available landfill void space.

1.2.3 Recycling and composting performance for the Councils has continued to improve with further roll out of kerbside collection of recyclables and improvements to HWRCs. The Councils have engaged fully with WRAP's ROTATE programme as part of these improvements. The Councils' recent recycling and composting performance is set out below.

North Yorkshire County Council

Year	Recycling	Recycling	Composting	Composting	Combined	Combined
	Tonnes	% of HHW	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	51,059	15.67%	44,026	13.51%	95,085	29.18%
2006/07	61,035	18.42%	55,121	16.63%	116,156	35.05%
2007/08	70,883	21.74%	56,244	17.25%	127,128	38.99%

2008/09	72,489	23.09%	65,656	20.92%	138,134	44.01%
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City of York Council

Year	Recycling	Recycling	Composting	Composting	Combined	Combined
	Tonnes	% of HHW	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	16,100	16.50%	7,390	7.58%	23490	24.08%
2006/07	23,440	23.30%	16,730	16.63%	40170	39.93%
2007/08	25,530	25.98%	17,080	17.39%	42610	43.37%
2008/09	25,560	26.43%	18,090	18.70%	43650	45.13%

1.2.4 BMW diversion for both councils has almost exclusively been through composting and recycling. Both Councils have thus far kept within their respective LATS allowances. An overall summary of the individual Councils current BMW diversion performance is provided below:

North Yorkshire County Council

Year	Total BMW Arising	BMW Landfilled	LATS Allowance	Surplus/ (Deficit)	% of allowances used
	Tonnes	Tonnes	Tonnes	Tonnes	
2005/06	259,576	176,306	219,053	42,747	80.5%
2006/07	264,669	170,712	206,538	35,826	82.7%
2007/08	260,250	161,731	189,850	28,119	85.2%
2008/09	246,270	138,422	168,991	30,569	81.9%

City of York Council

Year	Total BMW Arising	BMW Landfilled	LATS Allowance	Surplus/ (Deficit)	% of allowances used
	Tonnes	Tonnes	Tonnes	Tonnes	
2005/06	82,190	62,200	67,290	5,090	92.4%
2006/07	83,220	50,280	63,450	13,170	79.2%
2007/08	80,650	46,320	58,340	12,020	79.4%
2008/09	77,370	42,540	51,950	9,410	81.9%

1.3 Strategic Waste Management Objectives

1.3.1 The Councils Municipal Waste Management Strategy remains as set out in the OBC. An informal assessment of the MWMS has been undertaken out by the Councils' Technical Advisors against Waste Strategy 2007 and has been found to remain fully aligned to this updated national statement of intent.

1.3.2 A waste minimisation strategy was adopted in July 2006 with the aim of reducing the growth in the amount of municipal waste produced in York and North Yorkshire. This area of work has developed significantly since the OBC with considerable additional staff and financial resources secured, including RIEP funding and ROTATE support.

1.3.3 Waste minimisation work is delivered through a series of campaigns that are focussed around key materials streams, and supported by a programme of continuous and ongoing awareness and promotion. Over the last three years activities have focussed around:

- Garden waste
- Food waste
- Reuse of furniture and bulky items of household waste
- Real nappies
- Junk mail
- Reusable carrier bags

1.3.4 The County Council also represents the waste partnership on the programme board for a regional waste prevention programme.

1.3.5 Improvements to recycling and composting performance as well as success in waste prevention has led to an improvement in projected long term recycling and composting compared to the OBC. Projected combined recycling and composting performance compared to Waste Strategy 2007 objectives is given below:

Year	National Waste Strategy	OBC Reference Project	FBC Pre-Preferred Bidder	FBC Final Version
	%	%	%	%
2009/10	40	43.4	46.98	-
2014/15	45	48.2	50.72	-
2019/20	50	48.7	51.63	-

1.3.6 There are also significant improvements in overall diversion performance since the OBC due to the proposed treatment of HWRC waste (the OBC assumed it was sent to landfill) and reduced waste volumes. Combined performance for landfill directive target years is given below.

Year	LATS Allowance	BMW Landfilled	Surplus/ (Deficit)	Surplus/ (Deficit) as in Stated OBC	Variance Between OBC and FBC
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
2009/10	188,241	174,850	13,391	-6,593	19,984
2012/13	125,382	175,904	-50,522	-54,967	4,445
2019/20	87,734	20,496	67,238	39,662	27,576

1.3.7 There have been no changes from either Council since submission of the OBC in respect to their position to possible residual waste treatment technologies. Both Councils have remained neutral in terms of any expected procurement outcome and approved tender evaluation criteria remained consistent with the position stated in the joint municipal waste strategy.

1.4 Procurement Strategy and Process

- 1.4.1 There have been no significant changes to the overall procurement strategy or approach since the OBC submission. Procurement has been carried out strictly in accordance with the Competitive Dialogue route of the Procurement Regulations.
- 1.4.2 At the time of the OBC submission only an indicative Output Specification was included, this was substantially refined and developed leading up to the issue of the ISOS documentation. From this point the Output Specification has remained unaltered.
- 1.4.3 The fundamental premise to the specification has been to allow the contractor to provide their most optimal service and as such no constraints have been placed on them in the provision of facilities or services to meet this requirement.
- 1.4.4 The specification clearly defines the required service outcomes, specifically to:
- Recycle a minimum 5% of Contract Waste
 - Divert a minimum 70% of Contract Waste from landfill
 - Divert a minimum 80% of BMW in Contract Waste from landfill
- 1.4.5 Pre-Qualification Questionnaires were received from twelve companies or consortium on the 1st October 2007 and all twelve were consequently invited to submit outline proposals. The twelve being:
- Amey/CESPA
 - Costain/Laing
 - Covanta
 - Global Renewables
 - Interserve
 - Shanks Group PLC
 - SITA UK Ltd
 - Earth Tech Skanska
 - Sterecycle
 - United Utilities
 - Veolia ES Aurora Ltd
 - Waste Recycling Group Ltd
- 1.4.6 The ISOS documentation was issued in October 2007 and 10 submissions were received in December 2007. Each submission under went an initial evaluation against the core criteria of **Technical, Sustainability and added value (60%) Financial and Commercial (40%)**.
- 1.4.7 Participants were aware that it was the Councils' intention only to take forward the top four ranked Participants to the ISDS stage of the procurement. The Councils short listed the following Participants:
- AmeyCespa
 - Covanta
 - Earth Tech Skanska

- Veolia

1.4.8 The ISDS documentation was issued on the 1st February 2008 and detailed submissions were received back on the 30th May 2008 from all four Participants:

- NAME WITHHELD submitted a single proposal.
- NAME WITHHELD submitted a base proposal plus a variant for no pre-treatment.
- NAME WITHHELD submitted a base proposal plus two variants, a 100% of unitary charge indexation plus a 30 year concession.
- NAME WITHHELD submitted a base proposal plus a 30 year concession variant.

1.4.9 All submissions were evaluated against the same criteria and weightings as at ISOS stage. AmeyCespa and Earth Tech Skanska were invited into further dialogue in September 2008.

1.4.10 Draft final tenders were received in March 2009 which highlighted a number of 'critical issues' requiring further refinement before dialogue could be closed.

1.4.11 It was concluded that the procurement had moved to the stage whereby dialogue could be closed and for Final Tenders were invited from AmeyCespa and Earth Tech Skanska on the 25th September 2009.

1.4.12 The evaluation methodology used for the final tenders was exactly the same criteria and weightings used at ISOS and ISDS stages. In addition the Participants were requested to bid back against the original base documentation either issued for the ISOS or ISDS stages. The rationale for this approach was to ensure full compliance with the procurement regulations and to reduce risk of any later legal challenge to the overall procurement process. AmeyCespa's tender has been identified as the most economically advantageous using these criteria.

1.4.13 The solution proposed by AmeyCespa is MBT with front end sort of metals, plastics and paper but includes separation of the organic fraction of the residual kerbside waste for treatment through an anaerobic digestion 'TRADE NAME WITHHELD' process. Followed by a twin line 'TRADE NAME WITHHELD' moving grate Energy from Waste facility to receive all remaining material, including digestate from the anaerobic digestion process.

1.4.14 The MBT overall design capacity is 408,000 tpa., though typically will process 264,000 tpa in 2 shifts. The anaerobic digestion capacity is 40,000 tpa. The Energy from Waste maximum design capacity is 320,000 tpa during typical operation in 2014, dropping to 294,000 tpa by 2038. Spare capacity to be used for Commercial and Industrial waste.

1.4.15 PARAGRAPH DELETED TO PROTECT CONFIDENTIALITY OF AMEYCESPA'S COMMERCIAL POSITION

Proposed Facility Type	Number of Proposed Facility	Capacity of Facility	Planned Operational Commencement Date
Mechanical Front End Treatment	Single	408,000 tonnes pa (on a three shift basis, 272,000 tonnes pa on a two shift basis).	April 2014 (commissioning complete November 2013)
Anaerobic Digestion	Single	40,000 tonnes pa	April 2014 (commissioning complete March 2014)
Energy from Waste	Twin Stream	320,000 tonnes pa	April 2014
Technology Providers	Mechanical Treatment: SUPPLIER NAME WITHHELD Anaerobic Digestion: SUPPLIER NAME WITHHELD Energy from Waste: SUPPLIER NAME WITHHELD Civils: SUPPLIER NAME WITHHELD		
Outputs, Products and Markets (materials and amounts)	22.5 MW output from EfW (net) and 1.2MW output from AD (net). Net Energy Export: 175,500 MWh/y dropping to 164,250 MWh/y (based on availability initially at 7,800 h/y dropping to 7,300 h/y).		
	Residues: MT rejects to landfill up to c.4 ktpa EfW bottom ash 48ktpa recycled, 12 ktpa to landfill EfW fly ash to landfill 14 ktpa		
	Recycling: Metals(~6.5 ktpa – front end), Plastics(~3.7 ktpa) and Paper (~2.3 ktpa), Metals recovered from IBA (~1.6ktpa).		
	Other: TRADE NAME WITHHELD digestate feed to EfW 39ktpa (potential source of grey compost.)		

1.4.16 Following announcement of Preferred Bidder, the Councils and the Preferred Bidder will need to clarify and fine tune the proposal, and engross relevant documentation into an agreed Project Agreement (or similar side agreement). Completion of this agreement will constitute Commercial Close and will establish a binding contract between the parties that commits the Councils to/and which sets out explicit requirements on the parties to financially close the contract subject to achieving a satisfactory planning consent and the project remaining affordable. At the same time, it will be necessary for the County Council and City of York Council to enter into a similar back to back contract/agreement. Commercial Close is likely to occur four to six months after announcing Preferred Bidder.

1.4.17 Following announcement of Preferred Bidder, the Preferred Bidder will commence a programme of stakeholder and public consultation, whilst advancing the programme of pre-application consultations. This will culminate in submission of the planning application at about the same time as Commercial Close.

1.4.18 Determination of the planning application is likely to be some nine to twelve months after submission. The working assumption throughout the procurement has been that Financial Close will follow award of planning consent. This is anticipated to be summer 2011.

1.5 Risk management, risk allocation and contractual issues

1.5.1 The Council's overall approach to risk management remains as per the original OBC submission.

1.5.2 The Councils have undertaken a detailed review of the risk position for the project following final tenders. The conclusion from this exercise is that the risk transfer position is acceptable.

1.5.3 WIDP's Commercial Review template has been completed, reviewed with the WIDP Commercial Team on the 8th September 2009 and was completed to their satisfaction.

1.5.4 The proposed derogations from SOPC4 is limited to those required as a result of the solution proposed and/or to accommodate WIDP drafting. The derogations were given approval subject to an outstanding issue in relation to an Economic Reinstatement Test. Following discussions between WIDP, the Authority and AmeyCespa it was agreed that the Loan Life Cover ratio stated within the Economic Reinstatement Test clause would be square bracketed to be agreed at the next stage.

1.5.5 The key process outputs associated with AmeyCespa's submission are:

- Electricity from Anaerobic Digestion Facility and Energy from Waste Facility;
- Recyclables
- Bottom Ash; and
- Air Pollution Control Residues

1.5.6 AmeyCespa have guaranteed electricity income through power generated from the Energy from Waste plant and the Anaerobic Digestion facility. It is AmeyCespa's intention to sell all of the electricity exported from both the AD and EfW facilities to the same DNO under a long-term, fixed-price Power Purchase Agreement (PPA). AmeyCespa has been in discussion with five DNOs however, these DNOs will not currently commit to long-term fixed prices due to fluctuations and volatility in the energy market. Consequently a DNO has not yet been chosen.

1.5.7 In addition to electricity income AmeyCespa has guaranteed income from the sale of recyclables namely:

- Paper and card
- Plastics
- Non-ferrous Metals
- Ferrous Metals

- 1.5.8 AmeyCespa will seek to recycle a limited amount of high quality paper and card from the residual waste stream. AmeyCespa estimates that around 1,200 tpa of paper and card will be extracted by the Mechanical Treatment (MT) plant. AmeyCespa will work with the chosen reprocessor to establish the quality requirements for the paper and card.
- 1.5.9 HDPE and PET plastic will be extracted separately by the MT plant and baled. AmeyCespa has submitted letters of support from three plastics recycling companies. Where possible, AmeyCespa will seek to use local markets for the recycling of plastic and will not export material overseas for treatment unless this is the only option available.
- 1.5.10 The non-ferrous metals that are separated by the MT plant will be baled and transported from site for reprocessing. AmeyCespa has received letters of support from five companies in respect of reprocessing non-ferrous metal:
- 1.5.11 Where possible, AmeyCespa will seek to use local markets for the recycling of non-ferrous metal and will not export material overseas for treatment unless this is the only option available.
- 1.5.12 Ferrous metal will be extracted by the MT plant and from the bottom ash of the EfW. Ferrous metal separated by the MT plant will be baled. AmeyCespa has received letters of support from five companies in respect of reprocessing of ferrous metals.
- 1.5.13 Where possible, AmeyCespa will seek to use local markets for the recycling of ferrous metal and will not export material overseas for treatment unless this is the only option available.
- 1.5.14 AmeyCespa's solution for incinerator bottom ash (IBA) provides for a process plant on site. This will be operated by SUPPLIER NAME WITHHELD in return for a gate fee. Common uses for the reprocessed IBA aggregate include: bulk fill, asphalt, cement-bound building materials, and foamed concrete., AmeyCespa have confirmed the Councils will have no price risk or any additional contractual requirements as a result of the finalisation of any conditions within the draft heads of terms between AmeyCespa and SUPPLIER NAME WITHHELD.
- 1.5.15 Air pollution control (APC) residues from the EfW facility will be disposed of in a hazardous landfill site.
- 1.5.16 In relation to Design Risk, AmeyCespa will bear the risk that the design solution may result in different lifecycle, maintenance or operating cost profiles than expected.
- 1.5.17 The position on availability and demand risks remains as presented in the OBC.
- 1.5.18 TEXT WITHHELD TO PRESERVE AMEYCESPA'S CONFIDENTIAL INFORMATION.

1.6 Project team and governance

- 1.6.1 There have been no changes to the legal basis and context under which this procurement is being conducted since the OBC submission. The procurement is a joint procurement by City of York and North Yorkshire County Council. The governance regime reflects this joint approach.
- 1.6.2 At the time of the OBC, an inter authority agreement had been put in place describing the governance arrangements and establishing that the County Council would be the lead procuring authority. In January 2008 a second inter-authority agreement was executed confirming the associated governance arrangements. Subsequently, a further agreement was entered into by the councils to ensure that the projects governance arrangements better aligned with the County Council's Scheme of Delegation.
- 1.6.3 Since submission of the OBC, the project management team has changed to reflect changes in senior management in both Councils. In addition, the project team was expanded to include a full time Project Director seconded from the private sector. This post has recently been brought in house and re-titled PFI Programme Manager.
- 1.6.4 The Councils' advisors remain similar to those at OBC although Ward Hadaway stepped down as legal advisors and have been replaced by Watson Burton. Watson Burton acts for a number of high profile companies within the waste sector and have acted on numerous EfW and EPC projects. Notwithstanding the change in law firm NAME WITHHELD remained North Yorkshire and City of York's lead advisor on legal issues which has ensured continuity of advisor and therefore advice to the Councils.
- 1.6.5 There have been no changes with the joint working arrangements between the County Council and the City Council to that described within the OBC submission. At this point of time there is no intention to explore further the potential of Joint Waste Authority.
- 1.6.6 There has also been no changes to the wider support and commitment from the districts and boroughs to the objectives of the residual waste treatment options. Since the OBC was submitted the waste partnership has continued to meet regularly and in August 2009 a Waste Partnership Manager was appointed to coordinate and strengthen the development and delivery of the jointly agreed key objectives for the regions future waste management.

1.7 Sites, planning and design

- 1.7.1 The approach to site selection, planning and design remains broadly as described within the OBC submission in that potential sites were made available to Participants but it remains the sole responsibility of the Preferred Bidder to propose a suitable location for the facility and to obtain planning approval for that site.

- 1.7.2 The site the Preferred Bidder is proposing to use is one of the sites secured by the Councils and identified within the OBC submission.
- 1.7.3 A fully updated Planning Health Check was submitted to WIDP on the 30th March 2009 in support of the discussions around timing of financial close. This document reconfirmed the suitability and deliverability of the Participants' proposals at that time subject to further discussions with key statutory consultees.
- 1.7.4 AmeyCespa submitted their proposals to a full CABB review on the 17th June 2009 which resulted in positive and constructive comments. AmeyCespa will continue to engage with CABB to refine their proposals up to planning submission.
- 1.7.5 An updated Planning Health Check has been undertaken and is included in this FBC.
- 1.7.6 The original Outline Business Case was not modelled against the Environment Agency life cycle assessment tool, WRATE. However, the current AmeyCespa WRATE model indicates that they will offset 96 kg CO₂ eq. per tonne of contract waste processed, as a result of the recycling and energy production.

1.8 Costs, budget and finance

- 1.8.1 Using the relevant elements of AmeyCespa's final tender submission, and the costs and revenues contained in their financial model submitted within the final tender, the Councils have confirmed that the procurement is within the Councils' affordability envelope and represents value for money.
- 1.8.2 A comparison of the costs contained within AmeyCespa's final tender to the PFI reference case as submitted in the OBC is contained in the table below.

Comparison of the cost of the AmeyCespa solution to the Reference Case cost within the OBC

Item	Per OBC		Per FBC	
	Nominal £'000	Percentage %	Nominal £'000	Percentage %
Unitary Charge	873,381	87.20%		62.20%
Third Party Income	127,907	12.80%		37.80%
Total SPV Income	1,001,288	100.00%		100.00%
Capital Cost	(172,829)	17.26%		18.27%
Lifecycle Costs	(73,790)	7.37%		5.15%
Operating Costs	(237,891)	23.76%		33.05%
SPV Costs	(26,581)	2.65%		0.96%
Landfill Costs	(158,520)	15.83%		1.50%
Transport Costs	(18,177)	1.82%		1.04%
Financing Costs	(191,290)	19.10%		28.10%

Taxation	(78,736)	7.86%		4.08%
Dividends	(43,474)	4.34%		7.85%
Total SPV Costs	(1,001,288)	100%		100.00%

COLUMN DELETED TO PROTECT AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

1.8.3 Reasons for cost and income movement reflected in the table above include:

- There has been an increase in residual waste flows to be managed through the PFI contract through the inclusion of waste from Household Recycling Centres;
- The technology assumed to treat the residual waste arising in North Yorkshire and City of York now provides for anaerobic digestion;
- The impact of the credit crunch on the banking sector has resulted in a considerable increase in the price of debt; and
- The service operation period has increased from 22 years to 25 years

1.8.4 Third party income of £XXXm at the FBC stage reflects the level of third party income guaranteed by AmeyCespa in its final tender submission. The increase when compared to the value contained at the OBC stage reflects:

- A longer contract period compared to that assumed in the OBC;
- Additional guaranteed third party income from the biogas extracted during the anaerobic digestion process in the form of Renewable Obligation Certificates;
- Additional guaranteed income in the form of gate fee and electricity income through treatment of commercial waste.

1.8.5 The capital cost increase can be attributed to:

- A delay in the programme resulting in inflationary increase in the capital cost; and
- The inclusion of an anaerobic digestion process as part of AmeyCespa's solution which, while has the impact of increasing capital cost, has a positive effect on the ability of the SPV to generate additional third party income as described above
- Increased waste flows, as described above requiring an increase in the size of the facility to treat the higher tonnage levels than assumed at the OBC stage;

1.8.6 Operating costs differences can partly be attributed to the increased service period assumed in the final tender, timing assumed with the concession for bringing elements of the facility on line and the different technology assumptions at final tender with the inclusion of an anaerobic digester.

1.8.7 The reasons for this difference in landfill costs are as follows:

- In the first two years of the concession period per the OBC there is a higher level of landfill due the assumption the Energy from Waste plant would not be operational until the third year of the concession;
- AmeyCespa's guaranteed level of MSW diversion at XXX% has resulted in a considerable reduction in the level waste being sent to landfill;
- AmeyCespa is guaranteeing to reprocess a considerable amount of bottom ash, and
- Costs to landfill fly ash as hazardous waste have been included by AmeyCespa within their operating costs totalling £XXXm whereas in the OBC these costs were included within landfill costs.

1.8.8 The higher financing costs are mainly due to:

- Increase in capital costs impacting the funding requirement. At OBC Stage this was assumed at £172m. AmeyCespa has provided a fixed price in nominal terms of £XXXm; and
- Increased debt service costs for the project. In the OBC an all-in interest rate of 6.84% was assumed. At final tender this increased to XXX%

1.8.9 The difference in the level of dividends in the final tender compared to the OBC is a function a higher level of cash flow in the special purpose vehicle due to increased costs and third party income as described above, combined with a longer contract period.

1.8.10 The table below provides a breakdown of the funding requirement associated with AmeyCespa's solution:

Funding Requirement per FBC

Funding source	Nominal £'000	Percentage %
Senior debt		80.10%
Subordinated debt		19.89%
Equity shares		0.01%
Total SPV Income		100.00%

COLUMN DELETED TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

1.8.11 AmeyCespa has assumed that financing of senior debt will come from the following club of banks:

Club of Banks

Core	Second Tier

NAMES OF PROPOSED FUNDERS WITHHELD

1.8.12 The core club of banks represent those lenders who have completed an extensive amount of due diligence at the point of final tender. At the point of final tender submission AmeyCespa demonstrated coverage of the funding requirement through letters of support from banks and from the guarantors of the equity provision.

1.8.13 Further funding options, including EIB, are being considered and will continue to be considered and actively pursued between the submission of this FBC and Financial Close. Further options include:

1.8.14 The affordability position on submission of this FBC for North Yorkshire County Council and City of York Council is reflected below:

FBC – North Yorkshire County Council and City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

Councils Affordability based on totals

Item	Per OBC		Per FBC	
	Nominal £'000	Percentage %	Nominal £'000	Percentage %
Authority Budgets – Existing				
Authority Budgets – Additional				
PFI Credit Payments				
Total Authority Income				
Unitary Charge				
Pass Through Costs				
Ex-PFI Waste Disposal Costs				
Total Authority Costs				

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

1.8.15 Additional costs within the above analysis at this FBC stage compared to the OBC comprise Pass Through Costs (comprising National Non Domestic Rates, lease option costs, rent costs for the site and stamp duty costs) and Ex-PFI Waste Disposal costs (comprising recycling, transportation, waste minimisation initiatives etc).

1.8.16 The decrease in overall Unitary Charge is largely reflective of the significant increase in the level of third party income guaranteed by AmeyCespa at final tender compared to that assumed at the OBC (see section 8.3 above).

1.8.17 The Councils have carried out sensitivity analysis assuming the following circumstances:

- i) Increase in the underlying swap rate from 4.21% to 5.41% for the operational phase and 2.59% to 3.79% for the construction period;
- ii) Adverse movement in foreign exchange rate rates from €1.125 to £1 to €1 to £1 impacting capital cost;
- iii) Delay to achieving planning permission by one year; and
- iv) Compound sensitivity reflecting a debt price increase, adverse foreign exchange movement and a delay to achieving planning permission by one year

1.8.18 The impact of each of these sensitivities on the respective Councils' affordability positions is set out the tables below:

Increase in debt price – North Yorkshire County Council & City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

Adverse foreign exchange rate movement – North Yorkshire County Council & City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								

Existing Budget								
Affordability Gap / (Surplus)								

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

Delay to achieving planning permission – North Yorkshire County Council & City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

Compound Sensitivity – North Yorkshire County Council & City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

FIGURES WITHHELD TO PRESERVE NYCC'S COMMERCIAL POSITION UNTIL FINANCIAL CLOSE

1.8.19 As can be seen from the sensitivity results above, the combination of budget provision by the Councils is largely sufficient to withstand the impact of sensitivities. This is largely due to the budget provision made by North Yorkshire County Council. It should be noted in section 8.4 below that the City of York Council recognises the need to make allowance for headroom as a result of sensitivity analysis, which it is the process of considering.

1.8.20 The results of sensitivity analysis split by Council can be seen in section 8.6 below.

1.8.21 The impact of each of these sensitivities on the respective Councils' affordability positions is to follow.

1.8.22 The table below shows the Global Warming Potential (kg CO2 equivalent) for the AmeyCespa solution in comparison with the "Landfill" scenario:

Total Global Warming Potential kg CO2 equivalent in 2019/20

	AmeyCespa Total - kg CO2 equivalent	Landfill Total - kg CO2 equivalent
Transport	287,623	-
Recycling	(17,020,688)	-
Treatment and Recovery	6,192,489	-
Landfill	580,311	48,683,343
Total	(9,960,265)	48,683,343

1.8.23 The North Yorkshire County Council Executive at its meeting on 26th June 2007 approved the affordability envelope for the PFI project as reported in the OBC and confirmed the Council's commitment to funding up to an additional £XXXm beyond committed expenditure over the life of the contract.

1.8.24 The Executive also at its meeting on 6th November 2007 agreed to enter into an inter-authority agreement with City of York Council covering shared obligations and liabilities in respect of the procurement. The agreement also set out the Governance arrangements for the PFI project including the role of the Project Board in the procurement process, Board membership and designated its chair to be the County Council's Corporate Director, Business and Environmental Services.

1.9 Stakeholder communications

1.9.1 North Yorkshire County Council and the City of York Council have adopted a communications strategy to cover communications and stakeholder engagement around the waste PFI contract. In addition, the project team includes a dedicated Communications Officer to implement and develop the strategy and work with the short listed participants at both ISDS and ISOS stages.

1.9.2 The Councils are now working with AmeyCespa on a detailed communications action plan which includes a first one hundred days PB announcement critical path to ensure that all communications mechanism's, databases and messages are in place.

1.9.3 Front line PFI officers have undergone basic media training and refresher media training sessions are now being arranged with key members and lead officers. A full equalities impact assessment of the communications strategy has been completed.

1.9.4 North Yorkshire County Council and City of York Executive Members have received detailed presentation and question sessions which examine the underlying issues and the drivers for change in the local regional national contexts. They have now been briefed on AmeyCespa's proposed solution.

1.9.5 Following the County Council election in May 2009, new Members received a full briefing pack about the status of the procurement process, the background

to it and the drivers for change. This was followed by a training session as part of the New Members Training Programme.

- 1.9.6 Further NYCC member's training has included two full briefing sessions on sustainable waste management have been arranged as part of the member's development training programme. A NYCC Members' training session is also scheduled for June 2010.
- 1.9.7 Members of North Yorkshire County Council Environment and Heritage Overview and Scrutiny Committee also received a briefing from key officers about the financial and environmental imperatives of change in the way the Councils handle their residual waste.
- 1.9.8 The Environment Agency have been briefed on the potential outcome of the procurement and the organisations communications officer is working with the PFI communications officer on joint protocols for media and community engagement.
- 1.9.9 Other mechanisms such as the Council and Partnership newspapers have been used to keep stakeholders and the public informed on progress.

1.10 Timetable

- 1.10.1 A summary of the key stages to this procurement is provided below, along with a comparison to the timeline provided with the OBC submission.

Stage	OBC Date	FBC Date
OJEU Published	30 August 2007	5 September 2007
ISOS Issued	22 October 2007	22 October 2007
ISOS Returned	18 December 2007	18 December 2007
ISDS Issued	30 January 2007	30 January 2007
ISDS Returned	n/d	30 May 2008
Call For Final Tenders	9 October 2008	25 September 2009
Preferred Bidder Identified	23 December 2008	December 2009
Contract Signed/Commercial Close	20 December 2010	December 2010
Planning application submitted	23 June 2009	26 Oct 2010
Planning application approved	17 December 2010	July 2011
Financial Close	n/d	Oct 2011
Construction Commencement	21 December 2010	Oct 2011
Operational Commencement	16 August 2013	Oct 2014

2 Background

2.1 Introduction

2.1.1 This section is intended to provide an update to the background to the project as set out in the OBC, including any changes to the underlying demographics and waste characteristics. With the exception of waste arising projections, this section focuses on recent performance by the Councils.

2.1.2 There are no other specific issues not covered in this section which impact upon the project for disclosure.

2.2 Details of Key Characteristics of Area and Authority

2.2.1 The key characteristics of North Yorkshire and the City of York remain substantially as described in the OBC. There have been minor differences in population numbers and general demographics but nothing that is considered influential or of a magnitude to impact upon the Waste PFI project.

2.2.2 A County Council election took place on 4th June 2009. The Conservatives retained control with an increased majority. There hasn't been an election for the City Council since the OBC submission with the next election being May 2011. Therefore political control in both Councils remains as at the OBC submission.

2.2.3 There have been no changes to the Local Government structures however at Regional level the Yorkshire and Humber Assembly has been replaced by Local Government Yorkshire and Humber. This change does not have any impact on the project. There are no other planned changes anticipated in the short term of the Project.

2.3 Analysis of Waste Arisings

2.3.1 The current waste arisings for the two procuring Councils are provided below:

North Yorkshire County Council

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2005/06	256,447	35,781	69,396	20,104	381,729	-
2006/07	257,986	33,727	73,394	24,111	389,218	1.96%
2007/08	254,602	31,864	71,405	24,849	38,2721	-1.67%
2008/09	252,750	29,639	61,153	18,618	362,162	-5.37%

City of York Council

	WCA Household Collected	WCA Collected Trade	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Percentage Change
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Year	Waste	Waste				
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2005/06	75,410	13,030	22,150	10,280	120,870	-
2006/07	78,060	11,580	22,540	10,200	122,380	1.25%
2007/08	75,800	10,660	22,450	9,690	118,600	-3.09%
2008/09	75,670	9,480	21,050	7,580	113,780	-4.06%

2.3.2 Since the OBC submission as with other WDAs the North Yorkshire Region has experienced a significant decline in waste arisings and the waste flow model has been continually updated and refined in light of these changing local circumstances and as further information in regard to potential future trends has been identified. A summary of the latest waste forecasts and rationale is included as Appendix H1. The combined tonnage projections for both Councils are tabled below.

Combined

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2009/10	328,050	38,330	78,157	21,090	465,627	
2010/11	330,850	38,330	78,569	21,090	468,839	0.69%
2011/12	334,200	38,330	79,559	21,090	473,179	0.93%
2012/13	338,147	38,330	80,636	21,090	478,203	1.06%
2013/14	341,867	38,330	81,713	21,090	483,000	1.00%
2014/15	345,567	38,330	82,791	21,090	487,778	0.99%
2015/16	349,245	38,330	83,868	21,090	492,533	0.97%
2016/17	352,904	38,330	84,945	21,090	497,269	0.96%
2017/18	356,729	38,330	86,022	21,090	502,171	0.99%
2018/19	360,533	38,330	87,100	21,090	507,053	0.97%
2019/20	364,315	38,330	88,177	21,090	511,912	0.96%
2020/21	368,077	38,330	89,254	21,090	516,751	0.95%
2021/22	371,817	38,330	90,332	21,090	521,569	0.93%
2022/23	374,964	38,330	91,365	21,090	525,749	0.80%
2023/24	378,092	38,330	92,399	21,090	529,911	0.79%
2024/25	381,203	38,330	93,432	21,090	534,055	0.78%
2025/26	384,295	38,330	94,466	21,090	538,181	0.77%
2026/27	387,370	38,330	95,500	21,090	542,290	0.76%
2027/28	390,272	38,330	96,489	21,090	546,181	0.72%
2028/29	393,158	38,330	97,479	21,090	550,057	0.71%
2029/30	396,026	38,330	98,469	21,090	553,915	0.70%
2030/31	398,878	38,330	99,459	21,090	557,757	0.69%
2031/32	401,713	38,330	100,449	21,090	561,582	0.69%
2032/33	404,569	38,330	101,449	21,090	565,438	0.69%
2033/34	407,448	38,330	102,459	21,090	569,327	0.69%
2034/35	410,349	38,330	103,479	21,090	573,248	0.69%
2035/36	413,272	38,330	104,509	21,090	577,201	0.69%
2036/37	416,217	38,330	105,549	21,090	581,186	0.69%
2037/38	419,185	38,330	106,600	21,090	585,205	0.69%

2038/39	422,176	38,330	107,662	21,090	589,258	0.69%
2039/40	425,190	38,330	108,734	21,090	593,344	0.69%

2.4 Details of Current Arrangements for Collection and Disposal

2.4.1 Overall the collection arrangements remain largely as detailed in the OBC with further roll out of kerbside collection of recyclables in many areas. The main changes are:

2.4.2 Craven District Council – in February 2010, an alternate weekly collection system was implemented. Residual waste in a 240L bin and paper and card in a blue sack are collected on an alternate weekly basis, with glass, cans and plastic bottles collected on a 4-weekly cycle from a 240L wheeled bin.

2.4.3 Richmondshire District Council now collect residual waste in 240L wheeled bins on an alternate weekly frequency with a 140L wheeled bin for garden waste and a 55L box for glass, cans, aerosols and plastic bottles and a 45L blue bag for paper collected on the second week.

2.4.4 Scarborough Borough Council now operate an alternate weekly collection of residual waste from a 240L wheeled bin with another 240L wheeled bin used for cans, aerosols, paper, card and plastic bottles. A chargeable garden waste service also collects fortnightly on the same day as the recycling from a 240L bin or from bio-bags.

2.4.5 Selby District Council are still the only council that have an outsourced collection service but in October 2009, their contractor changed from Veolia to Enterprise plc. October also saw the introduction of an alternate weekly collection – called ABC, or alternate bin collection – collecting residual waste in a 240L bin one week with three boxes for recycling collected the next. Paper and card is collected in one box, with glass and cans in another and mixed plastics in a third box. A 240L wheeled bin for garden waste is collected fortnightly on the same day as the residual waste bin.

2.4.6 A summary of the current arrangements by collection area is provided below.

WCA REFUSE AND RECYCLING COLLECTION APPROACH

CITY of YORK – UNITARY AUTHORITY - 84,383 PROPERTIES

Weekly refuse in 180 litre bins to 20,220 props (some terraces on bags). Includes 3,420 props on fortnightly paper (only) recycling. 11,230 with full recycling.

Alternate week collections to 64,160 props:

Wk 1, 180 litre bin for refuse / **Wk 2**, 180 litre bin for garden waste; box for glass, plastic bottles & cans; bag for paper and cardboard.

60 Bring Sites. 5 carton banks sited in 2007.

Plans – Project team rolling out AWC kerbside to all properties across city by December 2010.

CRAVEN – 25,922 PROPERTIES

Alternate week collections to all properties from February 2010. Wk 1, residual waste in 240L bin / week 2, paper and card in blue bag. In addition, glass, cans and plastic bottles are collected on a 4-weekly cycle in 240/260 litre bins.

12,420 on fortnightly kerbside garden waste in 240 litre bin (monthly collections only between November to February)

65 Bring Sites. (Plastic bottles at 4 sites - 22cu yd skips and carton banks at 5 sites).

Plans – Possibility of fully co-mingling waste in medium term. Setting up battery banks.

HAMBLETON - 38,943 PROPERTIES

Alternate week collections in 240 litre bins to all 38,943 props for most of year. Wk 1, 240 litre bin for refuse / Wk 2, 240 litre bin for garden waste (10 month service).

Weekly residuals mid December to end February/ Collection of Christmas Trees mid January

96% of props receive blue bag for paper; blue box for plastic bottles, glass & cans. Kerbside sorted into paper, cans & plastic bottles and mixed glass.

131 Bring Sites. Including 7 plastic bottle banks and 5 carton banks.

Plans – Kerbside collections of recyclables to rest of District, where possible, in 2009/10.

HARROGATE – 69,391 PROPERTIES

Weekly refuse collection in bags to all properties.

69,000 on fortnightly kerbside – glass, cans, foil and aerosols in box; paper in bag. 30,000 props on fortnightly garden waste, using 240 litre bins, along with kerbside.

147 Bring Sites. Plastic bottle banks at 2 sites. 5 carton banks.

Plans – Possibly expand garden waste July 2010 to 10,000 props. Delay in introducing alternate weekly collections for residuals/dry/ garden waste in bins & box for 1 material (subject to funding). Possible additional materials at kerbside.

RICHMONDSHIRE – 22,249 PROPERTIES

Alternate week collections to all properties. (Approx 300 props on 4 x 60 litre purple bags fortnightly).

Wk 1, 240 litre grey bin for residuals / Wk 2, 140 litre green bin for garden waste; 55 litre box for glass, cans/aerosol & plastic bottles; 45 litre bag for paper. Trade paper and card collection scheme in Richmond, Brompton, Catterick and Leyburn.

66 Bring Sites (including schools and caravan parks)

Plans – Optimize recycling collection rounds for efficiency. Set up battery recycling points.

RYEDALE - 23,837 PROPERTIES

Alternate week collections in 240 litre bins to all properties, for whole year.

Wk 1, 240 litre green bin for residuals / **Wk 2**, 240 litre brown bin for garden waste; 55 litre green box for glass and cans; blue reusable 38 litre (HDPE) bag for paper.

20 Bring Sites glass/cans/paper (some textiles/aluminium foil). 6 plastic bottle & 5 carton banks.

Ongoing trial on 1,500 props of cardboard in garden waste bin.

Trial of cardboard and paper from 300 trade premises.

Plans – Possible kerbside plastic bottles to all props & extend trade collections.

SCARBOROUGH – 55,309 PROPERTIES

Alternate week collections in 240 litre bins (or sacks) to all properties.

Wk1 240 litre green bin (or sack) for residuals. **Wk2** 240 litre blue bin (or sack) for plastic bottles, cans/aerosols, paper, card/cardboard. Garden waste collected on same day as recyclables in 240 litre brown bin (or bio bags). A one off charge of £20 for brown bin and 10p charge made for bio bags, on sale at various locations).

110 Bring Sites. Glass at all sites. Textiles, cartons and books at selected sites.

Plans - Expand Bring Sites.

SELBY - 35,476 PROPERTIES

Alternate week collections in 240 litre bins to all properties (except flats).

All props on fortnightly triple box; paper & card / glass & cans; mixed plastics. 30,000 props on 240 litre bin garden waste fortnightly.

36 Bring Sites (15 with 1100 litre bin for plastic bottles). Carton banks at 3 sites.

320 Trade Recycling Contracts – 289 have paper/card, 55 have glass and 16 have cans. (Some traders have a combination of materials, which is why they add up to more than 320).

Plans – To extend alternate week collections to flats.

2.4.7 There have been no significant changes to the existing waste management infrastructure since the OBC except that available void space has significantly reduced. The Caulklands landfill site at Thornton le Dale is now complete and waste from Ryedale is now delivered to Knapton Quarry. The application for an Environmental Permit for the Seamer Carr landfill site has been withdrawn and a closure plan is now being negotiated with the Environment Agency.

2.4.8 The landfill site at Cowpen Bewley is no longer used following the termination of a sub-contract arrangement between Yorwaste Ltd and the site operator. Waste previously delivered to Cowpen Bewley is now delivered to Harewood Whin landfill site via Tancred Waste Transfer Station. The following table provides details of the contracted landfill void space that the Councils has access to.

Landfill Site	Availability	Maximum Daily Tonnage	Maximum Annual Tonnage
Allerton Park	2015	600	150,000
Harewood Whin	2032	No limit	250,000
Knapton Quarry	2015	120	30,000

Peckfield	2015	No limit	40,000
Seamer Carr	TBC	400	100,000
Skibeden	2015	No limit	30,000

2.4.9 North Yorkshire County Council currently has contracts that run until 31 March 2015 to receive and dispose of waste. There are no extension periods beyond that date. The current PFI development programme indicates that further landfill contracts will not be needed but the need for contingency arrangements will be reviewed periodically. The County Council can also utilise the existing City of York contract (see below).

2.4.10 The County Council has procured contracts for the provision of a delivery point in each WCA area where waste can be received and then disposed of. These are currently the landfill sites at Allerton Park, Harewood Whin, Knapton, Peckfield, Seamer Carr and Skibeden, and waste transfer stations at Tancred, Thirsk and Whitby. The council anticipates that Seamer Carr landfill site will be replaced by a waste transfer station in 2011. Further transfer station services will be procured separately in time to serve the PFI treatment facility.

2.4.11 At all delivery points the current minimum guaranteed tonnage is 1,000 tonnes per year, therefore HWRC waste could be used to satisfy the minimum tonnages once the PFI contract becomes fully operational. In the worst case scenario compensation payments equivalent to 1,000 tonnes input could be made to the delivery point operators under the terms of the contracts.

2.4.12 Currently the City of York Council has an existing contract covering waste disposal, composting and processing which started on April 2007 and initially runs through to 31 March 2022. There is an option, however, to extend this by a further two periods each of up to 5 years in length. This contract was entered into with the knowledge of the future PFI Treatment options and as such contractual flexibility was incorporated to accommodate any potential impacts, this includes no minimum tonnage restrictions and the possibility of the County Council taking benefit of its provisions if the Waste PFI contract was to experience any delays to becoming fully operational.

2.5 Performance of Existing Services

2.5.1 Actual recycling and composting performance for the individual procuring Councils are provided below:

North Yorkshire County Council

Year	Recycling	Recycling	Composting	Composting	Combined	Combined
	Tonnes	% of HHW	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	51,059	15.67%	44,026	13.51%	95,085	29.18%
2006/07	61,035	18.42%	55,121	16.63%	116,156	35.05%
2007/08	70,883	21.74%	56,244	17.25%	127,128	38.99%
2008/09	72,489	23.09%	65,656	20.92%	138,134	44.01%

City of York Council

Year	Recycling	Recycling	Composting	Composting	Combined	Combined
	Tonnes	% of HHW	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	16,100	16.50%	7,390	7.58%	23,490	24.08%
2006/07	23,440	23.30%	16,730	16.63%	40,170	39.93%
2007/08	25,530	25.98%	17,080	17.39%	42,610	43.37%
2008/09	25,560	26.43%	18,090	18.70%	43,650	45.13%

2.5.2 The Councils' joint Waste Strategy "Lets Talk Less Rubbish" set targets for the partnership and as a consequence the collection authority partners are required to contribute to the achievement of the targets. This is reinforced in the North Yorkshire Local Area Agreement by the inclusion of the joint targets for recycling and composting and landfill waste diversion, as measured by National Indicator 192 and 193 respectively. The recycling and composting target for 2008/09 was 41% with 43.8% being achieved. The recycling/composting target also includes the two WDAs Household Waste Recycling Centres. The City of York Local Area Agreement has adopted National Indicator 191 (the amount of waste per person not reused, recycled or composted) to place a greater emphasis on waste reduction, as they were already performing close to the waste strategy recycling targets when the LAA was negotiated.

2.5.3 The district collection authorities have common performance standards bound into a Service Level Agreement with North Yorkshire County Council. All apart from one exceeded their targets for last year. All collection authorities, except one, will be on alternate bin collection systems as of January 2010 and the outstanding authority is considering changing to this system. Further enhancements to kerbside recycling schemes have been carried out by three of the districts and all the authorities have full kerbside schemes now in place either co-mingled or kerbside sorted. All the collection authorities apart from one should hit their predicted targets for next year and the one that will not has set a challenging target of 53.4%.

2.5.4 The partnership has also been working with WRAP's ROTATE team on a range of issues, including improved communication of kerbside recycling schemes and analysis of the performance of kerbside recycling schemes and contamination levels. The ROTATE team have also been heavily involved in reviewing and developing delivery and targeting of waste prevention campaigns and section 3 below provides some more detail on this. More recently, WRAP have agreed to offer technical support and expertise to the partnership team delivering a RIEP funded project that will try to identify the most advantageous kerbside recycling methodology for the waste partnership area to provide the most efficient service. This will involve consideration of recycle quality, capture and participation rates and if appropriate, full system costs for a move to harmonised services.

2.6 Residual Waste Treatment

2.6.1 The amounts of MSW that is thermally treated or landfilled for the individual procuring Councils are provided below, including overall diversion rate, BMW landfilled and a statement of the Councils' landfill allowances.

2.6.2 The City of York Council have not sent any residual waste to thermal treatment in the years shown. The County Council has an option until 2015 to send up a 1,000 tonnes per year to the SITA Kirklees EfW facility. In recent years this option has been progressively uneconomic although this will be kept under review.

2.6.3 BMW diversion for both councils has therefore almost exclusively been through composting and recycling.

North Yorkshire County Council

Year	Thermal Treatment	Recycled/ Composted (HHId)	Total Diverted	MSW Landfilled	Diversion Rate
	Tonnes	Tonnes	Tonnes	Tonnes	%
2005/06	3,369	95,085	98,455	280,456	25.79%
2006/07	1,223	116,156	117,379	265,219	30.16%
2007/08	837	127,128	127,966	247,051	33.44%
2008/09	97	138,134	138,231	216,267	38.17%

City of York Council

Year	Thermal Treatment	Recycled/ Composted (HHId)	Total Diverted	MSW Landfilled	Diversion Rate
	Tonnes	Tonnes	Tonnes	Tonnes	%
2005/06	0	23490	23490	88,910	19.43%
2006/07	0	40170	40170	74,210	32.82%
2007/08	0	42610	42610	68,040	35.93%
2008/09	0	43650	43650	62,750	38.36%

2.6.4 Both Councils have thus far kept within their respective LATS allowances. An overall summary of the individual Councils current BMW diversion performance is provided below:

North Yorkshire County Council

Year	Total BMW Arising	BMW Landfilled	LATS Allowance	Surplus/ (Deficit)	% of allowances used
	Tonnes	Tonnes	Tonnes	Tonnes	
2005/06	259,576	176,306	219,053	42,747	80.5%
2006/07	264,669	170,712	206,538	35,826	82.7%
2007/08	260,250	161,731	189,850	28,119	85.2%
2008/09	246,270	138,422	168,991	30,569	81.9%

City of York Council

Year	Total BMW Arising	BMW Landfilled	LATS Allowance	Surplus/ (Deficit)	% of allowances used
	Tonnes	Tonnes	Tonnes	Tonnes	

2005/06	82,190	62,200	67,290	5,090	92.4%
2006/07	83,220	50,280	63,450	13,170	79.2%
2007/08	80,650	46,320	58,340	12,020	79.4%
2008/09	77,370	42,540	51,950	9,410	81.9%

3 Strategic Waste Management Objectives

3.1 Introduction

3.1.1 This section describes the changes to the Authority's strategic waste management objectives since OBC submission.

3.2 Municipal Waste Management Strategy (MWMS);

3.2.1 The Councils Municipal Waste Management Strategy remains as the July 2006 adopted version "lets talk less rubbish" as noted in the OBC and this is not due for review until 2011. However an informal assessment of the MWMS has been undertaken out by the Councils' Technical Advisors against Waste Strategy 2007 and has been found to remain fully aligned to this updated national statement of intent. There have been no further public consultations completed since the OBC submission.

3.3 Waste Minimisation/Prevention

3.3.1 The Partnership adopted its joint municipal waste management strategy (let's talk less rubbish) in 2006 which contained waste minimisation targets. In order to meet these targets, a waste minimisation strategy was adopted in July 2006 with the aim of reducing the growth in the amount of municipal waste produced in York and North Yorkshire.

3.3.2 Since 2005, the County Council has directly funded a waste campaigns officer whose primary role is to deliver waste minimisation campaigns on behalf of the Partnership. The County Council's community waste management officer is also involved in the delivery of waste minimisation work. In addition, the strategic lead on waste minimisation work for the Partnership is provided by the County Council's Waste Strategy and Performance Manager.

3.3.3 Waste minimisation work is delivered through a series of campaigns that are focussed around key materials streams, and supported by a programme of continuous and ongoing awareness and promotion. Over the last three years activities have focussed around:

- Garden waste
- Food waste
- Reuse of furniture and bulky items of household waste
- Real nappies
- Junk mail
- Reusable carrier bags

3.3.4 Since 2006, the material streams and campaigns have been reviewed annually to ensure that they reflect national best practice and to ensure the campaign activities are innovative and interesting to the population of York and North Yorkshire. Each campaign area and activity within it is allocated a set of specific and measurable targets at the outset of each year and these have

been monitored and reported on a quarterly basis back to the Partnership officer group.

- 3.3.5 Each partner makes an annual contribution to a joint budget fund with waste prevention programmes managed by the County Council. In addition, the County Council pays an incentive to each collection authority if they meet their recycling targets. For 2008/09, the county council will pay almost £200,000 to six of the seven district councils (one failed to meet the minimum agreed performance standard) in the form of a financial reward for meeting their recycling targets. In recognition of the need to focus effort at the top of the hierarchy and take steps to reduce waste, the Chief Executives and Leaders of each council, through the Association of North Yorkshire Councils (ANYC) agreed to use a top-slice of the first £40,000 of this incentive payment to fund further waste minimisation work and for the last two years this additional amount has also directly funded waste minimisation campaigns and promotional activity.
- 3.3.6 In May 2008, the Partnership was awarded an additional £30,000 to enhance waste minimisation work through the regional capacity building fund (administered by Local Government Yorkshire and Humber) and the Partnership supplemented this with £35,000 of its own funds to deliver a community outreach project to build capacity within the communities of York and North Yorkshire to reduce the amount of food and garden waste that is thrown away. This innovative project has been recognised as best practice and features as a case study in WRAP's recently revised household waste prevention toolkit.
- 3.3.7 In 2008/09, the Waste Partnership has worked closely with WRAP's ROTATE team to develop its thinking on the focus of waste minimisation campaigns and to identify methods to improve its waste minimisation communications. The work with ROTATE has enabled a reflective view to be taken towards campaign delivery and a facilitated workshop in July 2008 with officers at all levels of the partnership helped to identify the material streams with areas of most opportunity.
- 3.3.8 To further enhance waste prevention work in York and North Yorkshire in 2009/10, a successful bid was made to the RIEP (regional improvement and efficiency partnership) for £65,000 to deliver waste prevention campaigns and to build on the success of the previously mentioned capacity building project. The funding was used to deliver additional waste prevention work, particularly focussed on promotion of the national Love Food Hate Waste campaign and reducing the amount of compostable organic waste in the waste stream. The latter will be delivered by recruiting a co-ordinator for the master composter volunteer programme and by subsidising home composting bins and food waste digesters so that the units are affordable for all residents. Activities in 2010/11 will focus on recruiting new volunteers (increasing capacity) who will then provide support to existing composters, assist lapsed composters to begin again and encourage new households to home compost.

3.3.9 In 2009/10, WRAP continued to provide support and technical advice to the Waste Partnership as we are one of the few areas in the country that is addressing waste prevention on a countywide basis involving multiple partner authorities. The focus is now at the top of the waste hierarchy - towards waste *prevention*, rather than minimisation – and WRAP are keen to see the effects of targeted work across a large area. Throughout 2009/10, activity focussed on three key material streams – food waste, garden waste and reusable items – which were identified in the earlier workshop as those areas of most opportunity in terms of the greatest tonnage diversion, with secondary campaigns focussed around reusable bags, real nappies and junk mail. The campaigns were delivered with a high degree of community involvement as the volunteer Rotter network (master composters) was utilised and increased capacity developed. We recognised that a behavioural change strategy was required to support the waste prevention work and WRAP engaged a specialist company - Social Marketing Practices - to develop a marcomms (marketing and communications) strategy on behalf of the Partnership. The marcomms strategy and a draft action plan were developed between April and July 2009 with the involvement of all partners. Since then, the partnership, led by the County Council, has been developing detailed action plans for delivery in 2010 and beyond based upon the principles of social marketing. Early in 2010, the partners reached final agreement on specific activities and campaigns and confirmed funding to support delivery of waste prevention campaigns in 2010/11. Campaigns will aim to achieve the following behaviour goals:

- responsible food management
- compost organic garden material at home
- donate and buy second-hand

3.3.10 In order to achieve the behaviour goals listed above, waste prevention campaigns will focus on the continued promotion of the Love Food Hate Waste campaign, promotion and awareness raising of the benefits of food waste digesters and home compost bins (with a subsidy on the purchase price being applied to each type of unit), and the continuation of the Choose2Reuse campaign. Detailed campaign plans have been developed with a series of phased activities over the year to deliver innovative campaigns that the public can engage with. All activity will be supported by the York and North Yorkshire Rotter volunteer network.

3.3.11 The Partnership indicated, in September 2009, that they are minded to continue funding waste prevention work for the coming years to the value of at least £75,000 and this will be supplemented wherever possible by external funding. In addition, the County Council utilises some of its own budget to support the Partnership's waste prevention work and in 2008/09, this was almost £100,000. The City of York Council has a further £50,000 per year dedicated to funding waste minimisation work within their boundary which complements the activity taking place across the Partnership area.

3.3.12 Alongside this the County Council also represents the waste partnership on the programme board for a regional waste prevention programme. The project originated from the WRAG (Waste Regional Advisory Group), and a

smaller group of interested councils form the regional programme board to steer the projects forward. The regional waste prevention programme has identified six different priority work streams where all 22 local authorities can work together to develop consistency and create efficiencies. Different members of the programme board are responsible for leading different workstreams and North Yorkshire County Council is the lead council for the Love Food Hate Waste campaign. We were asked to participate in steering the direction of the regional work as we are currently delivering more campaigns on the ground than any other authority in the region and the regional group wanted to benefit from our experiences. The programme board has been successful in securing £50,000 from the RIEP to deliver a Love Food Hate Waste campaign and a business waste handbook across the region. Of this, £35,000 is to provide funding to develop and purchase resources and deliver a Love Food Hate Waste campaign on behalf of all 22 LA's in the Yorkshire and Humber region. The remaining £15,000 has been awarded for a business waste handbook and this project is led by Leeds City Council. In addition, the programme board have secured funding from WRAP to meet the staffing costs of a regional love food hate waste co-ordinator until 31 March 2011 and this post is being filled by WasteWatch. The County Council manages the regional co-ordinator and oversees the daily activities on behalf of the programme board and we are currently agreeing a work programme and expenditure plan for the 2010/11 year. WRAP's ROTATE team also provide expertise to the programme board and so we continue to work closely with WRAP. Work is currently underway to identify funding for the remaining workstreams and the County Council will continue to be an active member of the regional waste prevention programme to ensure regional activity complements our activities.

3.4 Recycling and Composting

Current and future projected recycling performance – both Councils

Year	Per OBC ¹		FBC Figures	
	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	76,040	17.7		
2006/07	80,581	18.4		
2007/08	83,967	18.8		
2008/09	86,035	18.9		
2009/10	108,251	23.5	107,945	26.57%
2010/11	109,330	23.5	110,614	27.02%
2011/12	117,387	25.0	111,823	27.03%
2012/13	123,254	26.0	114,781	27.41%
2013/14	129,615	27.4	115,829	27.35%
2014/15	133,543	28.2	127,258	29.71%
2015/16	136,020	28.7	132,547	30.60%
2016/17	136,020	28.7	133,994	30.60%
2017/18	136,020	28.7	135,489	30.60%
2018/19	136,020	28.7	136,978	30.60%
2019/20	136,020	28.7	138,461	30.60%

¹ Based on waste flow model sent to DEFRA 9th March 2007

2020/21	136,020	28.7	139,938	30.60%
2021/22	136,020	28.7	141,410	30.60%
2022/23	136,020	28.7	142,713	30.60%
2023/24	136,020	28.7	144,011	30.61%
2024/25	136,020	28.7	145,305	30.61%
2025/26	136,020	28.7	146,593	30.62%
2026/27	136,020	28.7	147,877	30.62%
2027/28	136,020	28.7	149,083	30.63%
2028/29	136,020	28.7	150,286	30.63%
2029/30	136,020	28.7	151,484	30.63%
2030/31	136,020	28.7	152,677	30.64%
2031/32	-	-	153,867	30.64%
2032/33	-	-	155,066	30.64%
2033/34	-	-	156,275	30.65%
2034/35	-	-	157,495	30.65%
2035/36	-	-	158,725	30.65%
2036/37	-	-	159,965	30.66%
2037/38	-	-	161,216	30.66%
2038/39	-	-	162,478	30.67%
2039/40	-	-	163,750	30.67%

Current and future projected composing performance – both Councils

Year	Per OBC ²		FBC Figures	
	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	49,941	11.63		
2006/07	64,901	14.82		
2007/08	67,563	15.13		
2008/09	68,914	15.13		
2009/10	91,638	19.91	82,905	20.41%
2010/11	92,554	19.91	85,696	20.93%
2011/12	93,480	19.91	86,704	20.96%
2012/13	94,415	19.91	87,920	20.99%
2013/14	94,415	19.91	88,963	21.00%
2014/15	95,042	20.05	90,002	21.01%
2015/16	95,042	20.05	91,036	21.02%
2016/17	95,042	20.05	92,067	21.03%
2017/18	95,042	20.05	93,102	21.03%
2018/19	95,042	20.05	94,134	21.03%
2019/20	95,042	20.05	95,161	21.03%
2020/21	95,042	20.05	96,184	21.03%
2021/22	95,042	20.05	97,202	21.03%
2022/23	95,042	20.05	98,097	21.04%
2023/24	95,042	20.05	98,988	21.04%
2024/25	95,042	20.05	99,876	21.04%
2025/26	95,042	20.05	100,760	21.05%
2026/27	95,042	20	101,640	21.05%
2027/28	95,042	20	102,449	21.05%
2028/29	95,042	20	103,254	21.04%

² Based on waste flow model sent to DEFRA 9th March 2007

2029/30	95,042	20	104,056	21.04%
2030/31	95,042	20	104,854	21.04%
2031/32	-	-	105,650	21.04%
2032/33	-	-	106,451	21.04%
2033/34	-	-	107,260	21.04%
2034/35	-	-	108,075	21.03%
2035/36	-	-	108,897	21.03%
2036/37	-	-	109,726	21.03%
2037/38	-	-	110,562	21.03%
2038/39	-	-	111,405	21.03%

Combined Recycling and Composting table:

Year	Per OBC		FBC Figures	
	Tonnes	% of HHW	Tonnes	% of HHW
2005/06	125,981	29.3	-	-
2006/07	145,482	33.2	-	-
2007/08	151,530	33.9	-	-
2008/09	154,949	34.0	-	-
2009/10	199,889	43.4	190,851	46.98%
2010/11	201,884	43.4	196,311	47.95%
2011/12	210,867	44.9	198,527	47.98%
2012/13	217,669	45.9	202,701	48.40%
2013/14	224,030	47.3	204,792	48.35%
2014/15	228,585	48.2	217,259.3	50.72%
2015/16	231,062	48.7	223,584	51.62%
2016/17	231,062	48.7	226,062	51.63%
2017/18	231,062	48.7	228,592	51.63%
2018/19	231,062	48.7	231,112	51.63%
2019/20	231,062	48.7	233,622	51.63%
2020/21	231,062	48.7	236,122	51.63%
2021/22	231,062	48.7	238,613	51.63%
2022/23	231,062	48.7	240,811	51.64%
2023/24	231,062	48.7	243,000	51.65%
2024/25	231,062	48.7	245,181	51.66%
2025/26	231,062	48.7	247,353	51.67%
2026/27	231,062	48.7	249,517	51.67%
2027/28	231,062	48.7	251,533	51.67%
2028/29	231,062	48.7	253,540	51.68%
2029/30	231,062	48.7	255,540	51.68%
2030/31	231,062	48.7	257,532	51.68%
2031/32	-	-	259,517	51.68%
2032/33	-	-	261,518	51.68%
2033/34	-	-	263,536	51.68%
2034/35	-	-	265,570	51.68%
2035/36	-	-	267,623	51.69%
2036/37	-	-	269,692	51.69%
2037/38	-	-	271,779	51.69%

2038/39	-	-	273,883	51.69%
2039/40	-	-	276,005	51.69%

3.5 Landfill Objectives

3.5.1 The projected amounts of BMW to be landfilled by the Councils is presented below, together with a comparison against the available allowances, and the position projected in the OBC

3.5.2 There are significant improvements in overall diversion performance since OBC due to the proposed treatment of HWRC waste (the OBC assumed it was sent to landfill) and reduced waste volumes. Additional landfill is projected in 2013/14 due to the revised programme and the planned service commencement slipping to 2014/15.

Projected amounts of BMW to be landfilled

Year	LATS Allowance	BMW Landfilled	Surplus/ (Deficit)	Surplus/ (Deficit) as Stated in OBC	Variance Between OBC and FBC
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
2008/09					
2009/10	188,241	174,850	13,391	-6,593	19,984
2010/11	167,288	173,309	-6,021	-28,913	22,892
2011/12	146,335	174,727	-28,392	-35,059	6,667
2012/13	125,382	175,904	-50,522	-54,967	4,445
2013/14	120,004	177,816	-57,812	70,624	-128,436
2014/15	114,626	59,232	67,804	66,551	-11,157
2015/16	109,247	19,808	89,439	61,175	28,264
2016/17	103,869	19,975	83,894	55,797	28,097
2017/18	98,490	20,149	78,341	50,418	27,923
2018/19	93,112	20,323	72,789	45,040	27,749
2019/20	87,734	20,496	67,238	39,662	27,576
2020/21	87,734	20,668	67,066	39,662	27,404
2021/22	87,734	20,839	66,895	39,662	27,233
2022/23	87,734	20,988	66,746	39,662	27,084
2023/24	87,734	21,137	66,597	39,662	26,935
2024/25	87,734	21,285	66,449	39,662	26,787
2025/26	87,734	21,433	66,301	39,662	26,639
2026/27	87,734	21,580	66,154	39,662	26,492
2027/28	87,734	21,723	66,011	39,662	26,349
2028/29	87,734	21,865	65,869	39,662	26,207
2029/30	87,734	22,007	65,727	39,662	26,065
2030/31	87,734	22,148	65,586	39,662	25,924
2031/32	87,734	22,288	65,446	39,662	25,784
2032/33	87,734	22,430	65,304	39,662	25,642
2033/34	87,734	22,573	65,161	Not stated	
2034/35	87,734	22,717	65,017	Not stated	
2035/36	87,734	22,862	64,872	Not stated	
2036/37	87,734	23,008	64,726	Not stated	

2037/38	87,734	23,155	64,579	Not stated	
2038/39	87,735	23,304	64,431	Not stated	
2039/40	87,736	15,227	72,509	Not stated	

3.6 Appraisal of Technology Options for Residual Waste Treatment

3.6.1 There have been no changes from either Council since submission of the OBC in respect to their position to possible residual waste treatment technologies.

3.6.2 Both Councils have remained neutral in terms of any expected procurement outcome and approved tender evaluation criteria remained consistent with the position stated in the joint municipal waste strategy.

3.7 Environmental Impact

3.7.1 Both the County Council and City Council have signed the Nottingham Declaration, making a public commitment to effectively respond to climate change. Within the County Council a Climate Change Strategy is being produced by the Assistant Director's Environmental Group, a cross directorate group of Council officers. This strategy pulls together and will become the key driver of the Council's activities around climate change issues. It incorporates detailed activities relating to the council's own activities as well as how to encourage the community to tackle and prepare for climate change.

3.7.2 A Carbon Management Strategic Implementation Plan was first produced in 2005 when the Council joined the Carbon Trust's Local Authority Carbon Management Programme. It has since been reviewed and updated. Implementation continues and is coordinated by the Council's Energy Team. The City Council have similar Carbon Management Strategic Implementation Plan, produced in 2008 and is coordinated by the Council's Sustainability Team. These plans prioritise areas of activity across both Councils that have the biggest impact on climate change providing a targeted programme of actions to reduce this impact. This includes and fully embraces all waste management activities including key objectives of the adopted Waste Strategy Let's Talk Less Rubbish.

3.7.3 For the City Council a Climate Change Framework and Action Plan is being produced by the Without Walls Partnership, and led by the Environment Partnership Board. This framework and action plan pulls together and will become the key driver of the City and Council's activities around climate change issues including sustainable waste management and the emerging Zero Waste Places ambition. This aims to go as far as possible in reducing the environmental impact of waste. It is a visionary goal which seeks to prevent waste occurring, conserves resources and recovers all value from materials. The climate change action plan incorporates detailed activities relating to the Council's own activities as well as major Partners across the City. It details a roadmap for reducing carbon emissions across York and in line with local and national targets.

3.7.4 The City of York Council has also signed signed up to the 10:10 campaign to reduce emissions across the Council by 10% in 2010. Furthermore the

Council is committed to reducing carbon across its estate by 25% by 2013. In addition to this the City is also signed up to the Covenants of mayors and a 40% reduction in carbon emissions by 2020.

- 3.7.5 Although the potential use of waste heat or CHP options were not part of the original OBC submission nor were part of the initial procurement requirements the Council has commissioned an energy from waste heat market assessment undertaken by Future Energy Yorkshire, the Yorkshire & Humber Sustainable Futures Company, in September 2008. The aim of this was to provide an economic assessment of community heating schemes in support of the site appraisals review for waste treatment technology. This assessment is principally focused on using the heat generated from the preferred sites for energy from waste (EfW) facilities. It was conducted using a Heat Network Tool, developed by Future Energy Yorkshire, which was used to evaluate the scale of the heat markets, calculate the costs for establishing a heat network and determine project viability.
- 3.7.6 This initial screening exercise identified few viable heat markets, even when assuming only a 20% connection rate and also concluded that generating revenue from the Renewable Obligation based upon the biomass fraction of municipal waste, could be used to subsidise a heating network. To be eligible for ROCs, some electricity generation would have to be sacrificed to enable sufficient heat to be exported and concluded that it was not economic for a 255,000 tonne/year EfW facility to do this.
- 3.7.7 Nevertheless the Councils and Participants have remained mindful of the potential use for waste heat and associated benefits not only to the Project but also to the wider community. As such the introduction of beneficial use of heat remains open post contract award.

4 Procurement Strategy and Value For Money Assessment

4.1 Introduction

4.1.1 The intention of this section is to demonstrate that the Councils have carried out a competitive procurement process that supports and delivers the OBC requirements and objectives.

4.2 Overall Strategy for Procurement

4.2.1 There have been no significant changes to the overall procurement strategy or approach since the OBC submission. Procurement has been carried out strictly in accordance with the Competitive Dialogue route of the Procurement Regulations. The Councils have throughout the process:

- Maintained full confidentiality around the procurement
- Ensured competition by retaining sufficient Participants at the various stages
- Provided feedback to any deselected Participants and at the same time debriefed the successful participants prior to the next stage of the procurement
- Maintained a comprehensive audit trail of the procurement

4.2.2 At the same time the Councils believe that it can be demonstrated that the process remained truly open and transparent by the fact that even up to the final deselection stages there was a mix of technologies offered, approaches to solutions, funding proposals and background and nationality of Participants.

4.3 Output Specification for the Project

4.3.1 Due to the timing of the procurement for this project the Output Specification has been based around the 4ps original toolkit version but substantially modified to take into account the experience of more recent waste projects. At the time of the OBC submission only an indicative Output Specification was included, this was substantially refined and developed leading up to the issue of the ISOS documentation. From this point the Output Specification has remained unaltered.

4.3.2 The fundamental premise to the specification has been to allow the contractor to provide their most optimal service and as such no constraints have been placed on them in the provision of facilities or services to meet this requirement. The Contractor may choose the facilities and services which they see meet the performance requirements of the contract and provide best value for money to the Authority. The specification allows this freedom provided that it can be demonstrated that they are capable fully of meeting the Authority's aims, objectives and targets. The solutions offered must also demonstrate that they will comply with all relevant current and any reasonably foreseeable legislative requirements and are consistent with PPS 10, the Regional Spatial Strategy and the local waste policies.

- 4.3.3 The documentation highlights the requirement for sustainable approaches to all service provision and includes the overall principles and priorities of sustainability to reduce environmental impact and improve resource efficiency. In particular the Authority will wish to see service providers demonstrating an approach that clearly incorporates a whole life approach with minimum waste, efficient use of resources including an awareness of energy consumed both at facilities and through transportation.
- 4.3.4 The specification clearly defines the required outcomes these being:
- Recycle a minimum 5% of Contract Waste
 - Divert a minimum 70% of Contract Waste from landfill
 - Divert a minimum 80% of BMW in Contract Waste from landfill
- 4.3.5 Within this requirement the solution also has to be capable of responding to usage, technical, regulatory/environmental and economic developments within the waste management industry throughout the Contract Period. It is the responsibility of the Contractor to provide a solution with sufficient capacity and flexibility to manage the Contract Waste and achieve the Contract targets throughout the life of the Contract, including accommodating any changes waste arisings and composition
- 4.3.6 The specification refers to a series of Service Delivery Plans that set out the Contractor's detailed arrangements for the delivery of all aspects of the Service. The Service Delivery Plans have been developed during the competitive dialogue stages and have been submitted as part of the final tender documentation as the Contractor's Proposals.
- 4.3.7 The contract does not offer exclusivity to the Councils municipal waste or set a maximum threshold to be accepted under the contract.
- 4.3.8 A copy of the Output Specification, titled Authority Requirements is included as Appendix E.

4.4 Pre-Qualification

- 4.4.1 Pre-Qualification Questionnaires were received from twelve companies or consortium on the 1st October 2007 and all twelve were consequently invited to submit outline proposals. The twelve being:
- Amey/CESPA
 - Costain/Laing
 - Covanta
 - Global Renewables
 - Interserve
 - Shanks Group PLC
 - SITA UK Ltd
 - Earth Tech Skanska
 - Sterecycle
 - United Utilities

- Veolia ES Aurora Ltd
- Waste Recycling Group Ltd

4.5 The Outline Solutions Stage of Competitive Dialogue

4.5.1 The ISOS documentation was issued in October 2007 and 10 submissions were received in December 2007, with Interserve declining and United Utilities and the John Laing/Costain consortium consolidating together. This consolidation of United Utilities, John Laing and Costain was formally reviewed and consequently approved.

4.5.2 In all seventeen proposals, including variants were received from the 10 Participants. A range of technologies were proposed with all, apart from one participant proposing to site the facilities at one or both of the County Council's secured sites. The other proposal being a partial out of county solution, using the Participants own sites. A summary of all these proposals is provided below:

NAME WITHHELD	<p>Proposed solution is MBT with single line moving grate EfW but includes pre-treatment of some incoming organic waste through Anaerobic Digestion. Front end sort of metals and plastics.</p> <p>Compliant bid has excess capacity for C&I waste. Variant bid takes HWRC residual and restricts C&I waste to minimal input to compensate, increases MBT capacity through additional operating shift.</p> <p>MBT capacity: 225ktpa compliant bid, 263ktpa variant bid</p> <p>EfW capacity: 250ktpa compliant bid, 254ktpa variant bid</p> <p>AD capacity: 40ktpa compliant and variant bid</p> <p>MSW Diversion: 78% if IBA to landfill, 98% if used in aggregates. Same % given for compliant and variant bids</p> <p>BMW Diversion: 99% compliant bid, 97% variant bid</p> <p>Recycling: 5%. Same % given for compliant and variant bids</p>
NAME WITHHELD	<p>Upfront segregation of metals by overhead magnets and eddy current separation, followed by input to a 400,000tpa EfW (twin stream), [225,000tpa contract waste and 175,000tpa C&I waste].</p> <p>MSW Diversion: 96%</p> <p>BMW Diversion: 100%</p> <p>Recycling: ~4-6% (dependent on the quantity of metals within the residual waste)</p> <p>Residues: IBA, FGTR</p> <p>Recyclables: Metals</p>
NAME WITHHELD	<p>MBT (270,000tpa) to segregate BMW into Anaerobic Digestion plant (65,000tpa) for energy recovery. Non-BMW waste to undergo</p>

recovery of metals and plastics for recycling. Remaining material to EfW plant (218,000tpa) for energy recovery. Solution able to deal with 225,000 contract waste, HWRC residual waste and 40,000tpa C&I waste.

MSW Diversion: 91%

BMW Diversion: 97%

Recycling: 5.1%

Residues: IBA (~54,000tpa), FGTR (~8,000tpa)

Recyclables: Metals + plastics (~11500tpa)

**NAME
WITHHELD**

Combination of MBT and incineration technologies. The MBT facility incorporates PROPRIETRY NAME WITHHELD Process with a capacity of 225,000tpa of contract waste. It includes the initial separation of recyclables. Percolation and digestion provide the biological component the MBT. An AD component produces a biogas for electricity generation and heat is also recovered. These elements are followed by dewatering and biodrying processes from which a Solid Recovered Fuel (SRF) is produced.

The SRF is to be sent to the on-site Recovered Fuel Power Facility (RFPF) for combustion. The RFPF has a capacity of 145,000tpa and includes bubbling fluidised bed technology and the generation of electricity for export to the grid.

Landfill Diversion: 90%

BMW Diversion: 94%

Recycling: 11.5%

**NAME
WITHHELD
Standard Bid**

Proposed solution is for MBT facilities (with front end sorting of recyclates) at two sites, producing SRF for gasification - also at one of the sites. In addition NAME WITHHELD propose use of a merchant autoclave facility at South Tees.

MBT capacity 210ktpa (140ktpa facility plus a 70ktpa facility)

Gasification capacity 125ktpa

Autoclave capacity 40ktpa

MSW Diversion: 82%

BMW Diversion: 91%

Recycling: 9%

**NAME
WITHHELD
Variant Bid**

Proposed solution is as for standard bid plus a HWRC residual waste treatment facility providing additional feedstock to MBT.

Capacities are as for the standard bid plus 40ktpa HWRC treatment plant capacity

MSW Diversion: 75%

BMW Diversion: 92%

Recycling: 12%

**NAME
WITHHELD**

Development of two sites:

- a recycling plant with the capacity of 220,000tpa; and
- further development of an existing EfW site, out of County with new EfW capacity (256,000tpa).

The majority of residual household waste from the WCAs will be transported, via WTSs, to the recycling plant where various mechanical processes will be used to separate recyclables from the residual waste stream.

The RDF to be transported via a rail network 70miles to the EfW facility.

MSW Diversion: 95%

BMW Diversion: 100%

Recycling: 9%

**NAME
WITHHELD**

NAME WITHHELD proposed a combination of autoclave, MRF and incineration technologies.

The proposed autoclave facility will have a capacity of 260,000tpa, across four autoclave units.

Recyclables will be removed after the autoclave process and the 'TRADE NAME WITHHELD' product will then be sent for combustion at the on-site 114,000tpa CHP facility. The high pressure steam produced in the CHP facility will be re-circulated into the autoclave and associated processes.

MSW Diversion: 71%

BMW Diversion: 81%

Recycling: 27%

**NAME
WITHHELD**

65k tpa MTB – TRADE NAME WITHHELD process – biodrying.

192k tpa of TRADE NAME WITHHELD gasification plant. Modular, 4 plant @ 48k tpa.

65k tpa first delivered to MBT, biodried then sent to gasification where it is mixed with other MSW.

MSW Diversion: 77.5% - 84%

BMW Diversion: 98%

Recycling: 5.3 – 9%

Residues: IBA, FGTR.

Recyclables: Metals 4%, Bulky & plastics 1.1% (RDF from MBT to gasification)

**NAME
WITHHELD**

Compliant Bid: 225,000tpa EfW plant to take only contract waste. No upfront recycling.

Variant Bid: 300,000tpa EfW plant to take contract waste and 75,000tpa C&I waste. No upfront recycling.

**NAME
WITHHELD**

MSW Diversion: 96%

BMW Diversion: 97.8%

Recycling: 0%

EfW plant of 240,900 tpa capacity. Supplier yet to be chosen from 3 (NAMES WITHHELD). Technology likely to be moving grate, multiple line with sufficient spare capacity to cover HHWRC waste.

No up-front processing. Metals recycled from ash if ash not recycled.

MSW Diversion: 89% (NB this relies on ash recycling)

BMW Diversion: 89%

Recycling: >20% if ash recycled, if not recycled metals recycling will be <5%

4.5.3 Each submission under went an initial evaluation against the core criteria of **Technical, Sustainability and added value (60%) Financial and Commercial (40%)**. The score assigned to each aspect of evaluation, apart from Legal and Contractual which was based solely on a Pass/Fail approach, was subject to a weighting in accordance with its relative importance to provide the overall evaluation score and the relative ranking of the Participant's submission against the other Participants.

4.5.4 The Councils also reserved the right to reject any proposed solution, regardless of the overall score of the Participant, if the Participant's submission in any given category failed to reach an acceptable minimum score of 25%.

4.5.5 The weightings for **Technical, Sustainability and Added Value** evaluation sub-criteria are summarised in the table below.

Compliance with the Output Specification 20%	
Does the proposed solution comply with the requirements of Service Outputs 2-7	50%
Will performance against defined targets be achieved	20%
Does the proposed solution support the Councils' waste strategy aims	15%
Is there a proven commercial track record of proposed approach/solution	15%
Deliverability of Solution 20%	
Has an adequate Service Delivery Plan and programme (Service	30% ³

³ These criteria were not scored at ISOS stage and, as such, all ISOS submissions received a zero score for these criteria.

Output 1) been included and can this be achieved	
Has the overall level of risk of delivery of the proposed solution been evaluated and have adequate contingency plans been developed	20%
What is the position with land ownership and the likely timetable for site availability	15%
What are the site-specific/planning issues, does the proposed approach adequately manage to reduce any risk to ensure planning success	15%
Level of adequacy of the approach to regulatory issues	10%
Has sufficient evidence been provided that the Participant has adequate overall capacity and resources available to achieve Contract Award and Financial Close by the due dates	10%
Adaptability of Solution 15%	
Has the proposed solution assessed the potential effect of changes in waste or future legislation	20%
Adaptability of solution to changes in legislation and economic conditions over the life of the contract	40%
Flexibility of solution to changes in waste volume and composition	40%
Level of Service Provider's reliance on third parties for performance achievement, ie end markets/outlets 5%	
Does the proposal require securing markets and outlets	40%
Are these markets available and proven	60%
Any impacts on existing services/systems/WCAs and level of mitigation proposed 10%	
Has the interface between the collection and treatment systems been assessed	20%
Level of compatibility of proposed solution to other existing or proposed contracts under the Procurement Programme	15%
Suitability of the access to facilities eg location, times, ease of use	15%
Acceptability to any changes necessitated to existing WCA collection systems over the contract duration	20%

Suitability of mechanisms for monitoring, responding to and mitigating any adverse impacts on existing services and collections systems	15%
Appropriateness of the mechanisms proposed for data recording and information transfer to the Councils	15%
Extent of Integration and Partnering with Waste Partnership and approach to interface management, at contract, Authority and end user levels 5%	
Appropriateness of proposals for partnership working with the Councils, WCAs and other stakeholders and waste producers	50%
How are common goals and objectives to be met	25%
How flexible is the proposed approach to improving efficiency, value for money and options for 'gain share'	25%
Sustainability 20%	
Evidence of assessment of environmental impacts undertaken in developing the solution	10%
Level of potential local, environment, biodiversity and social impacts from the solution proposed and how are these to be mitigated. <ul style="list-style-type: none"> • Local impacts including landtake, local amenity impacts, ecological and health (20%) • Regional/global impacts as assessed by use of WRATE (50%) 	70% ⁴
Proposals for continuous environmental improvements to service provision	10%
To what extent does the proposal align with the UK's developing environmental policy eg 'green' policies, environmental management systems etc.	10%
Social 5%	
To what extent are community and local social/economic benefits demonstrated by the proposed solution	33%
To what extent does the proposal intend to manage and reduce any impacts on the well being (respect for) local community	33%
Adequacy of the approach to community relationship and local community engagement with the proposed solution	33%

4.5.6 The following ratings were used to score the criteria:

⁴ These criteria were not scored at ISOS stage and, as such, all ISOS submissions received a zero score for these criteria.

Score	Acceptability	Participant response demonstrates.
0	Unacceptable	The information is either omitted or fundamentally unacceptable to the Councils.
1-2	Poor	The information submitted has insufficient evidence that the specified requirements can be met and/or does not demonstrate acceptable level of experience and ability.
3-4	Fair	The information submitted has some minor omissions against the specified requirements and/or demonstrates only limited level of experience and ability.
5-6	Satisfactory	The information submitted meets the Councils' requirements and/or demonstrates an adequate level of experience and ability.
7-8	Very good	The information submitted provides good evidence that the specified requirements can be met and demonstrates a good level of experience and ability.
9-10	Outstanding	The information submitted provides strong evidence of best of sector capability to deliver the specified requirements.

4.5.7 The **Financial and Commercial** evaluation consisted of three elements; Financial Robustness of the Submission (30%); Economic Cost/Affordability of the Submission (45%); Commercial (25%) all described in more detail below.

4.5.8 Financial Robustness of the Submission 30%

4.5.9 This considered the robustness of Participant's response and assisted the Councils in assessing whether Solutions could be delivered within the Councils' threshold of Affordability and associated Economic Cost. The specific criteria assessed were:

Are the assumptions used to determine the indicative gate fee and capital and operating costs reasonable and robust? This will also take into account the reasonableness and robustness of commercial arrangements and gate fee underpinning any merchant facility.	50%
To what extent is third party income, including the sale of recyclables and power/heat offtake arrangements guaranteed?	25%
Sensitivity analysis will be undertaken to ascertain the likely range of costs to the Council associated with each Solution (i.e. how sensitive the bid price is) for the purposes of the evaluation. This will include, without limitation, an evaluation of estimated variability of income from	25%

off-take contracts, and an estimated range of additional costs which might be incurred by the Council in relation to land filling of process residues and the extent to which amendments to the Output Specification or Project Agreement are required to meet the Council's affordability envelope	
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4.5.10 Each of the Financial Robustness criterion was scored using the following matrix:

Range of Score out of 10	Term	Explanation
0 – 2.5	Poor	Information is omitted or fundamentally unacceptable to the Councils
2.5 – 5	Fair	Information has some minor omissions or provides limited information or evidence to support an assessment of the Affordability and Economic Cost of the Solution
5 – 7.5	Satisfactory	Participant provides sufficient information or evidence to support an assessment of the Affordability and Economic Cost of the Solution
7.5 – 10	Good	Participant provides strong evidence and information to support assessment of the Affordability and Economic Cost of the Solution

4.5.11 Economic Cost / Affordability of the Submission 45%

4.5.12 This considered whether Participant's Solutions could be delivered within the Councils' threshold of Affordability and associated Economic Cost. The specific criteria assessed were:

Comparison of the Net Present Cost (NPC) of each bid* with the NPC of other bids. The NPC of each bid will be scored relative to its deviation from the mean NPC of all other Participants' bids	66.7%
Comparison of the NPC of each bid* with the NPC of the Councils' affordability envelope. The NPC of each bid will be scored relative to its deviation from the affordability envelope	33.3%

* The NPC of the bid could be adjusted for other factors which would impact on the overall cost to the Councils, for example; haulage costs where participants proposed the use of their own site; or changes in collection costs to the WCAs.

4.5.13 Commercial (10%)

4.5.14 The commercial element of the evaluation criteria is split into three core elements, Deliverability of Funding Package 2.5%, Extent of guarantees and robustness of contracting structure 2.5% and Payment Mechanism principles 5%.

4.5.15 Deliverability of Funding Package 2.5%

4.5.16 This considered the robustness of the participant’s funding proposals and where applicable, the nature of supporting parent company guarantees in relation to funding.

Assessment of the funding structure, including gearing levels and where a regional or merchant facility is proposed, how such facilities will be funded	30%
Where a corporately funded solution is proposed, the extent to which a Parent Company Guarantee is available in relation to funding	30%
Evidence of the ability of the bidder to raise funding including funding history of the technology	30%
Timing of due diligence to be undertaken	10%

4.5.17 A score out of 5 was awarded to each of the criteria from the following matrix:

Score	Deliverability of Funding Package
1	Minimal or no support for funding proposals identified
2	Issues identified in relation to the funding proposals that are considered to place the deliverability of funding at significant risk
3	Issues identified in relation to the funding proposals that are considered to place the overall deliverability of funding at risk, but are considered unlikely
4	Issues identified in relation to the funding proposals that are considered to place a small portion of funding at risk, but are considered unlikely to impact on the deliverability of funding overall
5	No significant issues identified in relation to the deliverability of funding

4.5.18 Extent of guarantees and robustness of contracting structure 2.5%

4.5.19 The robustness of the participant’s proposed contracting structure and where applicable, sub-contracting structure and the nature of supporting parent company or performance guarantees were assessed as follows:

Evidence from proposed equity and or external funder confirming support for solution and technology, including performance risk	30%
Evidence of performance guarantees from sponsors where funders unwilling to take performance risk and where a regional or merchant facility is proposed, details of sub-contracts and performance guarantees offered	40%
Robustness of contracting structure, including role of consortium members and shareholdings and role and terms of subcontracting arrangements	30%

4.5.20 A score out of 5 was awarded to each of the criteria from the following matrix:

Score	Extent of guarantees and the robustness of contracting structure
1	Problems or risks identified with the contracting structure of the bidder that they are considered unlikely to be capable of implementing the project
2	Problems or risks identified with the contracting structure of the bidder; considered to have the possibility of significantly impacting on the ability of the bidder to implement the project
3	Few problems or risks identified with the contracting structure of the bidder; considered unlikely to impact on the ability of the bidder to implement the project
4	Minor problems or risks only identified with the contracting structure of the bidder; considered highly unlikely to impact on the ability of the bidder to implement the project
5	No problems or risks identified with the contracting structure of the bidder

4.5.21 Payment Mechanism principles (5%)

4.5.22 This criterion considered the Participant's acceptance of the Councils' Payment Mechanism principles document as follows:

Acceptance of the Councils' Payment Mechanism Principles document, or if applicable, commentary or amendments to the extent to which such commentary or proposals are shown to demonstrate better VFM for the Councils or expose the Councils to greater risk	60%
Participants proposals for risk acceptance with regards to BMW diversion	40%
Acceptance of OGC guidance on refinancing	Pass/Fail

4.5.23 A score out of 5 was awarded to each of the criteria from the following matrix:

Range of Score	Payment Mechanism principles
7.5 – 10	Participant either fully accepts the Payment Mechanism Principles (to the extent they are applicable to their proposed Solution) or, where amendments are proposed, those amendments are considered acceptable to the Councils (e.g. on VFM grounds)
5 – 7.5	Participant clearly accepts the Payment Mechanism Principles (to the extent they are applicable to their proposed Solution) but proposes a number of amendments, the majority of which are considered acceptable to the Councils (e.g. on VFM grounds) and the remainder are considered surmountable and therefore expose the Councils to some but not significant risk
2.5 – 5	Participant accepts the Payment Mechanism Principles (to the extent they are applicable to their proposed Solution) but proposes a number of

	amendments, which either are unacceptable to the Councils (e.g. against the core principles) or do not demonstrate VFM and may expose the Councils to greater risk
0 – 2.5	Participant does not accept or does not clearly accept the payment Mechanism Principles and/or proposes a number of significant amendments which are unacceptable to the Councils (e.g. on VFM or Risk grounds)

4.6 Core Criteria for Legal and Contractual (Pass/Fail)

4.6.1 Assessment of the acceptability of the legal proposals was solely on a pass/fail basis generally against SOPC4 requirements, including acceptability of project terms proposed and the overall risk exposure to the Councils.

4.7 Overall Evaluation Approach

4.7.1 All seventeen submissions were assessed against the evaluation criteria and weightings described above, including a legal compliance check.

4.7.2 Following an initial review a number of technical and financial clarification questions were asked of each Participant and responses received to all of these.

4.7.3 Following this formal assessment all Participants than attended an interview session with the Evaluation Team, as required under the Evaluation Procedure. The purpose being to allow the Evaluation Team to moderate the assessment scores if considered appropriate. Following the interviews only minor amendments were necessary.

4.7.4 Each Participant had proposed an indicative gate fee per tonne of contract waste received which has confirmed that the potential solutions at the ISOS were affordable to the Councils when compared against the approved affordability envelope.

4.7.5 By the end of the ISOS stage of the procurement both Councils were fully satisfied that they had been able to secure outline proposals that in general were inline with the contract requirements and were considered both robust and affordable providing the opportunity to identify suitable Participants to engage with in further dialogue to further develop appropriate solutions.

4.8 The Detailed Solutions Stage of Competitive Dialogue

4.8.1 Participants were aware that it was the Councils' intention only to take forward the top four ranked Participants to the ISDS stage of the procurement. Therefore based upon the ISOS technical and financial evaluation the Councils short listed the following Participants:

- AmeyCespa
- Covanta
- Earth Tech Skanska
- Veolia

4.8.2 The ISDS documentation was issued on the 1st February 2008 and detailed submissions were received back on the 30th May 2008 from all four Participants:

- NAME WITHHELD submitted a single proposal.
- NAME WITHHELD submitted a base proposal plus a variant for no pre-treatment.
- NAME WITHHELD submitted a base proposal plus two variants, a 100% of unitary charge indexation plus a 30 year concession.
- NAME WITHHELD submitted a base proposal plus a 30 year concession variant.

4.8.3 A summary of all the proposed solutions is provided below:

NAME WITHHELD Proposed solution is MBT with twin line moving grate EfW but includes pre-treatment of some incoming organic waste through Anaerobic Digester. Front end sort of metals and plastics.

MBT capacity:

MT is 275ktpa (operating normal shift patterns).

AD capacity is 40ktpa

EfW capacity: 310ktpa

MSW Diversion: 79% (guaranteed)

BMW Diversion: 95% (guaranteed)

NAME WITHHELD 400 ktpa EfW (twin stream), to take circa 273-305 ktpa contract waste and remaining capacity filled by C&I waste. Will include shredder/breaker for elements of HWRC waste stream. Variant includes upfront segregation of metals (and glass in waste flow model) by overhead magnets and eddy current separation.

MSW Diversion: 90% (reported as 'typical')

BMW Diversion: 94% (reported as 'typical')

Recycling: No 'NPI' recycling in base bid. Variant Bid offers to exceed 5% recycling however waste flow modelling based on wrong composition and preliminary analysis suggest 5% will not be achieved.

**NAME
WITHHELD**

Overall 325,000 tpa plant capacity. MBT (260ktpa) to segregate organic rich (high in BMW) fraction of kerbside Contract Waste into AD plant (69ktpa) for energy recovery. Combustible rich fraction to undergo recovery of metals for recycling. ~45ktpa Shredded HWRC residual waste and ~188ktpa Mechanical Treatment residues plus 20ktpa dried AD digestate to go into single line EfW plant (260,000tpa) for energy recovery. Commercial waste input to EfW ranges from 30ktpa – 52ktpa depending on how much Contract Waste there is sent to the plant.

MSW Diversion: 85%

BMW Diversion: 92%

Recycling: 3.1% based on metals recovery from kerbside collected material only.

**NAME
WITHHELD**

311ktpa EfW (calculated at 89% availability), two lines – no up-front recycling. 3rd party capacity as required to ensure the plant inputs are to the plant capacity.

MSW Diversion: ~95% (guaranteed)

BMW Diversion: ~95% (guaranteed)

Recycling: 0% (potential to recover metals from IBA both at the facility and through additional reprocessing)

4.8.4 All eight submissions have been evaluated against the same criteria and weightings as at ISOS stage, including a legal compliance check.

4.8.5 During the evaluation process a number of technical, financial and insurance clarification questions were asked of the Participants and responses received to all of these.

4.8.6 The detail technical assessment was carried out by Enviro, but observed by the County Council's Assistant Director – Waste Management and a representative of the City Council. Similarly Ernst and Young have carried out the financial assessment, briefing the County Council's Assistant Director – Performance and Finance and the City Council's Assistant Director – Resources and Business Management of their findings. The assessment of the legal and insurance proposals was again on a pass/fail basis against the acceptability of the proposed project terms. This assessment was carried out by Ward Hadaway along with Marsh for insurance aspects. Detail assessment reports have been received from all of the Project's advisors. The full Evaluation Reports from the advisors itemises key aspects of all the Participants Submissions that will be required to be further explored during the next stage of dialogue.

4.8.7 Following this formal assessment all Participants attended an interview session with the Evaluation Team, as required under the Evaluation Procedure. The purpose being to allow the Evaluation Team to moderate the assessment

scores if considered appropriate. Following the interviews only minor amendments were necessary.

- 4.8.8 The financial analysis of the submissions also confirmed that all the proposed solutions remained within the Councils' approved affordability envelope.
- 4.8.9 Finally there was a further aspect that the Project Team took note at this point in the procurement process, this was in respect to the uncertainty within the world financial markets and it agreed that there was an additional risk to the project in that funders may withdraw at later stages. Whilst the solutions had reasonable funding packages (all had 3 or more banks willing to subscribe more than one third of the debt) there remained the risk that the banks could drop out or the terms may well change before the final tender stage and consequently the Councils' could be faced with only one or even no bidders or worst terms and price.
- 4.8.10 A clarification was sent to all Participants with project funded solutions (NAMES WITHHELD) asking them, if they are unable to secure the full amount of senior debt to fund the project, how they would make good any shortfall and whether they would be willing to provide a corporately guaranteed facility. Positive responses were received back from all three indicating that in the unlikely circumstances of this occurring that they would be willing and able to consider the provision of alternative means of securing the necessary finance for the project which could include corporate finance, mezzanine or corporately guaranteed facilities. This was not factored into the scores but did provide the Councils with some comfort that this risk can be mitigated.

4.9 The Refined Solutions Stage of Competitive Dialogue

- 4.9.1 Following the full evaluation of the ISDS submissions in September 2008 AmeyCespa and Earth Tech Skanska were invited into further dialogue as the final two Participants to develop their solutions towards final tenders in accordance with the competitive dialogue procedure.
- 4.9.2 The Councils took further comfort from the appropriateness of the rankings from wider aspects and observations during the dialogue phase of the ISDS development as noted below:
- Although AmeyCespa and EarthTech Skanska waste experience is predominately outside the United Kingdom their track record as technology providers is sufficient that there was minimal risk resulting to the successful delivery of the project. In addition both Participants have supplemented their supply chain with appropriate UK based support to ensure adequate specialised expertise is provided to their in-house resources.
 - Of all the Participants AmeyCespa and EarthTech Skanska have displayed the greatest intent to fully engage with the Project Team and to respond to issues raised, indicating a greater likelihood for a willingness to partner with the Councils.
 - During the presentations both AmeyCespa and EarthTech Skanska made references to activities that they would engage with beyond

the scope of the project such as waste minimisation activities across the region.

- Being new entrants AmeyCespa and EarthTech Skanska are highly likely to be willing to invest in this project to make it a 'showcase' to aid their further expansion in the UK waste sector.
- Both solutions proposed were most aligned with the solution proposed by the Councils as being the 'best option' at OBC stage and achieve the stated performance requirements including recycling.
- Both solutions provide the Councils with flexibility and robust capability for the long term.
- The inclusion of Anaerobic Digestion is inline with Waste Strategy 2007 and provides an option to deal with source collected organics at a later date.
- The AmeyCespa and EarthTech Skanska proposals are likely to be the least controversial from a public perception point of view of all the solutions proposed.

4.9.3 Dialogue continued with both AmeyCespa and Earth Tech Skanska throughout this period to allow them to further refine their proposals to such a point that it was felt that they had proposed robust and acceptable solutions The Project Team tested this assumption by requesting that both Participants submitted draft final submissions that could then be assessed for their sufficiency and acceptability to the Councils. It should be noted that at this stage the submissions were not scored or evaluated.

4.9.4 Following receipt of draft final tenders in March 2009 this highlighted a number of 'critical issues' that required further refinement before dialogue could be closed. Since then further dialogue has been entered into with both AmeyCespa and Earth Tech Skanska such that they could address these concerns to the satisfaction of the Councils.

4.9.5 A comprehensive audit trail of the post draft CFT discussions with the Participants has been maintained. The purpose of this review was not only to identify any issues that were outstanding but also to understand the context in which decisions were taken that resulted in issues being closed so as to avoid the potential for agreed positions being re-opened after the appointment of the Preferred Bidder.

4.10 The Call for Final Tenders

4.10.1 At the Project Board Meeting in September 2009 the general readiness to close dialogue was reviewed by considering eight key aspects required to be completed to allow the Councils to close dialogue, these being:

- Closure of outstanding critical issues with Participants.
- Authority's view on planning deliverability.
- HM Treasury approval of derogations to the Standardisation of PFI Contracts (SOPC4) documentation.
- WIDP's support to a financial close linked to planning determination.

- Review of the Project's Affordability.
- Suitability and acceptability of risk allocation.
- Briefing of Section 151 Officers and confirmation by them.
- Extent of Permitted Post Preferred Bidder Negotiations

4.10.2 From which it was concluded that the procurement had moved to the stage whereby dialogue could be closed and for Final Tenders were invited from AmeyCespa and Earth Tech Skanska on the 25th September 2009.

4.10.3 The evaluation methodology used for the final tenders was exactly the same criteria and weightings used at ISOS and ISDS stages. In addition the Participants were requested to bid back against the original base documentation either issued for the ISOS or ISDS stages. The rationale for this approach was to ensure full compliance with the procurement regulations and to reduce risk of any later legal challenge to the overall procurement process.

4.11 The Solution Proposed by the Proposed Preferred Bidder

4.11.1 The solution proposed by AmeyCespa is MBT with front end sort of metals, plastics and paper but includes separation of the organic fraction of the residual kerbside waste for treatment through an anaerobic digestion 'Dranco' process followed by a twin line moving grate Energy from Waste facility to receive all remaining material, including digestate from the anaerobic digestion process.

4.11.2 The MBT overall design capacity is 408,000 tpa., though typically will process 264,000 tpa in 2 shifts. The anaerobic digestion capacity is 40,000 tpa. The Energy from Waste maximum design capacity is 320,000 tpa during typical operation in 2014, dropping to 294,000 tpa by 2038. Spare capacity to be used for Commercial and Industrial waste.

4.11.3 PARAGRAPH WITHHELD TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY.

Proposed Facility Type	Number of Proposed Facility	Capacity of Facility	Planned Operational Commencement Date
Mechanical Front End Treatment	Single	408,000 tonnes pa (on a three shift basis, 272,000 tonnes pa on a two shift basis).40,000 tonnes pa	April 2014 (commissioning complete November 2013)
Anaerobic Digestion	Single	320,000 tonnes pa	April 2014 (commissioning complete March 2014)

Energy from Waste	Twin Stream		April 2014
Technology Providers	Mechanical Treatment: SUPPLIER'S NAME WITHHELD Anaerobic Digestion: SUPPLIER'S NAME WITHHELD Energy from Waste: SUPPLIER'S NAME WITHHELD Civils: SUPPLIER'S NAME WITHHELD		
Outputs, Products and Markets (materials and amounts)	22.5 MW output from EfW (net) and 1.2MW output from AD (net). Net Energy Export: 175,500 MWh/y dropping to 164,250 MWh/y (based on availability initially at 7,800 h/y dropping to 7,300 h/y).		
	Residues: MT rejects to landfill up to c.4 ktpa EfW bottom ash 48ktpa recycled, 12 ktpa to landfill EfW fly ash to landfill 14 ktpa		
	Recycling: Metals(~6.5 ktpa – front end), Plastics(~3.7 ktpa) and Paper (~2.3 ktpa), Metals recovered from IBA (~1.6ktpa).		
	Other: TRADE NAME WITHHELD digestate feed to EfW 39ktpa (potential source of grey compost.)		

4.11.4 Enviro as the Council's technical advisors have reviewed the proposed solution from AmeyCespa and have reported upon this within their Final Tender Evaluation Report NO0120009 dated 4th January 2010 to the full satisfaction of the Councils. In addition an endorsement letter has also been submitted to the Councils as required under the FBC review and is included as Appendix F. The wording for this has been agreed with the WIDP Transactor for the project.

4.12 Key annual waste flow related performance measures

4.12.1 Key to the Councils in the procurement of this contract is the avoidance of escalating future landfill tax and LATS costs through the achievement of diversion from landfill. With this in mind the payment mechanism has been structured to incentivise AmeyCespa to achieve a guaranteed level of diversion of residual Municipal Solid Waste (MSW) arising and also to achieve a guaranteed level of diversion of Biodegradable Municipal Waste (BMW) within the residual MSW over a 25 year contract period. Levels of diversion are based on a % of MSW or BMW arising. Further incentives include recycling rates monitored through the Performance Framework attached as Appendix E2 to this document.

4.12.2 In respect of the requirement to divert residual MSW arising, AmeyCespa has guaranteed to divert XXX% of the residual MSW from landfill in each Contract Year during the operational phase of the contract

4.12.3 AmeyCespa has calculated the Biodegradable Municipal Waste (BMW) content within the residual MSW arising ranges from 67.30% to 67.51% during the operational contract period. AmeyCespa has guaranteed to divert XXX% of the biodegradable content within the residual MSW arising in each Contract Year during the operational phase of the contract.

- 4.12.4 AmeyCespa's forecast recycling rate ranges from 5.10% to 5.18% during the operational contract period to comply with the performance requirements during the operational phase of the contract.
- 4.12.5 To meet the Base Case lending requirements of their club of banks, AmeyCespa has set a guaranteed minimum tonnage requirement at 80% of the Councils' forecast. In the first full year of operation AmeyCespa's guaranteed minimum tonnage requirement is 199,062 tonnes and in the final full year of operation the guaranteed minimum tonnage requirement is 236,591 tonnes.
- 4.12.6 In accordance with the design capacity of the facility comprising AmeyCespa's solution, AmeyCespa has set the maximum contract waste threshold at 340,000 tonnes per annum for each full year of operation.
- 4.12.7 The Schedule 6 (Payment Mechanism) is structured such that the Councils through the "Landfill Payment" stream, within the Unitary Charge, will reimburse AmeyCespa its landfill costs each contract year up to the guaranteed level of MSW diversion. The Councils will not reimburse AmeyCespa any additional landfill costs incurred where guaranteed MSW diversion performance has not been achieved. Furthermore where AmeyCespa does not achieve its guaranteed BMW diversion performance, there is functionality with the Schedule 6 (Payment Mechanism) to recover loss LATS income and additional LATS costs incurred through a reduction in the Unitary Charge.

4.13 Process from Preferred Bidder to Financial Close

- 4.13.1 Following announcement of Preferred Bidder, the Councils and the Preferred Bidder will need to clarify and fine tune the proposal, and engross relevant documentation into an agreed Project Agreement (or similar side agreement). Completion of this agreement will constitute Commercial Close and will establish a binding contract between the parties that commits the Councils to/and which sets out explicit requirements on the parties to financially close the contract subject to achieving a satisfactory planning consent and the project remaining affordable. At the same time, it will be necessary for the County Council and City of York Council to enter into a similar back to back contract/agreement. Commercial Close is likely to occur four to six months after announcing Preferred Bidder
- 4.13.2 Following announcement of Preferred Bidder, the Preferred Bidder will commence a programme of stakeholder and public consultation, whilst advancing the programme of pre-application consultations. This will culminate in submission of the planning application at about the same time as Commercial Close.
- 4.13.3 Determination of the planning application is likely to be some nine to twelve months after submission.

4.13.4 The working assumption throughout the procurement has been that Financial Close will follow award of planning consent. This is anticipated to be summer 2011.

4.14 Key decisions and approvals

4.14.1 Authority to appoint Preferred Bidder is delegated to the Corporate Director in consultation with the Project Board and represents the outcome of the procurement process. It is not in itself a Key decision requiring wider consultation or notice. Similarly, the negotiation and issuing of the preferred bidder letter is procedural and does not represent any contract or additional commitment on behalf of the Councils. However, Commercial Close represents the entering into of a major contract and as such is a Key Decision for the Councils requiring formal Member approval. It is proposed that this decision will be considered by North Yorkshire County Council on 21 July 2010. It is also proposed that the City of York Council will consider the matter at their meeting on the 1st July 2010. Explicit in these decisions will be an understanding of the financial commitments of entering into the contract(s), key project and financial risks to the Councils (including the timing of financial close), and the technology and location of the proposed solution.

4.14.2 Submission of the planning application will be made by the Preferred Bidder, and will not require any formal approval or consent by the Authority. Determination of the planning application will be made by the County Council's Planning and Regulatory Committee.

4.14.3 Financial Close will follow planning consent and is essentially procedural (but will be when full credit committee approval is obtained) provided the project continues to be affordable. Specific and explicit approval will be needed to any increase in costs but given the significance of the decision as the final stage in the process it is proposed to seek formal Member approval regardless of whether there is any increase in cost.

4.15 Funding

4.15.1 At this time it is not anticipated that a post preferred bidder funding competition will be necessary, but the Councils have reserved the right to request a funding competition if they believe this to be appropriate.

4.15.2 Further refinement of the funding of the project will take place, including the possibility of FUNDER'S NAME WITHHELD involvement, with AmeyCespa and the proposed funding group following the appointment of preferred bidder. The possibility of a funding competition will be explored with WIDP as part of this refinement.

5. Risk Management, Risk Allocation and Contractual Structures

5.1 Introduction

5.1.1 This section summarises the Councils' approach to risk management and describes the risk allocation position reached with the proposed preferred bidder and the outcome of the derogations review.

5.2 Risk Management

5.2.1 The Council's overall approach to risk management remains as per the original OBC submission.

5.3 Risk Allocation Matrix

5.3.1 The Project Team have undertaken a detailed review of the risk position for the project based around the Councils' requirements, the Participants' submissions and any revised positions developed during further dialogue. This resulted in a detailed risk apportionment across the project from the Councils perspective. The conclusion from this exercise was that the risk transfer position was at an acceptable level. A copy of the table is included as Appendix G2 to this report.

5.4 Commercial Issues Not Covered by SoPC4

5.4.1 WIDP's Commercial Review template has been completed, reviewed with the WIDP Commercial Team on the 8th September 2009 and was completed to their satisfaction. The Commercial Review Submission is included as Appendix C2 including the associated response and covering email confirming that close of dialogue was appropriate.

5.4.2 WIDP's remaining comments relate to commercial issues arising out of the Timing of Financial Close has been subject of further discussion during the period from Call for Final Tender to Preferred Bidder.

5.5 Project Agreement and Other Contractual Documents

5.5.1. The table of derogations attached at Appendix C1 is the table which received approval from HM Treasury prior to close of dialogue. AmeyCespa have limited the number of derogations to those required as a result of the solution proposed and/or to accommodate WIDP drafting. The derogations were given approval subject to the following outstanding issue for resolution at Preferred Bidder stage: **Economic Reinstatement Test** – AmeyCespa requested the inclusion of an Economic Reinstatement Test which was challenged by WIDP. Following discussions between WIDP, the Authority and AmeyCespa it was agreed that the Loan Life Cover ratio stated within the Economic Reinstatement Test clause would be square bracketed to be agreed at the next stage. The agreed text is as follows (extracted from the derogations table as the agreed position and as approved by WIDP):

" 1/09/09 MP – It was agreed at the meeting with WIDP , AmeyCespa and Funders to keep the 1.15 in square brackets (at distribution lockup level) for CFT (the standard position in SOPC is event of default level) but final arbiter will be WIDP and HM Treasury."; This paragraph was copied from an email from WIDP directly to AmeyCespa on 1 September 2009: "The position was that 1.15 is included in the drafting with a note recognising that the standard position is event of default level and the issue will be discussed with WIDP/HM Treasury post CFT for resolution with WIDP/HM Treasury being the positions final arbiter."

5.6 Markets for Process Outputs

5.6.1 The key process outputs associated with AmeyCespa's submission are:

- i) Electricity from Anaerobic Digestion Facility and Energy from Waste Facility;
- ii) Recyclables
- iii) Bottom Ash; and
- iv) Air Pollution Control Residues

(i) Electricity

5.6.2 Within its final tender, AmeyCespa has guaranteed electricity income through power generated from the Energy from Waste plant and the Anaerobic Digestion facility. This source of third party income has been used to subsidise the Unitary Charge payable by the Councils on the basis the Councils deliver waste above the stipulated minimum tonnage threshold. In circumstances where the Councils deliver waste below this minimum tonnage threshold and AmeyCespa, having used reasonable endeavours, has been unable to source substitute waste then AmeyCespa will seek compensation for loss of third party income from the Councils. Over the contract period AmeyCespa has guaranteed electricity income of nearly £XXXm in nominal terms.

5.6.3 The final tender states that the AD facility will generate 1.3 MW gross of electricity, all of which will be exported to Distribution Network Operators (DNOs). In addition to income from the sale of electricity from the AD facility, each MW/h of electricity from the AD facility will qualify for two Renewable Obligation Certificates (ROCs). However, the quantity of electricity required for the biogas utilisation plant, i.e. the parasitic load, will not qualify for ROCs. Therefore, given that the parasitic load of the biogas utilisation plant will be 0.1 MW, 1.2 MW of the electricity exported from the AD plant will qualify for ROCs.

5.6.4 The EfW facility will generate 26.0 MW of electricity. The parasitic load of the facility will vary from 4.6 MW (2014/15) to 4.4 MW (2037/38) over the contract period due to fluctuations in the availability of the facility and waste throughput. Therefore the amount of electricity from the EfW facility that will be available for export from the EfW facility to DNOs will vary from 21.4 MW to 21.6 MW.

5.6.5 It is AmeyCespa's intention to sell all of the electricity exported from both the AD and EfW facilities to the same DNO under a long-term, fixed-price Power Purchase Agreement (PPA). AmeyCespa has been in discussion with the following five DNOs:

NAMES WITHHELD

5.6.6 However, these DNOs will not currently commit to long-term fixed prices due to fluctuations and volatility in the energy market. Consequently a DNO has not yet been chosen.

(ii) Recyclables

5.6.7 In addition to electricity income AmeyCespa has guaranteed income from the sale of recyclables namely:

- Paper and card
- Plastics
- Non-ferrous Metals
- Ferrous Metals

5.6.8 As per electricity income above, this source of third party income has been used to subsidise the Unitary Charge payable by the Councils on the basis the Councils deliver waste above the stipulated minimum tonnage threshold. Also as per electricity income, above, in circumstances where the Councils deliver waste below this minimum tonnage threshold and AmeyCespa, having used reasonable endeavours, has been unable to source substitute waste then AmeyCespa will seek compensation for loss of third party income from the Councils. Over the contract period AmeyCespa has guaranteed income from recyclables of nearly £XXXm in nominal terms.

5.6.9 The final tender states that AmeyCespa will seek to recycle a limited amount of high quality paper and card from the residual waste stream. Based on the extraction efficiency of the TRADE NAME WITHHELD process, AmeyCespa estimates that around 1,200 tpa of paper and card will be extracted by the Mechanical Treatment (MT) plant. Whilst AmeyCespa recognises in its bid that the market for paper extracted from mixed waste collections is not well developed, its preferred option will be to send the lighter, uncontaminated material to one of the reprocessors identified in its bid from whom letters of support have been received (e.g. NAMES WITHHELD). To this end, AmeyCespa will work with the chosen reprocessor to establish the quality requirements for the paper and card.

5.6.10 HDPE and PET plastic will be extracted separately by the MT plant and baled. Based on the extraction efficiency of the TRADE NAME WITHHELD process, AmeyCespa estimates that c. 3,500 tpa of plastic could be extracted by the MT plant. This material will be exported from

site to a plastics recycler. AmeyCespa has submitted letters of support from three plastics recycling companies:

- NAME WITHHELD;
- NAME WITHHELD; and
- NAME WITHHELD.

5.6.11 Where possible, AmeyCespa will seek to use local markets for the recycling of plastic and will not export material overseas for treatment unless this is the only option available.

5.6.12 The non-ferrous metals that are separated by the MT plant will be baled and transported from site for reprocessing. Based on the efficiency of the TRADE NAME WITHHELD process, AmeyCespa estimates that c. 2,000 tpa of non-ferrous metal could be extracted by the MT plant. AmeyCespa has received letters of support from the following five companies in respect of reprocessing non-ferrous metal:

- NAME WITHHELD;
- NAME WITHHELD;
- NAME WITHHELD;
- NAME WITHHELD; and
- NAME WITHHELD.

5.6.13 Where possible, AmeyCespa will seek to use local markets for the recycling of non-ferrous metal and will not export material overseas for treatment unless this is the only option available.

5.6.14 Ferrous metal will be extracted by the MT plant and from the bottom ash of the EfW. Ferrous metal separated by the MT plant will be baled. Based on the efficiency of the TRADE NAME WITHHELD process, AmeyCespa estimates that c. 58,000 tpa of ferrous metal could be extracted by the MT plant; and that c. 1,800 tpa of ferrous metal will be extracted from the incinerator bottom ash. The ferrous metal will be sent to reprocessors.

5.6.15 AmeyCespa has received letters of support from the following five companies in respect of reprocessing of ferrous metals:

- NAME WITHHELD;
- NAME WITHHELD;
- NAME WITHHELD;
- NAME WITHHELD; and
- NAME WITHHELD.

5.6.16 Where possible, AmeyCespa will seek to use local markets for the recycling of ferrous metal and will not export material overseas for treatment unless this is the only option available.

(iii) Bottom ash

- 5.6.17 The amount of incinerator bottom ash (IBA) produced by the EfW facility will vary depending on the ash content of the input waste. Based on the assumptions in the Waste Flow model, AmeyCespa expects the EfW facility to produce c. 48,000 tpa of IBA.
- 5.6.18 AmeyCespa's solution provides for a process plant on site for the reprocessing of bottom ash for beneficial use. This will be operated by NAME WITHHELD in return for a gate fee. NAME WITHHELD has been processing IBA since 1998. Common uses for the reprocessed IBA aggregate include: bulk fill, asphalt, cement-bound building materials, and foamed concrete. At the point of final tender submission draft heads of terms had been prepared between AmeyCespa and NAME WITHHELD and submitted within the final tender submission. Through clarification, AmeyCespa confirmed the Councils will have no price risk or any additional contractual requirements as a result of the finalisation of any conditions within the draft heads of terms between AmeyCespa and NAME WITHHELD. AmeyCespa further clarified the £2m capital cost of the works in relation to the on-site processing plant are subject to the arrangements of the capital cost fix as detailed within "Budgetary Treatment" section below.
- 5.6.19 The reprocessing of bottom ash and subsequent diversion from landfill has been factored into AmeyCespa's guaranteed level of diversion and therefore any additional landfill of bottom ash above the level based on a guaranteed diversion rate will be for AmeyCespa's account. It should also be noted that the costs associated with any future legislation passed which provides for the active rate of landfill tax being charged on tonnage of bottom ash sent to landfill will also be for AmeyCespa's account in circumstances of diversion underperformance.

(iv) Air Pollution Control Residues

- 5.6.20 In its final tender AmeyCespa proposes to landfill the air pollution control (APC) residues from the EfW facility. The APC residues will be disposed of in a hazardous landfill site. AmeyCespa states that both NAME WITHHELD and NAME WITHHELD have confirmed the availability of space in their hazardous landfill sites in PLACE NAME WITHHELD.
- 5.6.21 AmeyCespa have assumed a technology factor for the introduction of technologies aimed at stabilising the hazardous waste and these forecast savings less processing costs are offset against hazardous landfill tax. AmeyCespa is in discussion with NAME WITHHELD regarding the reprocessing of APC residues. Ultimately, following treatment, this will enable the APC residues from the facility to be used beneficially as opposed to being sent directly to landfill.
- 5.6.22 AmeyCespa has confirmed through clarification that the underlying cost assumption for handling hazardous waste is fixed and that any future increase in these costs, or reduction in savings forecast is wholly

AmeyCespa's risk and will not result in any change in the Unitary Charge.

5.7 Budgetary Treatment

5.7.1 In accordance with the Department for Communities and Local Government's (DCLG) "Local Government PFI Project Support Guide (2009-2010) 1st Revision (September 2009) in this FBC we have reviewed whether any reasons have emerged since the OBC to change the appropriate treatment of the project for central government budgeting purposes under the European System of Accounts 1995 (ESA 95).

5.7.2 The Account Treatment paper at Appendix 24 of the OBC contained a review of risk apportionment which is applicable to a review of the three primary risk factors identified in Part IV of the Manual on Government Deficit and Debt (MGDD) to make an assessment for the purposes of the National Accounts. These three primary risk factors are:

- i) Construction risk;
- ii) Availability risk; and
- iii) Demand risk

5.7.3 Paragraphs in relation to "Construction Risk", "Availability Risk" and "Demand Risk" below contain the following in respect of this review:

- i) Detail of the content in the OBC which is relevant to the consideration of the degree of risk transfer when considering the three primary risk factors highlighted in the MGDD above; and
- ii) An assessment of whether any reasons have emerged since the OBC to change the appropriate treatment of the project for central government budgeting purposes under ESA 95)

Construction risk

5.7.4 The OBC contained the following in a review of design risk:

"Design Risk is the risk that the design of the property is such that, even if it is constructed satisfactorily, it will not fully meet the requirements of the contract.

Under the ITT the Contractor will bear the risk that the design solution may result in different lifecycle, maintenance or operating cost profiles than expected. There is no link between the payment structure and changes to these costs. This gives a preliminary indication that the Contractor will bear the design risk in the project."

5.7.5 At the point of submission of this FBC the position still remains that AmeyCespa will bear the risk that the design solution may result in different lifecycle, maintenance or operating cost profiles than expected.

In addition to this, the following risks have been adopted by AmeyCespa in relation to construction risk:

- i) Should actual service commencement take place at a point more than 18 months following planned service commencement the Councils can invoke a right to terminate the contract;
- ii) In the event of a delay to actual service commencement such that it takes place after the planned date of service commencement without due cause or the Contractor does not provide justification for a delay the Contractor will not be compensated or be entitled to relief from obligations;
- iii) AmeyCespa has taken cost risk by providing a capital price in nominal terms which will expire in the event of a delay to the receipt of planning permission which results in financial close taking place after 30 June 2011. On expiry of this offer, AmeyCespa has provided details of a mechanism to inflate the real (January 2008) capital cost using a blend of BCIS indices. This offer will expire in the event of a delay to the receipt of planning permission such that financial close takes place after 30 June 2012.

Availability Risk

5.7.6 The OBC contained the following in a review of availability risk:

“The Project includes a performance regime covering both the non-performance and non-availability of the property and associated services. However, the only deductions that are relevant for this analysis are those that are specific to the property. That is, any deductions that relate to failures that result in the property no longer being available for use (i.e., non-availability deductions).”

The terms of the deduction regime included within the Invitation To Tender will transfer a significant degree of risk to the Contractor and therefore the Contractor will bear the risk of under-performance or non-availability of the property.”

5.7.7 At the point of submission of this FBC the position on submission of the OBC still remains. There are provisions within the payment mechanism which allow for deductions in the Unitary Charge payable in the event AmeyCespa is unable to accept the Councils' waste at the intended facility or at a contingency delivery point.

5.7.8 The provisions within the payment mechanism, agreed by AmeyCespa, closely follow the WIDP payment mechanism principles through calibration of a rate per tonne, based on the Unitary Charge payable at forecast level of contract waste together with any additional costs the Councils may incur by taken responsibility for the disposal of the waste

not accepted. In addition to this, AmeyCespa has accepted it will still be held accountable to the key diversion performance stipulated in the payment mechanism. There are no caps to be applied to this deduction.

Demand Risk

5.7.9 The OBC contained the following in a review of demand risk:

“It is anticipated that the payment mechanism will seek a unitary payment for the delivery of all services contained in the draft contract specification. The demand for services is a function of both the volume and composition of contract waste.

a) Volume

It is anticipated that the ITT will require the Contractor to recycle a given target percentage of waste regardless of volume. Failure to achieve the recycling target will result in a reduction in the unitary charge. It is likely that bidders will be required to specify maximum and minimum tonnage thresholds within which capacity will be provided without recourse to the contract change mechanism. Within these bands the Contractor will bear the balance of risk that increases in waste volume require further investment to achieve recycling targets or that a decrease in waste volumes results in over-investment in facilities. The application of the contract change mechanism beyond these maximum and minimum tonnage thresholds will transfer risk to the Partnership.

Given the nature of the 4Ps payment mechanism and the likely variations of waste volumes over the contract period, and as the initial demand risk at this stage is likely to be borne by the Contractor over the most likely tonnage ranges, the majority of the demand risk is likely to be with the Contractor.

b) Composition

At this stage it is anticipated that the Contractor will be exposed fully to changes in waste composition to the extent that these influence the demand for services. An initial assessment of these demand risk elements places the balance of risk with the Contractor.”

5.7.10 At the point of submission of the FBC the balance of risk in respect of volume and composition of waste had not changed. AmeyCespa has performance targets in relation to recycling and diversion based on a percentage of the level of Municipal Solid Waste arising. Maximum and minimum tonnage thresholds have been stipulated at final tender as outlined in the OBC above. Within the maximum and minimum tonnage bands the AmeyCespa will still bear the balance of risk that increases in waste volume require further investment to achieve recycling targets or that a decrease in waste volumes results in over-investment in facilities.

5.7.11 In regard to composition, AmeyCespa has TEXT WITHHELD TO PROTECT AMEYCESPA'S COMMERCIAL CONFIDENTIALITY risk with any changes in composition not impacting the level guaranteed third party income which has been used to subsidise the Unitary Charge payable to AmeyCespa. In addition, as part of the Commercial review, WIDP considered the provisions of ESA95, and were satisfied that the project complied.

6. Project Team and Governance

6.1 Introduction

6.1.1 This section describes in outline the overall approach that North Yorkshire County Council, in conjunction with the City of York Council, has adopted to manage and deliver the project since OBC submission.

6.2 Legal Context

6.2.1 There have been no changes to the legal basis and context under which this procurement is being conducted since the OBC submission.

6.3 Project Governance

6.3.1 The procurement is a joint procurement by City of York and North Yorkshire County Council. The governance regime reflects this joint approach.

6.3.2 At the time of the OBC, an inter authority agreement had been put in place describing the governance arrangements and establishing that the County Council would be the lead procuring authority, having a casting vote on all matters to be decided at the joint project board. The County Council would be the 'lead authority' and would enter into a contract with the selected partner with a 'back-to-back' sub-contract ("**Sub-Contract**") with the City Council. In January 2008 a second inter-authority agreement was executed confirming the associated governance arrangements. Subsequently, a further agreement was entered into by the councils to ensure that the projects governance arrangements better aligned with the County Council's Scheme of Delegation.

6.3.3 As a result, the governance arrangements for the project are as follows:

6.4 The Councils

6.4.1 Both Councils will ultimately determine award of the contract.

6.5 The Executives

6.5.1 The Executive of each council remains the body responsible for taking the key decisions relating to the project not reserved for the full Council. This includes:

- Approval of the strategy for the project;
- Approval of the annual resources required for the project

6.6 The Strategic Steering Board

6.6.1 The Strategic Steering Board consists of the following officers (or their representatives from time to time) (a) for the County Council: its Chief Executive, its Treasurer and the Corporate Director Business and

Environmental Services (“**BES Director**”); (b) for the City Council: its Chief Executive, its Treasurer and its Director of City Strategy. The County Council’s Chief Executive is the chair of the Strategic Steering Board. The functions of the Strategic Steering Board include:

- Ensuring that the executives are kept briefed as to the progress of the Project;
- Reviewing the progress of the Project
- Ensuring the strategic alignment and direction of the Project as a whole with the corporate objectives of the Councils;
- Ensuring that adequate resources are made available by each council for the Project;
- Providing direction and guidance to the Project Board in the delivery of the key project objectives;
- Considering those themes arising in connection with the Project that are common to both Councils, or where the interests of one Council differ from those of the other, so as to ensure a joint approach across the Project;
- Considering the respective interests of each Council in relation to other contracts to be procured in connection with the Project (e.g. any interim contract).

6.6.2 The Strategic Steering Board meets as its members agree, but normally every three months and not less than once every six months.

6.7 The BES Director

6.7.1 The County Council has delegated to the BES Director all such decision making powers as are necessary to progress the Project and as are not reserved to the Executive of either Council.

6.7.2 Subject to timely reporting to the Strategic Steering Board, the BES Director has power on behalf of the County Council to deal with all project specific issues including:

- Management of all stages of the procurement
- Appointment of the preferred partner and issue of the preferred partner letter

6.7.3 The powers of the BES Director set out in the immediately preceding paragraph are to be exercised in consultation with the Project Board; wherever possible in advance of taking the relevant decision , but where that is not possible, the BES Director is to report back to the Project Board as soon as practicable after taking the relevant decision.

6.8 The Project Board

6.8.1 The Project Board is the body with which the BES Director is to consult from time to time in making any decision in relation to the Project. The members of the Project Board are: the BES Director, the County Council’s Assistant Director Waste Management, an Assistant Director

of Finance of each Council, the Project Director and a representative of the Council's external advisors.

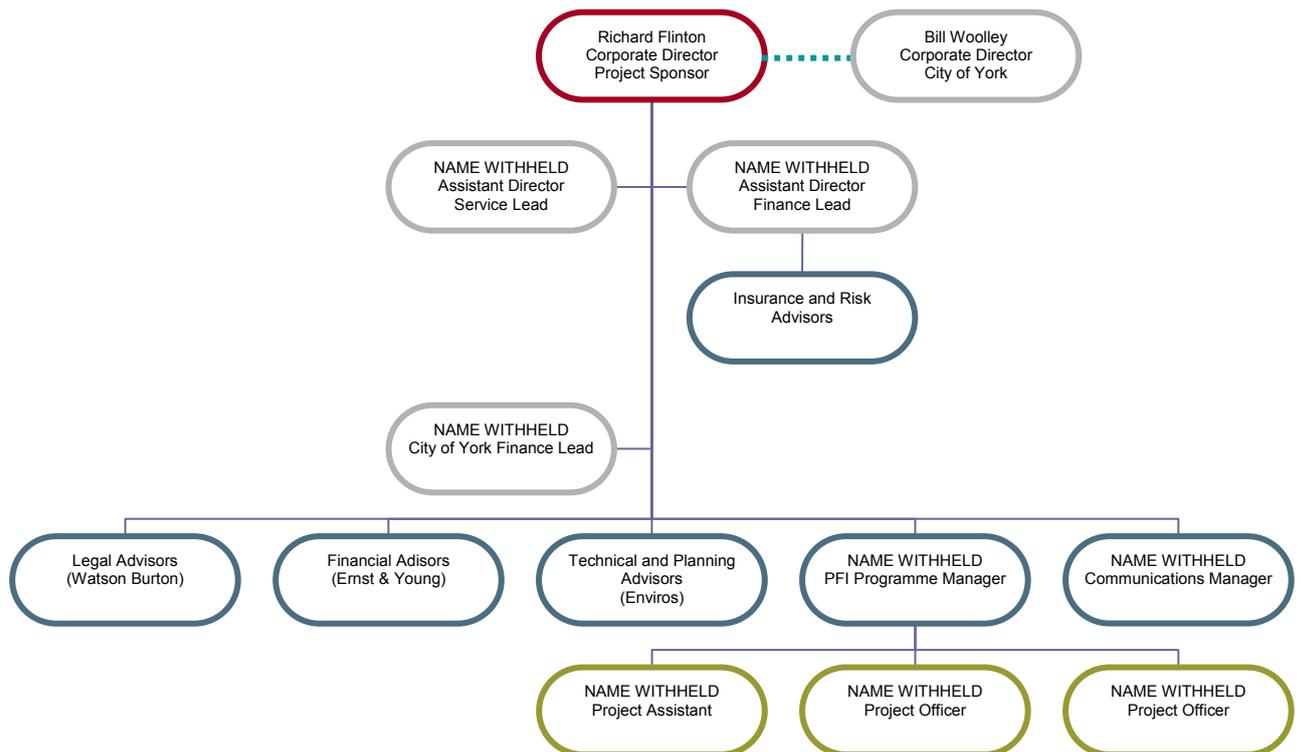
6.9 Project Management

6.9.1 Since submission of the OBC, changes to project management team have included:

6.9.2 NAME WITHHELD, the North Yorkshire County Council Corporate Director responsible for Business and Environmental Services retired from the County Council in December 2007. His replacement is Richard Flinton. Richard has been employed in this role since April 2008, previously he was the Assistant Chief Executive for the Council. He is currently responsible for a broad range of services including, Highways & Transportation, Integrated Passenger Transport, Economic Development, Countryside Services, Trading Standards, Planning Services and Waste Management. He is also a member of the County Councils Management Board.

6.9.3 As a consequence of the appointment of Richard Flinton NAME WITHHELD who had financial responsibility for the Waste PFI project, was promoted to Assistant Chief Executive and has left the project, being replaced by NAME WITHHELD who was previously the City of York Council representative on the Project. NAME WITHHELD, Finance Manager - City Strategy, has now joined the Project Team as the City of York Council representative.

6.9.4 Post OBC submission, NAME WITHHELD (formally of Enviros and subsequently with Mace) was invited to take on the role of Procurement Director for the Councils' Waste Programme. NAME WITHHELD has now left the project and his role has been incorporated into a new post of PFI Programme Manager. This new post is a full time senior manager position within the County Council. The post will be physically located with the team in County Hall. The appointed post holder has extensive experience of public sector infrastructure development and will provide significantly increase the capacity and effectiveness of the team. In summary the senior management team for the project is currently:



6.9.5 It is anticipated that this structure will remain in place until Financial Close of the Project.

6.10 Advisers

6.10.1 At OBC the Councils advisors were Ernst and Young, Enviro, Ward Hadaway and Marsh. In 2008 Ward Hadaway stepped down as advisors to North Yorkshire and City of York Councils and was replaced by Watson Burton. This was necessary as Ward Hadaway were engaged through the a North Yorkshire County Council services contract which since the OBC has been re-tendered with Watson Burton now providing legal services to the County Council. Watson Burton act for a number of high profile companies within the waste sector and have acted on numerous EfW and EPC projects. Notwithstanding the change in law firm NAME WITHHELD remained North Yorkshire and City of York's lead advisor on legal issues which has ensured continuity of advisor and therefore advice to the Councils.

6.10.2 Other changes to personnel within the remaining advisory teams include:

6.10.3 Ernst and Young now include NAME WITHHELD and NAME WITHHELD within there team. NAME WITHHELD has six years waste PFI experience through all stages of procurement form OBC to FBC and was involved with West Sussex Reclaim PFI contract and Shropshire Waste Partnership PFI project. Other waste PFI projects include Gloucestershire, Cheshire, and Greater Manchester. Whereas NAME WITHHELD has two years waste PFI experience through involvement

with the South West Devon Waste Partnership, Norfolk and Greater Manchester projects.

6.10.4 Enviros provide both technical and planning support to the Councils. With the transfer of NAME WITHHELD to NAME WITHHELD NAME WITHHELD has stepped up to take on overall responsibility for Enviros input to the Project. Enviros have reinforced their team with the addition of NAME WITHHELD. Prior to joining Enviros as a technical director NAME WITHHELD worked for the Shropshire Waste Partnership as the project technical lead in delivering their fully integrated PFI waste contract. In addition to working on North Yorkshire he is also currently advising the Cheshire Authorities on their PFI waste treatment contract. Planning support was provided originally through NAME WITHHELD. NAME WITHHELD left Enviros and was replaced by NAME WITHHELD. NAME WITHHELD has worked on waste planning projects for over 30 years and recently facilitated the planning presentations for the DEFRA new technologies courses for UK local authorities. NAME WITHHELD provides wide ranging planning advice and is currently planning advisor for a contractor bidding for the Lincolnshire PFI project. NAME WITHHELD has now rejoined Enviros and is becoming re-engaged in the project.

6.10.5 With the replacement of Ward Hadaway by Watson Burton has seen a partial introduction of legal personnel although as stated above NAME WITHHELD has remained the lead legal advisor. Watson Burton's Partner for this project is now NAME WITHHELD. NAME WITHHELD has acted on numerous PFI projects over the last 6 years including a number of health projects (the original and subsequent extension to New Victoria and Stobhill Hospitals being the current and most recent), education (including Gateshead Schools and a number of BSF projects), leisure (Newcastle upon Tyne City libraries) and others.

6.11 Outline of partnership arrangements with other WDAs

6.11.1 There have been no changes with the joint working arrangements between the County Council and the City Council to that described within the OBC submission. The inter authority agreement has now been signed by both Councils and the intention remains that the City Council will enter into a sub-contract agreement at the time of Financial Close with the County Council for the provision of residual treatment capacity.

6.11.2 At this point of time there is no intention to explore further the potential of Joint Waste Authority.

6.12 District involvement

6.12.1 The key vehicle for governance of the Joint Municipal Waste Management Strategy in the North Yorkshire region under its two tier system is the York and North Yorkshire Waste Partnership. The

Partnership is comprises of the County Council plus borough and district councils representing the two tier system of the WDA plus WCAs and in addition the City of York Council as a unitary partner. The Strategy describes the future strategic approach for waste management across the region to which all partners have provided input, consulted upon and signed up to. This was reflected in the original OBC submission and there have been no changes to the wider support and commitment from the districts and boroughs to the objectives of the residual waste treatment options.

6.12.2 In addition, a Service Level Agreement have now been agreed between the County Council and the borough and district councils that provides incentives for borough and districts to reach minimum performance levels for recycling and composting and thereby contribute towards meeting their own statutory targets and support the requirements of the waste PFI project. Under this regime the County Council will make payments to the boroughs and districts when they meet their individual targets for recycling and composting as assigned. Since the OBC was submitted the waste partnership has continued to meet regularly and in August 2009 a Waste Partnership Manager was appointed to coordinate and strengthen the development and delivery of the jointly agreed key objectives for the regions future waste management.

7. Sites, Planning and Design

7.1 Introduction

7.1.1 This section describes the progress that the Councils have made to ensure that the project in terms of site allocation and securing planning is as far as advanced as possible. The approach taken by the Councils remains as described within the OBC submission that although potential sites were made available to Participants it remains the sole responsibility of the Preferred Bidder to propose a suitable location for the facility and to obtain planning approval for that site.

7.2 Site identification

7.2.1 The site the Preferred Bidder is proposing to use is one of the sites identified within the OBC submission.

7.3 Securing the sites

7.3.1 The County Council has secured an option agreement to acquire the leasehold which will enable the Council to control the site subject to gaining planning permission.

7.4 Planning health framework

7.4.1 A fully updated Planning Health Check was submitted to WIDP on the 30th March 2009 in support of the discussions around timing of financial close. This document reconfirmed the suitability and deliverability of the Participants' proposals at that time subject to further discussions with key statutory consultees, including, significantly, English Heritage and also the intention to undertake a CABE review of the proposals.

7.4.2 Since then further supportive informal responses have been received from the main statutory consultees including significantly English Heritage.

7.4.3 The County Council has continued to test out the deliverability of the actual selected site as the procurement process progressed. This has taken the form of more in-depth environmental baseline surveys and assessments as a precursor to the formal planning application EIA process which will be the principal responsibility of the successful bidder. A City of York Planning Officer has also carried out an independent peer review of the potential to secure planning at the proposed site. This report was supportive for the potential development of the site for waste management activities.

7.4.4 The two short listed bidders were encouraged to carry out their own risk review and have completed this through the various stages of ISOS, ISDS and refinement of the solution. In undertaking this each bidder has provided detail planning risk review studies covering the planning policy

context, sequential analysis for all potential sites, site specific analysis and finally contingency site analysis.

7.4.5 Ongoing consultation with the waste planning authority officers indicates that they continue to be generally supportive both of the site and approach being taken.

7.4.6 Both Participants have submitted their proposals to a full CABE review on the 17th June 2009 which resulted in positive and constructive comments about both schemes. CABE did not object to either proposal but have made comments and the Preferred Bidder will continue to engage with CABE to refine their proposals up to planning submission.

7.4.7 Through this process the Councils have gained confidence that the chosen site is appropriate and has good prospects of gaining planning permission

7.4.8 An updated Planning Health Check has been undertaken and is included as Appendix D

7.5 Design issues

7.5.1 Both remaining participants were asked to take into account "*Designing Modern Waste Facilities: a guide to creating modern waste facilities*" when working up their designs and have presented their proposed designs to CABE. Responses from CABE and how participants took these into account during the final stages of dialogue and in their final submissions were key evaluation issues. The intention is that AmeyCespa as preferred bidder will further refine their design in consultation with CABE in the period leading up to the planning application. The Councils will monitor this process.

7.5.2 AmeyCespa has presented a very good knowledge of sustainable design best practice within their Method Statements for the project, making reference to seven best practice design guides. They also have included a commitment to WRAP's 'sustainable construction charter' to half the amount of construction waste going to landfill through the implementation of a 'construction environmental management plan', with seven KPIs discussed, and a 'site waste management plan', managing eight themes of construction waste issues. Waste is also recognised through the considerate constructor's commitments for the construction phase. AmeyCespa has committed to the procurement of BRE 'Green Guide A' equivalent materials as a target for this facility, and to improve the recycled content of materials, with some materials discussed in detail such as carpet, timber and cladding.

7.5.3 The original Outline Business Case was submitted before WRATE and therefore the reference case was not modelled at that time, nevertheless the current AmeyCespa WRATE model indicates that they

will offer and offset 96 kg CO2 eq. per tonne of contract waste, as a result of the recycling and energy production.

8. Cost, Budgets and Finance

8.1 Introduction

8.1.1 On 25 September 2009 the partnership of North Yorkshire County Council and City of York Council, following WIDP approval, closed dialogue and invited final tenders from the two remaining bidders AmeyCespa and Earth Tech Skanska. Following receipt of final tenders an extensive evaluation exercise has been undertaken which has culminated in the proposed appointment of AmeyCespa as preferred bidder.

8.1.2 Using the relevant elements of the final tender submission, and the costs and revenues contained in AmeyCespa's financial model submitted within the final tender, the Councils will demonstrate in this section that this procurement is within the Councils affordability envelope and value for money.

8.1.3 Within this section the following key areas will be covered in demonstrating affordability:

- A comparison of the income and costs in the SPV assumed in the reference case submitted as part of the OBC to the income and costs assumed by AmeyCespa at final tender;
- Details of evidence of funding provision provided by AmeyCespa in its final tender;
- A comparison of the affordability position of the Councils at point of submission of the OBC and at the point of submission of this FBC;
- Details of calculation of the Revenue Support Grant in accordance with the requirements of the endorsement letter of 11 September 2008; and
- Sensitivity analysis performed on the base case assumptions to demonstrate the robustness of the affordability position

8.2 Procurement costs

8.2.1 The table below sets out the overall procurement costs incurred to the point of the FBC submission, including the analysis of the advisor costs, compared with the estimated levels at the OBC stage.

Procurement Costs

Cost area	Per OBC		Per FBC	
	Nominal £'000	Percentage %	Nominal £'000	Percentage %
Internal Resources	368	19.7%	525	9.8%
External Consultants	1,504	80.3%	4,829	90.2%
Total	1,872	100%	5,354	100%

8.2.2 At the point of submission of the OBC the procurement costs were forecast based on the proceeding with the procurement under the negotiated procedure as opposed to competitive dialogue under which the procurement has moved forward. This was a very much untried process in the waste sector and the North Yorkshire and City of York Waste PFI project is indeed the first waste PFI project to proceed with the procurement under the competitive dialogue procedure. This has been a contributing factor to the cost increase through negotiation and preparation of the required documentation with two bidders as opposed to one bidder under the negotiated procedure.

8.2.3 The additional contributing factor to the cost increase has been the use of a draft call for final tender procedure whereby a trial run of the process to close dialogue and invite final tender was undertaken to assess the readiness of the bidders, acceptability of the commercial positions and state of readiness of the documentation before a decision was ultimately taken to close dialogue.

8.2.4 This process highlighted issues that were found to be unacceptable and therefore the Councils took the decision to extend the dialogue period which culminated in a considerable improvement in the bidders' respective commercial positions at the point dialogue was actually closed. This again contributed to the increase in costs reflected above.

8.3 Cost of the AmeyCespa's Solution

8.3.1 A comparison of the costs contained within AmeyCespa's final tender to the PFI reference case as submitted in the OBC is contained in the table below. The financial model submitted by AmeyCespa at final tender from which the FBC costs have been extracted is included in this report.

Comparison of the cost of the AmeyCespa solution to the Reference Case cost within the OBC

Item	Per OBC		Per FBC	
	Nominal £'000	Percentage %	Nominal £'000	Percentage %
Unitary Charge	873,381	87.20%		62.20%
Third Party Income	127,907	12.80%		37.80%
Total SPV Income	1,001,288	100.00%		100.00%
Capital Cost	(172,829)	17.26%		18.27%
Lifecycle Costs	(73,790)	7.37%		5.15%
Operating Costs	(237,891)	23.76%		33.05%
SPV Costs	(26,581)	2.65%		0.96%
Landfill Costs	(158,520)	15.83%		1.50%
Transport Costs	(18,177)	1.82%		1.04%
Financing Costs	(191,290)	19.10%		28.10%
Taxation	(78,736)	7.86%		4.08%

Dividends	(43,474)	4.34%		7.85%
Total SPV Costs	(1,001,288)	100%		100.00%

COLUMN WITHHELD TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

8.3.2 Reasons for cost and income movement reflected in the table above are included in the sections below.

8.3.3 The Unitary Charge payable by the Councils over the contract period at the point of submission of the OBC was £873m compared to £XXXm as reflected in AmeyCespa's final tender submission. The effective use of competitive dialogue has culminated in a Unitary Charge submitted by AmeyCespa being nearly £14m less than that assumed in the OBC despite the following changes occurring between these submissions:

- i) There has been an increase in residual waste flows to be managed through the PFI contract through the inclusion of waste from Household Recycling Centres;
- ii) The technology assumed to treat the residual waste arising in North Yorkshire and City of York now provides for anaerobic digestion;
- iii) The impact of the credit crunch on the banking sector has resulted in a considerable increase in the price of debt; and
- iv) The service operation period has increased from 22 years to 25 years

8.3.4 Third party income of £XXXm at the FBC stage reflects the level of third party income guaranteed by AmeyCespa in its final tender submission. The increase when compared to the value contained at the OBC stage reflects:

- i) A longer contract period compared to that assumed in the OBC;
- ii) Additional guaranteed third party income from the biogas extracted during the anaerobic digestion process in the form of Renewable Obligation Certificates;
- iii) Additional guaranteed income in the form of gate fee and electricity income through treatment of commercial waste.

8.3.5 Capital costs assumed within the AmeyCespa submission are £XXXm compared to £XXXm assumed within submission of the OBC. The cost increase can be attributed to:

- i) A delay in the programme resulting in inflationary increase in the capital cost; and
- ii) The inclusion of an anaerobic digestion process as part of AmeyCespa's solution which, while has the impact of increasing capital cost, has a positive effect on the ability of the SPV to generate additional third party income as described above

- iii) Increased waste flows, as described above requiring an increase in the size of the facility to treat the higher tonnage levels than assumed at the OBC stage;

8.3.6 Further to point (iii) above the capacity of the Energy from Waste plant assumed by AmeyCespa at final tender has increased in comparison to that assumed at the OBC stage. At final tender it is assumed the Energy from Waste plant will process nearly 300,000 tonnes per annum compared to under 180,000 tonnes at the OBC stage.

8.3.7 Costs classified within operating costs in the AmeyCespa model submitted show an increase of £XXX at £XXXm when compared to operating costs reflected in the OBC submission. The differential can partly be attributed to the increased service period assumed in the final tender, timing assumed with the concession for bringing elements of the facility on line and the different technology assumptions at final tender with the inclusion of an anaerobic digester.

8.3.8 In the OBC it was assumed the Mechanical Biological Treatment facility would be used in isolation to treat waste in the first two years of the twenty two year concession period with the Energy from Waste plant treating waste from year three of the concession period. These assumptions have the effect of reduced operating costs in the first two years of the concession and higher costs for the remaining twenty years. In its final tender AmeyCespa has assumed all elements of the solution, including the Energy from Waste plant, will treat the Councils' waste for the entire twenty five year concession period.

8.3.9 A final contributor to the increase is the reclassification of the fly ash disposal costs, which AmeyCespa has included within operating costs compared to the assumption to include within landfill costs at the OBC stage.

8.3.10 Landfill costs assumed within AmeyCespa solution are £XXXm compared to £159m assumed in the OBC. The reasons for this difference are as follows:

- i) In the first two years of the concession period per the OBC there is a higher level of landfill due the assumption the Energy from Waste plant would not be operational until the third year of the concession;
- ii) AmeyCespa's guaranteed level of MSW diversion at XXX% has resulted in a considerable reduction in the level waste being sent to landfill;
- iii) AmeyCespa is guaranteeing to reprocess a considerable amount of bottom ash which has the effect of significantly reducing the level of inactive waste being sent to landfill. In the financial model submitted as part of the OBC it was assumed that 808kt of inactive waste would be sent to landfill over the contract period compared to 263kt at final tender; and

iv) Costs to landfill fly ash as hazardous waste have been included by AmeyCespa within their operating costs totalling £XXXm whereas in the OBC these costs were included within landfill costs.

8.3.11 The higher financing costs totalling £XXXm over the contract at FBC compared to £191m in the OBC is mainly due to:

- i) Increase in capital costs impacting the funding requirement. At OBC Stage this was assumed at £172m. AmeyCespa has provided a fixed price in nominal terms of £XXXm, subject to achievement of planning enabling financial close by 30 June 2011 ; and
- ii) Increased debt service costs for the project. In the OBC an all-in interest rate of 6.84% was assumed. At final tender this increased to XXX%

8.3.12 The table below shows a breakdown of the all-in interest rates above to demonstrate this contributing difference in the finance costs:

All-in interest rate

Component	OBC	FBC	Difference
Underlying swap rate	5.50%		
Swap credit margin	0.12%		
MLA	0.02%		
Margin	1.20%		
All-in interest rate	6.84%		

COLUMNS DELETED TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

8.3.13 THIS PARAGRAPH HAS BEEN DELETED TO PROTECT THE CONFIDENTIALITY OF AMEYCESPA'S NEGOTIATIONS WITH ITS FUNDERS

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8.4 Funding

8.4.1 The funding requirement for the AmeyCespa solution provided at this FBC stage comes from a combination of senior debt finance provided by a club of banks, subordinated debt finance provided by the project sponsors and pin-point equity injection provided by the project sponsors. The table below provides a breakdown of the funding requirement associated with AmeyCespa's solution:

Funding Requirement per FBC

Funding source	Nominal £'000	Percentage %
Senior debt		80.10%
Subordinated debt		19.89%
Equity shares		0.01%
Total SPV Income		100.00%

COLUMN WITHHELD TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

8.4.2 AmeyCespa has assumed that financing of senior debt will come from the following club of banks:

Club of Banks

Core	Second Tier

NAMES OF FUNDERS WITHHELD

8.4.3 The core club of banks represent those lenders who have completed an extensive amount of due diligence at the point of final tender. The second tier banks comprise those funders whose investment could be required to ensure coverage of the senior debt requirement. At the point of final tender these banks had completed a limited level of due diligence.

8.4.4 At the point of final tender submission AmeyCespa demonstrated coverage of the funding requirement through letters of support from banks and from the guarantors of the equity provision.

8.4.5 Letters of support from the following banks gave an indication of the take and hold value for comparison to the senior debt funding requirement:

Senior debt funding

Funding source	Funding £m	Percentage %
Fortis		
NIBC		
Dexia		
HSBC		
Natixis		
WestLB		
Heleba		
Total Senior Debt Funding		100%

COLUMNS WITHHELD

8.4.6 Further funding options are being considered and will continue to be considered and actively pursued between the submission of this FBC and Financial Close. Further options include:

- i) Involvement of the European Investment Bank;
- ii) Authority capital contribution; and
- iii) Corporate Finance

8.4.7 The involvement of the European Investment Bank is being facilitated by WIDP and discussions are imminent. The Councils will continue to review the option of an Authority contribution in conjunction with their ongoing affordability review.

8.5 Affordability Analysis

8.5.1 The Councils have undertaken a review of the affordability position prior to the submission of the FBC and compared to the position in the Outline Business through a working version of the Affordability Model which is included within the FBC submission.

8.5.2 North Yorkshire County Council and City of York Council have reviewed their own respective budgets against the prospective cost of the PFI solution and in conjunction with the position as submitted in the OBC. The affordability position at the time of the OBC for North Yorkshire County Council is reflected below:

OBC – North Yorkshire County Council

Values in £'000s	Total	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Reference Project Cost	1,198,777	20,195	22,706	25,724	30,220	31,156	43,414	44,142
PFI Credit Payments	(87,997)	-	-	-	(2,398)	(2,398)	(4,160)	(4,160)

Existing Budget	(571,811)	(16,740)	(17,159)	(17,588)	(18,027)	(18,478)	(18,940)	(19,414)
Affordability Gap / (Surplus)	538,969	3,455	5,547	8,136	9,795	10,280	20,314	20,568

8.5.3 The affordability position at the time of the OBC for City of York Council is reflected below:

OBC – City of York Council

Values in £'000s	Total	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Reference Project Cost	295,877	4,502	5,508	6,223	7,014	7,228	10,949	11,104
PFI Credit Payments	(27,546)	-	-	-	(751)	(751)	(1,302)	(1,302)
Existing Budget	(135,940)	(3,980)	(4,079)	(4,181)	(4,286)	(4,393)	(4,503)	(4,615)
Affordability Gap / (Surplus)	132,391	522	1,429	2,042	1,977	2,084	5,144	5,187

8.5.4 The overall affordability position at the time of the OBC for North Yorkshire County Council and City of York Council is reflected below:

OBC – North Yorkshire County Council and City of York Council

Values in £'000s	Total	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Reference Project Cost	1,494,654	24,697	28,214	31,947	37,235	38,384	54,362	55,246
PFI Credit Payments	(115,542)	-	-	-	(3,149)	(3,149)	(5,462)	(5,462)
Existing Budget	(707,751)	(20,720)	(21,238)	(21,769)	(22,313)	(22,871)	(23,443)	(24,029)
Affordability Gap / (Surplus)	671,361	3,977	6,976	10,178	11,773	12,364	25,457	25,755

8.5.5 Since the OBC the Councils have continued with the project through the procurement phase and during this period there have been those changes highlighted in section 8.3.2. The affordability position on submission of this FBC for North Yorkshire County Council is reflected below:

FBC – North Yorkshire County Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
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Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.5.6 At FBC North Yorkshire County Council is providing approximately 79% of the overall residual Municipal Solid Waste upon which AmeyCespa has priced its offer. North Yorkshire County Council's proportion of the overall cost has been allocated based on tonnage input.

8.5.7 North Yorkshire County Council has conscientiously enhanced its budgetary provision during the procurement phase such that the £XXXm per annum (in table above) is now a recurring provision reflected in the recently approved (February10) Medium Term Financial Strategy of the Authority.

8.5.8 The affordability position on submission of this FBC for City of York Council is reflected below:

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

FBC – City of York Council

8.5.9 City of York Council has set out the financial implications of the Waste PFI within its Medium Term Financial Strategy; most recently this was approved in February 2010. This indicates the need for annual year on year increases in the budget provision over the next five years.

8.5.10 The affordability position on submission of this FBC for North Yorkshire County Council and City of York Council is reflected below:

FBC – North Yorkshire County Council and City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.5.11 THIS PARAGRAPH HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

Councils Affordability based on totals

Item	Per OBC		Per FBC	
	Nominal £'000	Percentage %	Nominal £'000	Percentage %
Authority Budgets – Existing	707,751	47.35%		
Authority Budgets – Additional	671,361	44.92%		
PFI Credit Payments	115,542	7.73%		
Total Authority Budgets	1,494,654	100.00%		
Unitary Charge	873,381	58.43%		
Pass Through Costs	-	0%		
Ex-PFI Waste Disposal Costs	621,273	41.57%		
Total Authority Costs	1,494,654	100.00%		

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.5.12 Additional costs within the above analysis at this FBC stage compared to the OBC comprise Pass Through Costs (comprising National Non Domestic Rates, lease option costs, rent costs for the site and stamp duty costs) and Ex-PFI Waste Disposal costs (comprising recycling, transportation, waste minimisation initiatives etc).

8.5.13 The decrease in overall Unitary Charge is largely reflective of the significant increase in the level of third party income guaranteed by

AmeyCespa at final tender compared to that assumed at the OBC (see section 8.3 above).

8.6 Sensitivity Analysis

8.6.1 The Councils have carried out sensitivity analysis assuming the following circumstances:

- v) Increase in debt price;
- vi) Adverse movement in foreign exchange rate rates impacting capital cost;
- vii) Delay to achieving planning permission; and
- viii) Compound sensitivity reflecting a debt price increase, adverse foreign exchange movement and a delay to achieving planning permission.

8.6.2 The figures in all of the sensitivities have been derived using a financial model reflecting the unitary charge payable under the above circumstance as prepared by the prospective preferred bidder.

8.6.3 The impact of each of these sensitivities on the respective Councils' affordability positions is reflected in sections 8.5.1 through 8.5.4 below:

Increase in debt price

8.6.4. An increase in the underlying swap rate from 4.21 % to 5.41 % for the operational period and 2.59% to 3.79% for the construction period was applied. The results in respect of North Yorkshire County Council's affordability position are shown in the table below:

Increase in debt price – North Yorkshire County Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.6.5 The results in respect of City of York Councils' affordability position are shown in the table below:

Increased debt price – City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

Adverse foreign exchange rate movement

8.6.6 A movement in the euro exchange rate from a rate of €1.25 to £1 to a rate of €1 to £1 was applied resulting in an increase in the capital cost of the infrastructure sourced within the euro-zone. The results in respect of North Yorkshire County Council's affordability position are shown in the table below:

Adverse foreign exchange rate movement – North Yorkshire County Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.6.7 The results in respect of City of York Councils' affordability position are shown in the table below:

Adverse foreign exchange rate movement – City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								

Affordability Gap / (Surplus)								
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THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

Delay to achieving planning permission

8.6.8 A delay to the achievement of planning permission of 1 year will lead to the implementation of a capital cost indexation mechanism and therefore a loss, to some degree, of price certainty.

8.6.9 The results in respect of North Yorkshire County Council's and City of York Council's affordability position are shown in the tables below (please note the total cost in the sensitivity tables below reflect the cost from 1 April 2010 through to 30 June 2040, for example reference project cost of £XXX compares to £XXX in the base case. The total cost in the base case and sensitivities that do not relate to a programme delay reflect the total cost from 1 April 2010 through to 30 June 2039):

Delay to achieving planning permission – North Yorkshire County Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.6.10 The results in respect of City of York Councils' affordability position are shown in the table below:

Delay to achieving planning permission – City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap /								

(Surplus)								
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THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.6.11 In this delay sensitivity the capital cost has been inflated using a growth rate of approximately 3% between the date of Final Tender and the expiry of the fixed price offer as at June 2011. An indexation rate of 5% per annum has then been applied to from the expiry date of the fixed price offer through to June 2012.

Compound Sensitivity

8.6.12 In order to provide the most robust test of the respective Councils' affordability of the project a compound sensitivity has been prepared which incorporates a combination of:

- i) An increase in the debt price of 50 bps;
- ii) An exchange rate of €1.05 to £1 being applied to capital infrastructure sourced within the euro-zone; and
- iii) A delay to the achievement of planning permission of 1 year leading to capital cost indexation in line with BCIS forecasts

8.6.13 In this sensitivity the capital cost has been inflated using a growth rate of approximately 3% between the date of Final Tender and the expiry of the fixed price offer as at June 2011. An indexation rate of 2.5% per annum has then been applied from the expiry date of the fixed price offer through to June 2012.

8.6.14 Please note the totals reflect the cost from 1 April 2010 through to 30 June 2040 whereas the total cost in the base case and sensitivities that do not relate to a programme delay reflect the total cost from 1 April 2010 through to 30 June 2039.

Compound Sensitivity – North Yorkshire County Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

8.6.15 The results in respect of City of York Councils' affordability position are shown in the table below:

Compound Sensitivity – City of York Council

Values in £'000s	Total	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Reference Project Cost								
PFI Credit Payments								
Existing Budget								
Affordability Gap / (Surplus)								

THIS TABLE HAS BEEN DELETED TO PRESERVE THE COUNCILS' NEGOTIATING POSITION UNTIL FINANCIAL CLOSE

Summary of sensitivity results

8.6.16 As can be seen from the results of sensitivities undertaken in sections 8.5.1 through 8.5.4 above North Yorkshire County Council has sufficient budget to now withstand the impact of all sensitivities with headroom still present in all cases. As can be seen in section 8.4 above City of York has committed to make sufficient budget provision to withstand the impact of the above sensitivities.

8.7 Projected Authority Budgets

8.7.1 The City of York Council has recognised the need for additional investment in Waste Disposal costs to reflect the need to divert additional waste from landfill. The Medium Term Financial forecast has identified additional investment of £XXXk per annum for the next five years to enable the proposed solution to be affordable. The first of these amounts are built into the 2010/11 revenue budget report. This investment requirement will be reviewed on an ongoing basis to ensure it is adequate to meet the costs of the service provision as well as any additional transport and pass through costs.

8.7.2 North Yorkshire County Council recognised the need for additional investment at the point of service commencement and has therefore included an £XXXm increase from 2013/14 to 2014/15 in the Medium Term Financial Strategy to meet the cost of this and also to ensure there is headroom in the event any of the adverse sensitivity scenarios materialise prior to financial close.

8.8 PFI Credit Payments

8.8.1 Following submission of the OBC and review by DEFRA, in a letter dated 11 September 2008 DEFRA confirmed that it was expected that central

Government revenue support will be given based on PFI credits of £65 million.

8.8.2 The Revenue Support Grant has been calculated on an annuity basis on the basis of an award of £65m PFI credits, using an interest rate of 5.9% and using a scaling factor of 1 as stipulated in the letter of 11 September 2008. The annuity calculation for the Revenue Support Grant, within the affordability model at Appendix I, has been based on calculations contained in the “Government Annuity Calculation Sheet for PFI Credits”. The Revenue Support Grant calculations in the affordability model have been checked against the calculations in this sheet. A version of the spreadsheet “Government Annuity Calculation Sheet for PFI Credits” as adapted for the award of credits in relation to the North Yorkshire County Council and City of York Council Waste PFI project is included at Appendix J.

8.8.3 The start date assumed for the Revenue Support Grant is 1 July 2014. This being the programmed service commencement date contained within the AmeyCespa final tender submission.

8.9 The Authority’s LATS Strategy

8.9.1 The Councils comprising the partnership for this waste project have respective LATS strategies to deal with the implications of sending Biodegradable Municipal Waste to landfill in advance of service commencement.

8.9.2 North Yorkshire County Council will purchase required LATS where targets will not be met in financial years 2010/11 and 2011/12. Options are being kept open beyond 2011/12 to consider an interim procurement and the LATS requirements for 2012/13 and 2013/14.

8.9.3 City of York Council, like many other authorities face a LATS challenge leading into the second target year. Whilst some improvement from recycling is expected, this will not fully cover the shortfall against its LATS target. York is therefore monitoring developments in the local area, particularly around anaerobic digestion plants to determine if short term contracts can be secured to divert waste until such time as the PFI facility comes on stream. Further, options for incineration through facilities in the North of England are being explored. However, if short term solutions can not be secured, then York will be looking to purchase LATS permits.

8.10 Recyclate Income

8.10.1 As detailed in section 8.2, above, AmeyCespa has guaranteed third party income of £XXX over the contract period. This acts to subsidise the Unitary Charge payable by the Councils. Within this sum AmeyCespa has guaranteed income from the sale of recyclable

materials over the contract period. The table below details the level of recyclate income being guaranteed by AmeyCespa:

Recyclate income

Source	Tonnage	Rate per tonne (£)	Total (Real)(£'000)	Total (Nominal)(£'000)
Plastics				
Ferrous metals				
Non-ferrous metals				
Paper				
Total				

TABLE WITHHELD TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

8.10.2 With the county of North Yorkshire currently recyclable materials for sale arise during collection as undertaken by the individual districts who keep this income. The level of recyclable income currently received by North Yorkshire County Council is minimal. The process within AmeyCespa's solution to screen residual waste received at the facility and extract recyclable materials will result in a significant increase in the level of material recycled and income guaranteed by AmeyCespa.

8.10.3 For the City of York, recyclate income is currently included within the waste collection contract with Yorwaste. The contractor takes all risk on the level of income. For plastic, glass, paper, cardboard and tins the council receives £XXX per tonne for deliveries to the contractor.

8.11 Landfill Tax

8.11.1 The Councils have made specific assumptions in relation to the movement in landfill tax rates over the duration of the contract period and these have been incorporated into the financial model submitted by AmeyCespa at final tender. From 1 April 2010 the Councils' assumptions mirror rates for which there is already supporting legislation to contract year 2013/14. From 1 April 2014 the Councils have assumed active landfill tax will continue to increase at a rate of £8 per tonne per annum until it reaches £104 per tonne in contract year 2017/18. From 1 April 2018 the Councils have assumed landfill tax will increase at a rate of 2.5% per annum. These landfill tax assumptions are contained within the table below:

Landfill Tax Assumptions

Contract year	Landfill Tax (£ per tonne)
2010/11	48
2011/12	56

2012/13	64
2013/14	72
2014/15	80
2015/16	88
2016/17	96
2017/18	104
Thereafter	Inflate at 2.5% per annum

8.11.2 Part of the Unitary Charge comprises a reimbursement of AmeyCespa's landfill costs capped at AmeyCespa's guaranteed level of Municipal Solid Waste diversion. In accordance with the requirements of Schedule 6 (Payment Mechanism), the Councils will reimburse AmeyCespa its landfill costs on waste tonnage sent to landfill including where appropriate active landfill tax at the prevailing rate.

8.11.3 In its final tender submission, AmeyCespa has undertaken to meet the additional landfill costs in full where it does not meet its guaranteed level of Municipal Solid Waste diversion. SENTENCE WITHHELD TO PRESERVE AMEYCESPA'S COMMERCIAL CONFIDENTIALITY

8.12 Contract Monitoring Costs

8.12.1 For North Yorkshire County Council costs associated with contract monitoring are classified as establishment costs and are held separately within the Councils budgets and fall outside of the PFI model. These costs have not been included within the affordability calculations above.

8.12.2 In respect of the City of York, contract monitoring will be undertaken by the Waste Strategy Unit in line with other contracts managed by them. There is a post currently seconded to support the procurement that will be transferred back to the Strategy Unit when the procurement is completed. This will provide sufficient resource for contract monitoring.

8.13 Cost and Impact of Carbon

8.13.1 The CO2 saving for the solution as combined to a "Do Minimum" or "Landfill" scenario has been calculated in kilogrammes by AmeyCespa using the Waste and Resource Assessment Tool for the Environment (WRATE).

8.13.2 AmeyCespa was required to submit the WRATE models that closely represented their proposed solutions and the contract waste tonnages for the contract year 2019/20. The electricity mix was modelled for 2019. The default processes within WRATE did not represent AmeyCespa's technology choices therefore they created their own 'user defined processes' to more accurately reflect their own solution. This 'user

defined process' had been independently peer reviewed prior to its inclusion in the model and evaluation.

8.13.3 The table below shows the Global Warming Potential (kg CO2 equivalent) for the AmeyCespa solution in comparison with the "Landfill" scenario:

Total Global Warming Potential kg CO2 equivalent in 2019/20

	AmeyCespa Total - kg CO2 equivalent	Landfill Total - kg CO2 equivalent
Transport	287,623	-
Recycling	(17,020,688)	-
Treatment and Recovery	6,192,489	-
Landfill	580,311	48,683,343
Total	(9,960,265)	48,683,343

8.13.4 The table below shows the Global Warming Potential (kg CO2 equivalent) for the AmeyCespa solution in comparison with the "Landfill" scenario per tonne of contract waste in 2019/20:

Total Global Warming Potential kg CO2 equivalent in 2019/20 per tonne of contract waste

	AmeyCespa Total - kg CO2 equivalent	Landfill Total - kg CO2 equivalent
Transport	1.1	-
Recycling	(65.9)	-
Treatment and Recovery	24.0	-
Landfill	2.2	188
Total	(38.6)	188

8.13.5 In regard to costing the carbon impact AmeyCespa confirmed through clarification, shortly prior to the closure of dialogue, that they anticipate the equivalent carbon of the electricity put onto the grid will be greater than the carbon emitted by burning the waste leaving a small "surplus". Further AmeyCespa clarified that given the Carbon Reduction Commitment is intended to be broadly revenue neutral, with monies raised being largely refunded to participants based on performance within a league table, AmeyCespa did not see any residual opportunity for profit or loss (based on the bonus/penalty from league table performance) to be material to the operating costs of the site.

8.14 Member Approval of Affordability

8.14.1 There have been no changes to the Councils' commitments on affordability since Treasury approval of the OBC in August 2007. The North Yorkshire County Council Executive at its meeting on 26th June

2007 approved the affordability envelope for the PFI project as reported in the OBC and confirmed the Council's commitment to funding up to an additional £XXXm beyond committed expenditure over the life of the contract.

8.14.2 The Executive also at its meeting on 6th November 2007 agreed to enter into an inter-authority agreement with City of York Council covering shared obligations and liabilities in respect of the procurement. The agreement also set out the Governance arrangements for the PFI project including the role of the Project Board in the procurement process, Board membership and designated its chair to be the County Council's Corporate Director, Business and Environmental Services.

8.14.3 The Project Board has overseen the procurement to date and has had involvement in the following:

- Approval and publication of the OJEU notice
- Selection and evaluation of Participants at all stages of the procurement
- Issue of all tender documents

8.15 Overall governance and review of all stages of the procurement

8.15.1 However, whilst the Project Board is actively engaged in the process, legally, power to make decisions can only be delegated to a single officer this being the Corporate Director, Business and Environmental Services. This was confirmed by the Executive on 7 April 2009 when it formally resolved that the Corporate Director, Business and Environmental Services, in appropriate consultation with members of the Project Board, be authorised to take all necessary actions and decisions in this procurement process including the appointment of the Preferred Bidder.

8.15.2 The appointment of the Preferred Bidder has been delegated by both Councils to the Project Board through the signed inter authority agreement. There is no intention or need to take any formal reports to Council at this stage and the projects affordability remains in the affordability envelope already approved by members at OBC stage.

8.16 Key components of Members' Report

8.16.1 It is not proposed to seek any further Member approvals prior to award of Contract in July 2010. An integral part of this approval will be a commitment to project affordability.

9. Stakeholder Communications

9.1 Strategy

9.1.1 In March 2008 North Yorkshire County Council and the City of York Council adopted a communications strategy to cover communications and stakeholder engagement around the waste PFI contract. This coincided with the arrival of a dedicated officer to implement and develop the strategy and work with the short listed participants at both ISDS and ISOS stages.

9.1.2 The two Councils are working together to secure the long term waste strategy to ensure efficiencies and scale. North Yorkshire County is the lead authority and both councils represent those with waste disposal obligations in the York and North Yorkshire Waste Partnership. The other constituent authorities are the District and Borough councils with waste collection responsibilities.

9.1.3 The Communications Strategy document was made available to the Participants and they were asked to reference it in their detailed stakeholder and community liaison plans which form an integral part of the submissions and both ISOS and ISDS stage. During the ISDS Competitive Dialogue stage extensive discussions took place with the two short listed participants as to how the stakeholder and community liaison plans could be further enhanced.

9.1.4 The Councils are now working with AmeyCespa on a detailed communications action plan which includes a first one hundred days PB announcement critical path to ensure that all communications mechanism's, databases and messages are in place to get the communications campaign off to the very best of starts.

9.1.5 In the period from the adoption of the communications strategy through to the close of competitive dialogue and selection of preferred bidder extensive work has been done by the PFI team to take the opportunity to promote the message of the need for change in the ways in which residual household waste is handled across the region, and setting the PFI story in the context of other sustainable waste management activities. This does not indicate potential treatment sites or potential technologies but demonstrates the need for change argument and informs of the extensive public consultation programme which fed into the York and North Yorkshire Waste Partnerships waste strategy 'Lets talk less rubbish', which in turn informed the development of the OBC for the waste PFI.

9.2 Media training

9.2.1 Front line PFI officers have undergone basic media training to ensure that they are aware of the protocols and issues in dealing with the media

over commercially and environmentally sensitive issues such as major planning applications, and how far they can go in servicing an initial enquiry and to what point they hand over to dedicated communications staff (or those of the preferred bidder)

- 9.2.2 Refresher media training sessions are now being arranged with key members and lead officers and will feature a session based around anticipated Questions and Answers.

9.3 Equalities impact assessment

- 9.3.1 North Yorkshire County Council as the lead authority has undertaken a full equalities impact assessment of the communications strategy and will work with AmeyCespa to align it with best practice examples. The assessment tracking mechanism will be enhanced data mapping which will provide a transparent audit trail of engagement activities throughout the life of the campaign and thorough the initial construction and commissioning phases.

9.4 Executive Member Briefings

- 9.4.1 North Yorkshire County Council and City of York Executive Members have received detailed presentation and question sessions which examine the underlying issues and the drivers for change in the local regional national contexts. They have now been briefed on AmeyCespa's proposed solution.

9.5 Other Member Communications

- 9.5.1 Members have received an open letter to the Rt Hon Hilary Benn MP to counter media coverage of potential impacts of the waste PFI on a range of social and environmental issues. They have also received a briefing note about the status of NAME WITHHELD in the procurement process and their capacity at PLACE NAME WITHHELD to counter information circulated to County Councillors by NAME WITHHELD's PR agency.
- 9.5.2 In June 2009 North Yorkshire County Council held full Council elections. Following election new Members received a full briefing pack about the status of the procurement process, the background to it and the drivers for change. This was followed by a training session as part of the New Members Training Programme.
- 9.5.3 Further NYCC member's training has included two full briefing sessions on sustainable waste management have been arranged as part of the member's development training programme. A NYCC Members' training session is also scheduled for June 2010.

9.6 Planning Committee Training

9.6.1 Although the North Yorkshire County Council Planning Committee is aware of the regulatory function and the parameters in which it operates, its key project officers together with representatives from Enviro and the Environment Agency delivered a refresher training session on the major planning issues which the committee will have to consider when determining the likely planning application for the main site treatment facility and its infrastructure developments (waste transfer stations).

9.7 Overview and Scrutiny Briefing

9.7.1 Similarly Members of North Yorkshire County Council Environment and Heritage Overview and Scrutiny Committee received a briefing from key officers about the financial and environmental imperatives of change in the way the Councils handle their residual waste arising and that treatment with recovery of residual household waste complements existing waste minimisation campaigns.

9.8 Freedom of Information

9.8.1 North Yorkshire County Council and City of York Council have established Freedom of Information protocols. So far Freedom of Information requests have been processed by the County Council relating to site section issues in connection with potential waste treatment sites identified in the emerging waste core strategy and supporting allocation documents.

9.8.2 The Council's have now taken legal advice on what documentation can be put into the public domain post PB and a suite of documents is being prepared for uploading to the Councils' websites post-PB.

9.9 Transfer Of Undertaking - Protection of Employment (TUPE) and Code of practice on workforce matters

9.9.1 Not applicable to this project.

9.10 Other Relevant Authorities

9.10.1 As a two tier authority North Yorkshire County Council is required to liaise with the district and borough councils who are the waste collections authorities. Measures to engage with them are outlined in the communications strategy action plan and further information is detailed in the Councils' and AmeyCespa's communications action plan.

9.11 Other Partnership Activities

9.11.1 The York and North Yorkshire Waste Partnership is made up of all the collection and disposal authorities in the area and as such member and officer representatives attend regular meeting and presentations.

9.11.2 The Partnership has also appointed a dedicated Waste Management Partnership Manager, NAME WITHHELD. His role will centre on coordination of Partnership activities and development of future business plans, as well as leading the review of the Partnership waste management strategy.

9.11.3 The Partnership has produced a secondary school curriculum based education resource with exercises linked to the key waste prevention campaigns: Love Food Hate Waste; Choose to Reuse; Real Nappies; and Composting. It also introduces carbon reduction, climate change and alternative ways of producing energy. It is anticipated that this resource will be incorporated in AmeyCespa's education activities at the education/visitor centre.

9.11.4 It has also staged the Partnership Waste Conference to celebrate its many achievements in its first ten years and reflect on the challenges ahead. Speaker's presentation can be downloaded from the Partnerships' website at www.letstalklessrubbish.com

9.11.5 Performance Matters is the Partnership's newsletter. It is an easy to read newsletter which contains campaign update information as well as regional and national waste issue stories and also sets the scene for the need for change in the way residual waste is dealt with. The distribution is to County/City/district/borough/parish and town councillors. It is also accessible on the Partnership's website in PDF form.

9.12 Dual-hatted members

9.12.1 Given the two tier structure in North Yorkshire cross pollination of information is achieved through engagement activities with county councillors who also have a role within the district/borough council.

9.13 District and Parish Councils

9.13.1 The PFI waste team responds positively to all request for information and has visited District and Parish Councils Council to provide a headline summary of the issues surrounding the long term waste management contract, its associated infrastructure development and the need to minimise waste production and divert residual waste from landfill.

9.14 North Yorkshire Strategic Partnership

9.14.1 The North Yorkshire Strategic Partnership holds an annual conference in September and as a part of the 2008 one, the waste PFI and waste minimisation teams had a shared exhibition stand and materials which were distributed to delegates representing partner organisations from across the county.

9.15 The Environment Agency

9.15.1 The waste PFI team had actively engaged with the Environment Agency and the organisations communications officer is working with the PFI comms officer on joint protocols for media and community engagement.

9.16 Public Engagement

9.16.1 All opportunities to engage with the community through media and relations have been utilised, in the context of promoting the general needs for change argument rather than site or technology specific information. A background briefing note on the driver for change and previous consultation on the acceptability of waste treatment technologies has been sent by North Yorkshire County Council's Chief Executive to editors of two leading local newspapers and this one to one approach to engagement with key media will be active throughout the preplanning, construction and commissioning phases of the waste treatment facility.

9.17 NYTimes

9.17.1 Teaser articles have appeared in the County Council's own newspaper NYTimes and this medium, together with City of York's own publication will be used as a key method of disseminating information to the public and advising them of opportunities to become engaged in the consultation process.

9.18 Internal communications

9.18.1 The PFI project team recognise the need for employee ambassadors on this project and will engage with North Yorkshire County Council and City of York Council employees to ensure they can be informed advocates of the need for change both within their working environment and for those who live in the locality of the proposed facility, resident champions for it.

9.18.2 This will be achieved through internal newsletters in hard copy and electronic formats and intranet bulletins.

9.19 Community Sector/Non-Government Organisations (NGOS)

9.19.1 The York and North Yorkshire Waste Partnership is working with WRAP and Waste Watch on a range of waste minimisation campaigns and are linking their themes into the work of the waste PFI team. This has provided the PFI team with opportunity to engage with community, and special interests groups at events like the Love Food Hate Waste, Money matters, and Choose to Reuse road shows and will further tie in with the work of the volunteer 'Rotters' and community reuse groups. As the PFI stakeholder engagement campaign progresses key NGO and NFPOs will be identified as key stakeholders and briefed at all of the key project stages.

10. Timetable

10.1 A summary of the key stages to this procurement is provided below, along with a comparison to the timeline provided with the OBC submission.

	Stage	OBC Date	FBC Date
1	Submission of EoI	23 August 2005	23 August 2005
2	Approval of EoI	11 October 2005	11 October 2005
3	OBC Approved by Council	12 September 2006	12 September 2006
4	Submission of OBC	22 September 2006	22 September 2006
5	Mayoral Approval (if relevant)	n/a	n/a
6	DEFRA Approval of OBC	22 June 2007	22 June 2007
7	PRG Approval of OBC	31 July 2007	31 July 2007
8	OJEU Published	30 August 2007	5 September 2007
9	Descriptive Document Issued	30 August 2007	5 September 2007
10	ISOS Issued	22 October 2007	22 October 2007
11	ISOS Returned	18 December 2007	18 December 2007
12	ISDS Issued	30 January 2007	30 January 2007
13	ISDS Returned	n/d	30 May 2008
14	ISRS Issued (Optional)	n/d	n/d
15	ISRS Returned (Optional)	n/d	n/d
16	Call For Final Tenders	9 October 2008	25 September 2009
17	Preferred Bidder Identified	23 December 2008	December 2009
18	Submission of FBC	n/d	16 April 2010
19	Approval of FBC	n/d	14 May 2010
20	Preferred Bidder Confirmed	n/d	14 May 2010
21	Contract Signed/Commercial Close	20 December 2010	December 2010
22	Planning application submitted	23 June 2009	26 Oct 2010
23	Planning application approved	17 December 2010	July 2011
24	Financial Close	n/d	Oct 2011
27	Construction Commencement	21 December 2010	Oct 2011
28	Start of Hot Commissioning	n/d	n/d
29	Operational Commencement	16 August 2013	Oct 2014

- 10.2 Note: OBC dates based on North Yorkshire County Council Programme version 14a as submitted to DEFRA with OBC Supplementary Reports. n/d – not defined.
- 10.3 Significant changes involve the additional time needed to close dialogue and invite final tenders. The Councils required additional time to work with the final two Participants to develop solutions to their optimum potential. Additional time was also needed to accommodate changes to the planning framework brought about by the withdrawal of the County Council's Minerals and Waste Core Strategy.
- 10.4 This additional time has been focussed on ensuring the proposed solution is as developed as it can. Final tenders were supported by advanced draft EIAs and much of the detail needed to support a planning application meaning that the time needed between appointment of preferred bidder and submission of a planning application is minimised.

<p>deliver their targets under legally binding agreements or constitutions, which should be in place by the start of procurement. By Final Business Case (FBC) stage we would expect a minimum of a detailed Memorandum of Understanding (covering major points of principle), or establishment of joint waste management structures or formal contractual arrangements.</p> <p>In two-tier areas, a Joint Municipal Waste Management Strategy will be a requirement towards this and should include clear, long-term targets for Biodegradable Municipal Waste diversion; recycling; etc., which have been adopted or are close to adoption by all stakeholders.</p> <p>In other types of partnership, such as regional or multi-area partnerships, plans should demonstrate evidence of strong joint working and the intention to have legally binding agreements or arrangements (e.g. joint waste management boards) in place by the start of the dialogue process</p>	<p>P29</p> <p>P71</p>
<p>2. PFI credits are awarded to authorities primarily to deliver increased diversion of biodegradable municipal waste from landfill. Proposals should demonstrate how the schemes:</p> <ul style="list-style-type: none"> • Contribute to or complement longer-term national targets for recycling and composting as well as diversion of biodegradable and other municipal waste from landfill, indicating the amount of biodegradable and other municipal waste expected to be diverted from landfill over the whole life of the project; • Support or complement the authorities' plans for recycling set out in their Municipal Waste Management Strategies. 	<p>P27</p>
<p>3. Proposals should show how schemes will provide additional contribution to national landfill diversion during the contract period and up to 2020 as required under the Landfill Directive, where appropriate</p>	<p>P6</p>
<p>4. Waste minimisation is at the top of the waste hierarchy. While PFI is frequently not an appropriate mechanism for addressing waste reduction, proposals should make clear what other action the Authority is taking to reduce generation of MSW.</p>	<p>P29</p>

<p>5. The use of residual waste treatment options involving recovery, including energy from waste solutions, will have an integral role in treating the waste we cannot 'design out', re-use or recycle. Such options should be considered while also demonstrating that there is no future barrier to meeting reduction, reuse and recycling targets.</p> <p>The Authority should have done sufficient analysis of the technical, environmental and economic options to have identified a preferred solution within the FBC, so that bidders will not be expected or required to carry-out their own repetitious options appraisals.</p>	<p>P54</p> <p>Appendix F</p> <p>P43-49</p>
<p>6. Proposals should demonstrate that other relevant authorities, the public, and interested parties have been consulted and that there is a broad consensus supporting a recognised long term waste management strategy which is reflected in the proposed solution.</p>	<p>P91-94</p>
<p>7. Proposals should follow HMT value for money guidance and clearly demonstrate that the proposed project offers a value for money solution when compared with other procurement options. Evidence is required to demonstrate that the authorities have considered and approved all on-going funding requirements necessary to make the project affordable over its whole life. This evidence should include signed commitments from members, or minutes of members meetings clearly demonstrating that they have committed to the ongoing affordability of the project.⁹</p>	<p>P38</p> <p>P43-49</p> <p>P88</p>
<p>8. Proposals must follow the extant guidance for PFI procurement; i.e. DEFRA-issued specific guidance, the WIDP Waste Procurement Pack, SoPC4 and other HMT guidance on PFI procurement. Authorities should also be aware that even if a proposal receives PFI credits support from DEFRA all OBCs will have to gain final approval from the inter-departmental Project Review Group (PRG) that they are ready to proceed to procurement. The criteria for the PRG assessment of business cases are available on the HM Treasury website (www.hm-treasury.gov.uk).</p>	<p>P38</p>

⁹ *The approval should be on the basis of members having a clear understanding of the range of possible costs based on a sensitivity analysis giving best and worst case scenarios.*

<p>9. Residual disposal solutions (e.g. refuse derived fuel, fibre, soil improvers) must demonstrate the destination of any residual output and the existing or intended commitments for and cost of effecting such disposal. Proposals should include findings from soft market testing indicating a market appetite for the proposed residual product, so as to secure value for money.</p> <p>Where there is a potential for third-party income (e.g. from sale of recyclate, electricity, heat, etc.), this should be considered as part of the value for money analysis. Where new or alternative technologies are proposed in the reference project, they should be shown to be bankable and deliverable.</p>	<p>P76 P43-49</p>
<p>10. Preferential consideration will be given to capital projects which focus on residual treatment plant only, including, but not limited to, Energy from Waste, Mechanical Biological Treatments, and Anaerobic Digestion.¹⁰</p>	
<p>11. Proposals should demonstrate how the potential for community sector involvement in service delivery through the project has been assessed. Where, as a result of such work, a decision is made to exclude or displace such services, a value for money case must be put to support such an approach.</p>	<p>P94</p>
<p>12. Projects should consider the potential for including other waste streams such as commercial or industrial waste, on the basis of securing a value for money solution. However, projects must demonstrate that:</p> <ul style="list-style-type: none"> • The project continues to deliver value for money in relation to the biodegradable municipal waste being managed through it; • Any cross subsidisation of the costs of disposing of non-municipal waste streams is transparent and acceptable to all stakeholders. 	<p>P54</p>
<p>13. Projects should have potential sites under consideration which accord with the relevant waste planning Authority's statutory development plan. Where this is being updated to reflect Planning Policy Statement 10 (PPS10) projects should align with the policies in PPS10.</p>	<p>P38</p>
<p>14. Authorities responsible for projects will be expected to engage in the preparation of the relevant regional spatial strategy and local development plan documents so as to help secure an up-to-date and</p>	<p>P38</p>

¹⁰ This does not necessarily preclude projects comprising combined or integrated facilities or a wider scope of services, where such projects offer clear benefits such as improved value-for-money, deliverability and affordability and that substantive market interest exists through soft market testing. If there is not sufficient evidence for a real market for such projects, they are unlikely to be approved.

<p>supportive planning context in line with PPS10, including appropriate land allocations</p>	
<p>15. Authorities should take proactive action to acquire sites in line with the development plan, or which they are confident will accord with the development plan if components of the development plan are under review or in preparation.¹¹</p> <p>Consideration will be given on a case by case basis to the status and substance of those planning policies and plans currently in place at authorities.</p>	

¹¹ *Availability of necessary site(s) identified and secured by the Authority does not preclude bidders offering alternative sites, but does provide a secure reserve position which increases competition, reduces bid costs (both thereby enhancing value-for-money) and improves deliverability of the project.*

APPENDIX B – PROJECT DATA TEMPLATE

Respondent Details	
Name:	NAME WITHHELD
Job Title:	Assistant Director, Waste Management
Telephone Number:	NUMBER WITHHELD
Email Address:	NAME WITHHELD@northyorks.gov.uk
Address:	North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AH

Date Form Completed:	22 April 2010
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Section 1 – General Project Information							
1.01 Project Name:	North Yorkshire County Council & City of York Council Waste PFI Project						
1.02 Category: Tick as appropriate.	<table border="1" style="width: 100%;"> <tr> <td style="width: 30px; text-align: center;"><input checked="" type="checkbox"/></td> <td>PFI – Using HMT Definition</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td>PPP – Other Public Private Partnerships</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td>Other Joint Venture – Projects which cannot be categorized using the preceding options.</td> </tr> </table>	<input checked="" type="checkbox"/>	PFI – Using HMT Definition	<input type="checkbox"/>	PPP – Other Public Private Partnerships	<input type="checkbox"/>	Other Joint Venture – Projects which cannot be categorized using the preceding options.
<input checked="" type="checkbox"/>	PFI – Using HMT Definition						
<input type="checkbox"/>	PPP – Other Public Private Partnerships						
<input type="checkbox"/>	Other Joint Venture – Projects which cannot be categorized using the preceding options.						
1.03 Sector: The business, service or industry sector most applicable to the project.	Waste						
1.04 Project Details: Provide a short description of the project and its key features.	<p>North Yorkshire County Council and City of York Council are in the process of procuring a Waste Treatment Contract in order to achieve diversion targets, and deliver services which fulfil the statutory duties of both Councils.</p> <p>Procurement of the Contract is being run by the County Council on behalf of the County Council and City Council. The County Council is the lead Authority in this procurement and is to be considered as the Client for the Contract.</p> <p>It is intended that the Contract will be let as a Public Private Partnership (PPP) under the PFI and the Contractor will be required to develop and operate waste facilities for the Authority.</p> <ul style="list-style-type: none"> • Leasing of land in the ownership or control of the Councils for Waste Treatment Plant(s) or provision of land in the Contractor's ownership or control for 						

	<p>Waste Treatment Plant(s);</p> <ul style="list-style-type: none"> • Detailed design of Waste Treatment Plant(s); • Preparation, finalisation and submission of Planning Applications for Waste Treatment Plant(s) and progress through to planning permission award; • Application for PPC Permit(s) for Treatment Plant(s) and progress through to Permit award; • Construction and commissioning of Treatment Plant(s); • Operation and maintenance of the Treatment Plant(s) for the period of the Contract; • Acceptance of residual MSW delivered to the Treatment Plant(s); • Treatment of residual MSW to achieve the Contractual BMW and landfill Diversion targets; • Transfer of Treatment rejects, residues and outputs to further treatment, processing, market and/or disposal; • Provision of hazardous landfill capacity for process rejects/residues and outputs; • Marketing of any process outputs; and • Handover or decommissioning of the Treatment Plant(s) at the end of the Contract Period.
<p>1.05 Region: Enter the County, Unitary Authority or London Borough where the project is based.</p>	<p>North Yorkshire County Council & City of York Council</p>
<p>1.06 Specific Location(s): Enter the specific location of the project if it is not detailed in the above field.</p>	<p>Allerton Park, North Yorkshire</p>
<p>1.07 Parliamentary Constituencies covered by relevant Waste Disposal Authorities:</p>	<p>Richmond (Yorks) Skipton and Ripon Vale of York Ryedale Scarborough and Whitby Harrogate and Knaresborough Selby York</p>
<p>1.08 What date was the OJEU dispatched?</p>	<p>1 September 2007</p>
<p>1.09 What date was the Outline Business Case Approved by the Department?</p>	<p>23 July 2007</p>

1.10 Who were the ? invited to participate in dialogue?	Covanta AmeyCespa Veolia ES Earthtech Skanska
1.11 Date Preferred Bidder appointed:	14 th May 2010
1.12 Date project will reach financial close:	October 2011
1.13 Date project will reach Commercial Close:	N/A
1.14 Name of the Central Government Sponsor Department:	DEFRA
1.15 Special features relating to the project: Detail special features, e.g. any awards that the project may have won, an innovative approach to procurement or design.	N/A
1.16 Confirm any conditions on the project stipulated on the award of PFI-credits either by DEFRA or PRG and provide details of how they have been addressed:	<p><i>That the project continues to meet all the published criteria in the DCLG "Local Government PFI Project Support Guide" and in particular the use of standardised contract documentation and publication of our OBC on our website.</i></p> <p>The project has been conducted strictly in accordance with HM Treasury SoPC4 and WIDP model waste PFI contract documentation and advice. WIDP provided a "Transactor" who has fully supported the project throughout the procurement and all derogations been approved by WIDP.</p>

Section 2 - Commercial Terms	
2.01 Not Used	
2.02 PFI Credits Awarded: Express this in £m.	£65m
2.03 Net Present Value (NPV) of the Authority payments under the Contract (e.g. the unitary charge, assuming no	£XXXm

<p>performance deductions): Express this in £m and explain if it includes non-standard elements.</p>					
<p>2.04 The assumptions used to calculate the NPV:</p> <ul style="list-style-type: none"> • Base date • Year 1 full UC • % discount rate • Indexation (% fixed and indexed; indexation choice) 	<ul style="list-style-type: none"> a) 30/6/2011 b) £XXXm (first full year of service) c) 6.09% d) 6.50% indexed, 93.50% indexed 				
<p>2.05 Contract Term:</p> <ul style="list-style-type: none"> a) Enter the length of the contract in years (including construction). b) Enter length of operational period 	<ul style="list-style-type: none"> a) Proposed financial close: 30 June 2011 to End date 30 June 2039 b) 25 years 				
<p>2.06 Third Party Income:</p> <ul style="list-style-type: none"> a) Detail the sources and the amount of any third party income applicable to the project. This should be expressed as an NPV over the lifetime of the project in £m. b) Analyse total SPV revenue (in percentage terms) into Unitary Charge, 3rd party waste, energy income, and other 3rd party income 	<ul style="list-style-type: none"> a) Sources of third party income: <ul style="list-style-type: none"> i) Electricity - £XXXm (Real) ii) Recyclables - £XXXm (Real) iii) Commercial Waste - £XXXm (Real) b) Total SPV revenue in percentage terms as follows: <ul style="list-style-type: none"> i) Unitary Charge – XX% ii) 3rd party energy income – XX% iii) 3rd party other income – XX% 				
<p>2.07 Are the assumptions in 2.04 used to calculate the value in 2.06 above? (Yes/No). If not, please detail the assumptions used to calculate this value:</p>	<p>No. Details below:</p> <ul style="list-style-type: none"> a) Sources of third party income are shown in real terms (Jan 2008 prices) to aid transparency in the for review of the financial model in terms of overall third party income and correlation with the underlying assumptions; b) SPV revenue shown in nominal terms to aid transparency and allow for the indexation requirements associated with the Unadjusted Unitary Charge 				
<p>2.08 Number of Staff Transferred Under TUPE (if applicable):</p>	<p>N/A</p>				
<p>2.09 Are any operational facilities being transferred to the contractor?</p>	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 25%;"></td> <td style="width: 25%;"><u>Yes</u></td> <td style="width: 25%;"><input checked="" type="checkbox"/></td> <td style="width: 25%;"><u>No</u></td> </tr> </table>		<u>Yes</u>	<input checked="" type="checkbox"/>	<u>No</u>
	<u>Yes</u>	<input checked="" type="checkbox"/>	<u>No</u>		

2.10 If the answer to 2.09 is “Yes” please provide details of the type of facility, its capacity and its expected operational life (in years)	n/a		
2.11 What is the contractual Planning Long Stop Date?	Financial Close + 60 months		
2.12 What was/is the planned date of operation for the new facilities being provided under the PFI contract?	1 July 2014		
2.13 What is the national accounting regulation applied to this project? [NB [This is not the same as the accounting standard applied to the Local Authority’s accounts]	the European System of Accounts 1995 (ESA95).		
2.14 Accounting Treatment: Detail the accounting treatment relevant to the project under ESA 95.		ON Balance Sheet	
	√	OFF Balance Sheet	
Insurance Details			
2.15 Total construction premium:	£XXX (inc. insurance premium, tax and broker costs)		
2.16 The modelled Gross Operational premium for the first year following Full Service Commencement:	£XXX(Real – Jan 2008 prices)		
2.17 Base Cost for insurance:	£XXX		

2.18 Operating Cost Details			
Base Date	1 January 2008		
Cost Category	Base Cost per annum	Indexation Category (e.g. RPI)	Indexation rate (e.g. 2.5%)
Labour	£XXX	RPIx	2.5%
Materials	£XXX	RPIx	2.5%
Maintenance	£XXX	RPIx	2.5%
Chemicals	£XXX	RPIx	2.5%

Utilities	£XXX	RPIx	2.5%
Transport	£XXX	RPIx	2.5%
Admin	£XXX	RPIx	2.5%
Other	£XXX	RPIx	2.5%
SPV Costs	£XXX	RPIx	2.5%
Insurance	£XXX	RPIx	2.5%
Landfill Disposal	£XXX	RPIx (Gate fee only)	2.5% (Gate fee only)

2.19 Lifecycle Details

Total lifecycle cost during contract life (nominal)	£XXX
Total lifecycle cost during contract life (real)	£XXX
Average lifecycle cost per annum (nominal)	£XXX
Average lifecycle cost per annum (real)	£XXX

2.20 Sources and Uses of Fund during Construction

Sources	
Senior Debt	£XXX
Equity	£XXX
Sub Debt	£XXX
Other	
Other	
Total	£XXX
Uses	
Construction	£XXX
Development cost	£XXX

Financing upfront fee	£XXX
Financing cost	£XXX
Reserve accounts	£XXX
Other	
Other	
Total	£XXX

2.21 Sources and Uses of Fund – Full Project Life

Sources	
Unitary Charge	£XXX
3rd Party Waste Income	£XXX
Electricity Income	£XXX
Other 3rd Party Income	£XXX
Senior Debt Drawdown	£XXX
Subordinated Debt Drawdown	£XXX
Equity Injection	£XXX
Subordinated Debt Bridge Drawdown	£XXX
Interest income	£XXX
Other	
Other	
Total	£XXX

Uses	
Project Development Costs	£XXX
Construction Costs	£XXX
Financing Fees	£XXX
Rolled Up Interest	£XXX
Operating Cost	£XXX
Lifecycle Cost	£XXX
Facilities Maintenance	£XXX
SPV Costs	£XXX

Senior Debt interest	£XXX
Senior Debt principal	£XXX
Sub Debt interest	£XXX
Sub Debt principal (including rolled up interest)	£XXX
Subordinated Debt Bridge Repayment	£XXX
Equity return	£XXX
Tax	£XXX
Bank Fees	£XXX
Landfill Payment	£XXX
Total	£XXX
2.22 Third party income assumptions	
Quantity of electricity exported pa	96,000 – 100,000 MWhrs per annum
Electricity guaranteed floor price / MWh Please also provide details on the price assumptions during the contract life (e.g. indexed or different floor price assumptions)	£XXX/MWh indexed using RPIX inflation rate of 2,5%
Third party waste – gate fee / tonne (£)	£XXX/ tonne (real)
ROCs assumptions	XXX
LECS assumptions	XXX
Recyclables assumptions	XXX

Section 3 - Public Sector Authority Details			
3.01 Name of the Contracting Authority:	North Yorkshire County Council & City of York Council		
3.02 Key Contact(s): Provide details of the key members of the Contracting Authority's project team			
Name	NAME WITHHELD	NAME WITHHELD	NAME WITHHELD

Job Title	Assistant Director, Waste Management	Assistant Director Performance & Finance Unit	City Strategy Finance Manager
Telephone Number	NUMBER WITHHELD	NUMBER WITHHELD	NUMBER WITHHELD
Email Address	NAME WITHHELD@northyorks.gov.uk	NAME WITHHELD@northyorks.gov.uk	NAME WITHHELD@york.gov.uk
Address	North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AH	North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AH	City of York Council,
3.03 Status of Authority: Tick as appropriate			Central Government
			Non Departmental Public Body
			Agency
	√		Local Government
			Other Local Body (e.g. Emergency Services, NHS Trust)
3.04 Lead Public Sector Advisors: Provide the names of the lead advisors to the Contracting Authority.	Financial Advisor		Ernst and Young
	Technical Advisor		SKM Enviros
	Legal Advisor		Watson Burton
	Insurance Advisor		Marsh
	Other Key Advisor(s)		
3.05 Name of the Audit Body Responsible for the Contracting Authority?			National Audit Office
	√		Audit Commission
			Audit Scotland
			Northern Ireland Audit Office
			Wales Audit Office / Swyddfa Archwilio Cymru

Tick as appropriate.		
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Section 4 - Private Sector / Contractor Details

4.01 Name of the Private Sector Partner:	SPV to be set up	
4.02 Type of company or partnership: Tick as appropriate.	<input checked="" type="checkbox"/>	Company Limited by Shares (CLS)
	<input type="checkbox"/>	Company Limited by Guarantee (CLG)
	<input type="checkbox"/>	Limited Liability Partnership (LLP)

4.03 Details of all the Shareholders (past and present) of the Project Company:

	Shareholder 1	Shareholder 2	Shareholder 3
Shareholder Name:	Amey Ventures Investments Limited (AVIL)	Cespa GR	
Percentage Shareholding:	50%	50%	
Date Holding Commenced:	n/a	n/a	
Date Holding Ceased: (if applicable)	n/a	n/a	
	Shareholder 4	Shareholder 5	Shareholder 6
Shareholder Name:			
Percentage Holding:			
Date Holding Commenced:			
Date Holding Ceased (if applicable):			

Section 4 - Private Sector / Contractor Details (cont)

4.04 Key Private Sector Contractors: Provide the names of the companies		Name	Value (£m; nominal value)
	Turnkey	NAME WITHHELD (EFW)	£XXX

responsible for these aspects of the project.	Contractor	NAME WITHHELD (MT)	£XXX
		NAME WITHHELD (AD)	£XXX
	Waste Services	n/a	n/a
	Civils Contractor	NAME WITHHELD (EFW)	£XXX
	Facilities Management	n/a	n/a
	Other Key Contractor(s)	NAME WITHHELD	£XXX

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Benchmarking – which costs?	Landfill costs
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Market testing – which costs?	
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4.05.01 Under the terms of the contract, how often is benchmarking/market testing scheduled to take place? Refer to your project agreement.

Every five years

4.05.02 Date benchmarking/market testing next scheduled to take place:

Fifth anniversary of actual service commencement date

4.05.03 If none of the options for value testing apply to your project, provide details below e.g. fixed price, RPI.

n/a

4.06 Lead Private Sector Advisors: Provide the names of the lead advisors to the SPV.	Financial Advisor	KPMG	
	Technical Advisor	Fichtner	
	Legal Advisor	Trowers & Hamlins	
	Insurance Advisor	Willis	
	Other Key Advisor(s)		

Section 5 – Finance: Initial Transaction Details

5.01 Borrower Name: Provide the name of the private sector party – usually the joint	AmeyCespa
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venture or SPV – accountable for the project debt.			
5.02 Senior Debt (Amount): Provide the amount of the senior debt in £m.	£XXX		
Bank or Corporate Financed Projects			
5.03 If the project is Bank or Corporate Financed, the type of Senior Debt: Tick as appropriate.	<input type="checkbox"/>	Corporate The senior debt is provided or guaranteed by shareholder(s) or parent company(ies).	
	<input checked="" type="checkbox"/>	Limited Recourse The senior debt involves limited obligations of the sponsor companies.	
	<input type="checkbox"/>	Authority The senior debt is provided or guaranteed by the public sector.	
Bond Financed Projects			
5.04 If the project is Bond Financed, type of bond is applicable to the project:	<input type="checkbox"/>	Wrapped	
	<input type="checkbox"/>	Unwrapped	
	<input type="checkbox"/>	Index Linked <i>To which index is the bond linked?</i>	<input type="checkbox"/> Retail Price Index (RPI) <input type="checkbox"/> Consumer Price Index (CPI)
	<input type="checkbox"/>	Fixed Rate	
5.05 If the project is Bond Financed, the name of the Monoline Insurance Company:	n/a		
5.06 If the project is Bond Financed, the Rating of the Bond:	n/a		
5.07 Name of the Rating Agency:	n/a	Moody's	
	n/a	Standard & Poor's	
	n/a	Fitch Ratings	

<p>5.08 Equity Capitalisation: Detail the value of shareholders' funds invested in or committed in the SPV at financial close in £m.</p> <p>N.B. Detail pure equity and NOT shareholder sub-debt. Shareholder sub-debt is dealt with at Q5.15 onwards.</p>	<p>£XXX</p>
<p>5.09 Principal Banks or Bond Arranger(s):</p>	<p>NAMES WITHHELD</p>
<p>5.10 Debt Tenor:</p> <ul style="list-style-type: none"> a) Detail the number of years from financial close to final maturity of the senior debt agreement. b) Detail the repayment period and tail (years) c) Repayment profile 	<ul style="list-style-type: none"> a) 26.25 years b) Repayment period 1/7/2014 – 30/9/2037. Tail – 21 months c) Sculpted
<p>5.11 Margins, Spreads & Fees (Operation): Detail information relating to the pricing of the Senior Debt. i.e.</p> <ul style="list-style-type: none"> a) Arrangement Fee b) Commitment Fee c) Margin (please give details if it varies eg during construction and operation) d) Credit margin on interest-rate swap (or inflation swap) e) MLAs on bank debt f) For a bond, please state the benchmark gilt, the spread over the benchmark gilt, and the monoline fee <p>Margins, Spreads & Fees (Construction – Subordinated Debt Bridge): Detail information relating to the pricing of the Senior Debt. i.e.</p> <ul style="list-style-type: none"> a) Arrangement Fee b) Commitment Fee c) Margin (please give details if it 	<ul style="list-style-type: none"> a) XXX% b) XXX% (50% of Senior Debt Margin) c) XXX bps (construction & operation) d) XXX bps e) XXX bps <ul style="list-style-type: none"> a) XXX% b) XXX bps c) XXX bps

<p>varies eg during construction and operation)</p> <p>d) Credit margin on interest-rate swap (or inflation swap)</p> <p>e) MLAs on bank debt</p>	<p>d) XXX bps</p> <p>e) XXX bps</p>			
<p>5.12 Is/was a funding competition planned/held during the PB stage for the Senior Debt?</p>	<p>If yes, please provide brief details.</p>	<p>Yes</p>	<p><input checked="" type="checkbox"/></p>	<p>No</p>
<p>5.13 Key Funding Parameters: Use this space to provide key information about the terms of financing.</p>	<p>n/a</p>			
<p>5.14 Is there Shareholder Loan/Sub Debt?</p>	<p><input checked="" type="checkbox"/></p>	<p>Yes</p>	<p><input type="checkbox"/></p>	<p>No</p>
<p>Shareholder Loan / Sub Debt Details</p>				
<p>5.15 Amount: Express this in £'m.</p>	<p>£XXX</p>			
<p>5.16 Shareholder Loan – Principal Provider:</p>	<p>Amey Ventures Investments Ltd / Cespa GR (each providing 50%)</p>			
<p>5.17 Shareholder Loan – Term: Express this in number of years (from financial close to final maturity)</p>	<p>25 years</p>			
<p>5.18 Shareholder Loan – Margins, Spreads and Fees:</p>	<p>Coupon Rate – XXX%</p>			
<p>5.19 Is there Third Party Loan/Sub Debt?</p>	<p><input type="checkbox"/></p>	<p>Yes</p>	<p><input checked="" type="checkbox"/></p>	<p>No</p>
<p>Third Party Loan/Sub Debt Details</p>				
<p>5.21 Amount?</p>	<p>n/a</p>			

Express this in £m.	
5.22 Third Party Loan – Principal Provide:	n/a
5.23 Third Party Loan – Term: Express this in number of years.	n/a
5.24 Third Party Loan – Margins, Spreads and Fees:	n/a
5.25 Gearing: What is the ratio of funding sources within the capital structure, eg 90:10 for Senior Debt to Equity (subordinated debt and pure equity capitalisation)?	80.10%
5.26 IRR a) Project IRR (real pre tax) b) Project IRR (real post tax) c) Blended Threshold Equity IRR (real post tax) What is the Internal Rate of Return to Shareholders, as a percentage rate, from Equity and Sub-Debt? d) Blended Threshold Equity IRR (nominal post tax)	a) XXX% b) XXX% c) XXX% d) XXX%
N.B. There are many alternative measures. Unless specifically stated, please give the IRR after the SPV's own tax but before shareholders' tax; expressed in 'real terms' ie after removing impact of inflation – this will be lower than the 'nominal'/'cash terms' figure which includes inflation.	

APPENDIX C2 – COMMERCIAL TEAM SIGN OFF

WIDP intends to update a list from time to time setting out the issues that will need to be addressed before the close of dialogue. The list below is therefore only an indicative listing. The actual list for any individual project will also take into account any project specific issues. The Commercial Team will initiate a discussion with the Authority regarding the relevant list of issues at the beginning of the Commercial Team's engagement with the project:

Commercial Issues

1. Contractual provisions related to planning:
 - a. mitigation of liability on planning failure
 - b. capping of payment of bank debt and sub-contractor breakage costs.
2. Contractual provisions related to commissioning including:
 - a. nature and timing of readiness tests
 - b. nature and timing of acceptance tests
3. Key dates including:
 - a. planning submission,
 - b. permit application
 - c. construction start
 - d. all long stop dates
4. Authority obligations in relation to delivery of waste including:
 - a. any "exclusivity" clauses
 - b. obligations arising from the Waste Acceptance Protocol
 - c. minimum tonnage guarantees
 - d. substitute waste provisions
5. Contractors' performance obligations including:
 - a. outputs specification
 - b. performance framework
6. Authority's obligations in relation to payment for services including:
 - a. payment mechanism
 - b. maximum tonnage provisions
7. Contractual provisions relating to Contractor under-performance including:
 - a. liability for late delivery of operational commencement
 - b. liability for non-performance
 - c. termination triggers
8. Contractual provisions relating to the expiry of the term of the contract including:
 - a. Handback conditions
 - b. Non reversion of assets (where relevant)
9. Any other non-standard contractual issues/structures

Process and Deliverability Issues

1. Key aspects of financing structure including
 - a. all sources of finance
 - b. timing of execution of any interest rate swaps
2. Updated Planning Health Checklist including
 - a. an update on the status of the Development Plan Documents
3. Any other actions required by the Bidder prior to Financial Close