



PFI Waste Disposal Project
Outline Business Case

Executive Summary

Essex Waste Management Partnership

Officer Approved Version

April 2007

The Essex Waste Management Partnership is a joint initiative between Essex County Council, Southend-On-Sea Borough Council as Waste Disposal Authorities and the District and Borough Councils of Basildon, Braintree, Brentwood, Castle Point, Chelmsford, Colchester, Epping Forest, Harlow, Maldon, Rochford, Tendring and Uttlesford as the Waste Collection Authorities

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1.1 Introduction

- 1.1.1 The Essex Waste Management Partnership (the Partnership) is in the process of confronting one of the single largest legislative challenges ever presented to local authorities. Ensuring compliance with the Landfill Allowance Trading Scheme (“LATS”), the European Landfill Directive and associated national recycling legislation will require a massive undertaking that will demand skilful management and levels of capital investment in one of the largest UK municipal waste management projects. Success for the future will necessitate a radical transformation of current waste management infrastructure in the Partnership Area.
- 1.1.2 Projections for waste arisings over the next 30 years suggest unsustainably high impacts for the Partnership, both in financial and environmental terms. Historically, the majority of waste arisings have been landfilled. However, the Partnership recognises that this is no longer a pragmatic or desirable means of managing waste in the future.
- 1.1.3 In response to this challenge, Essex County Council (“ECC”), together with its twelve constituent District and Borough partners, has prepared a draft Joint Municipal Waste Management Strategy (“JMWMS”) setting out the shared approach for the development and delivery of local authority waste management services within Essex. The unitary authority of Southend-on-Sea Borough Council (“SBC”) has developed its own Municipal Waste Management Strategy (“MWMS”) and the simultaneous delivery of these Waste Management Strategies (referred to hereafter as the Strategies) will ensure that the Partnership is able to attain legislative compliance and deliver Best Value services. The Strategies are appended at Appendix 2 and Appendix 3.
- 1.1.4 This Outline Business Case (“OBC”) is an application by the Partnership for Private Finance Initiative (“PFI”) Credits to support the development of capital infrastructure (as required for the Reference Project) which is essential for the successful delivery of the Strategies, resulting in increased recycling and diversion of Biodegradable Municipal Waste (BMW) currently sent to landfill. If approved, it is expected that a PFI contract will be signed in 2009/10 for this purpose.

Summary of Key Conclusions

- 1.1.5 The key conclusions arising from this OBC are summarised below:

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- The existing service provision is not sufficient to meet the Strategies' targets;
- The Reference Project flows directly from the needs of the Strategies;
- Without the Reference Project, the Partnership will experience a 6.1 million tonne shortfall in the diversion of BMW required to meet the Landfill Directive targets;
- The Reference Project will contribute 10.6 million tonnes of Municipal Solid Waste ("MSW") recovery and divert 6.7 million tonnes of BMW from landfill over the term of the contract;
- The Reference Project represents best value for the council taxpayers of the Partnership;
- The Waste Disposal Authorities (WDAs) of ECC and SBC are committed to meeting the affordability implications set out in the Reference Project.
- The level of PFI credit being sought is £90m;
- The Partnership's project meets the Defra and Project Review Group approval criteria in full; and
- This OBC submission has the support of key stakeholders.

1.2 Strategic Context

- 1.2.1 The Partnership represents one of the largest waste disposal groupings in the UK outside of London and the Metropolitan areas and has responsibility for the management of waste from over 1.5 million residents.
- 1.2.2 In 2005/06, 816,046 tonnes of municipal waste (household and commercial) was generated in the Partnership Area. Approximately 68% of the total waste was disposed of in the county's contracted landfill sites, whilst the 32% balance was recycled and composted exceeding countywide Best Value target.
- 1.2.3 The Partnership's existing infrastructure and resources are facing severe pressure from a number of directions, including notable housing growth being imposed through Regional Spatial Strategy 14 ("RSS14"). If implemented, this will result in approximately 123,400 new homes in the Partnership Area and Thurrock by 2021, with a particular focus on the Thames Gateway and M11 corridor. Historically, municipal waste has grown in the area at 3% per annum, and whilst in recent years this rate of growth has reduced, attenuating this long term rate in the light of RSS14 will be extremely challenging.

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- 1.2.4 The Strategies set out clear visions for the development and delivery of local authority waste management services to fully address the impending pressures from national policy, legislation change and service needs of the local community, as identified through public consultation.
- 1.2.5 The broad objectives of the Strategies are to:
- Comply fully with the Landfill Directive;
 - Meet and exceed the countywide Best Value and Waste Strategy 2000 recycling, composting and recovery targets, with an aspiration to attain 60% recycling;
 - Reverse the trend in MSW growth from 3% to 2% by 2010 and to 1% by 2015 and beyond; and
 - Explore innovative disposal solutions, based on Mechanical Biological Treatment (“MBT”) technology, to assist in diverting BMW from landfill and to recycle and recover more value from residual waste.
- 1.2.6 There is clear scope for (and commitment to) collaboration between the WDAs in the interests of achieving sustainable and effective solutions for the provision of waste services across the Partnership Area.
- 1.2.7 There is a clear need to reduce carbon emissions and their associated impact on climate change, and the Partnership is in an excellent position to implement a carbon management programme. Amongst other carbon reduction initiatives, the Partnership wishes to see an increase in renewable energy derived from sources such as biomass and organic waste.

1.3 Analysis of Existing Service Provision

- 1.3.1 The current waste infrastructure in the Partnership Area includes 25 Recycling Centres for Household Waste (“RCHW”) (two of which are in Southend-on-Sea), 799 Bring Bank Sites (30 of which are in Southend), eight ‘windrow’ green waste composting sites and six landfill sites. The existing system of waste management relies heavily on landfill, with the waste collection authorities delivering residual waste direct to landfill. The associated transport incurs ‘tipping away’ costs to ECC of £1.035 million per annum in 2005/06, as no transfer arrangements currently exist to reduce transport distances for the refuse freighters.
- 1.3.2 ECC’s waste disposal services are currently delivered through separate competitively tendered contracts. Service delivery of the 23 RCHW is split North/South between two contractors, addressing all aspects of the service from

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site operation to recycling. Total service costs amounted to £39.4 million in 2005/06.

- 1.3.3 The twelve Waste Collection Authorities (WCAs) deliver varying service standards across Essex, with the majority of households receiving multi-material kerbside recycling. Seven of the councils deliver these services through in-house direct service organisations.
- 1.3.4 SBC delivers its waste services through a single contract for waste collection, recycling and disposal, amalgamated with other street scene services. The disposal element of its budget accounted for approximately £4.4m in 2005/06.
- 1.3.5 An analysis of the existing service provision clearly shows that it is insufficient to meet both the statutory Landfill Directive targets and recycling aspirations contained within the Strategies. Lack of capital investment also means that potential Gershon efficiency opportunities are being missed, particularly in respect of transport arrangements.

1.4 Options Appraisal

- 1.4.1 Following the guidelines set out in the 4Ps Waste Management Procurement Pack (4Ps Toolkit), a range of potential options were identified in order to undertake a detailed and robust comparison of service options in accordance with Best Value. As set out in the guidance, the options appraisal is designed to support the previous work identified in the development of the Strategies.

Technology

- 1.4.2 During 2002, ECC and SBC initiated the development of a waste management strategy¹. A paper was prepared by Environmental Resources Management (“ERM”) and outlined a range of options based on the use of MBT and thermal treatment and rates of recycling varying from 33% to 40% to 50%. The paper was submitted to a public consultation process (War on Waste) that provided the evidence for the support of higher recycling rates and MBT, as well as a strong opposition to mass-burn incineration.
- 1.4.3 The initial work on the technical options did not include the use of anaerobic digestion (“AD”) as a means of treating organic waste. However AD has subsequently become a deliverable solution, and thus a further study was commissioned to Enviro that evaluated AD in comparison to the previously evaluated options (including evaluating against different recycling levels set to 33%, 40% and 50%).

¹ Subsequently, Thurrock withdrew from the Partnership.

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- 1.4.4 In summary, these two reports considered the following technical options for managing waste in Essex, Southend-on-Sea and Thurrock:
- A - Landfilling;
 - B - Incineration with energy recovery;
 - C - Sorting waste with AD of the organic fraction and landfill of residues;
 - D - Sorting waste with AD of the organic fraction, production of a solid derived fuel (“SRF”) and landfill of residues;
 - E - MBT with SRF.
- 1.4.5 These options were then evaluated in both reports on the basis of a range of criteria including, environmental, financial and technical risks to the project. The criteria used align well with the criteria used in the formal BPEO. The studies used a qualitative assessment of the results to provide the overall conclusion that options C, D or E could, on the balance of environmental, cost and deliverability issues, potentially form a Best Practicable Environmental Option (“BPEO”) solution.
- 1.4.6 On the basis of the two reports and public consultation ECC agreed a policy in 2003 which is embedded in the draft JMWMS as follows: ‘That the County Council invites solutions for the long-term management of its residual waste requiring:
- The development of front end sorting to further recover dry recyclable material;
 - The development of either anaerobic digestion or mechanical biological treatment coupled, as appropriate, with the recovery of biogas; and
 - Invite contractors to identify and propose options for the management of the residual waste after treatment including the possible development of compost, soil conditioner, landfill or the use of a refuse derived fuel’.
- 1.4.7 Building on the conclusions of this analysis, the Partnership has developed a technical solution underpinning the Reference Project which includes:
- Windrow composting of green waste separated at RCHW;
 - AD of kerbside collected organic fractions to produce a PAS100 compliant compost and biogas to produce renewable energy;

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- Materials recovery facilities (“MRF”) based on sorting technology for processing of the co-mingled kerbside collected dry recyclables;
- MBT of the residual waste with sorting to generate a SRF for use in an energy facility with landfill of the reject fractions.

Performance Specification

- 1.4.8 Evaluation of the performance specification was undertaken as part of the BPEO analysis undertaken by AEA Energy and Environment. This took into account the changes in regulations that had taken place since the development of the Strategies. Three performance levels were tested; “Do Minimum”; “Meets Best Value Performance Indicator” (“BVPI”); and “Exceeds BVPI” which achieved 50% recycling.
- 1.4.9 The results of this analysis showed that whilst the “Meets BVPI” scenario does provide the required LATS performance during the majority of the contract period, it operates closer to the targets and thus provides less margin of error. For example, if the MBT LATS diversion performance is less than anticipated, this could carry a substantial risk of LATS liabilities. In the light of this analysis, and to meet the aspirations of the Strategies, a high recycling / “exceeds BVPI” performance specification has been adopted by the Partnership. The 51% recycling performance projected in this OBC is underpinned by an aspiration to attain 60% recycling over the term of the contract, to be progressed through education programmes, further increasing participation in kerbside collection schemes.

Spatial Distribution of Facilities

- 1.4.10 Further analysis was performed to evaluate the spatial distribution of facilities. Three project structures were developed that were based around the number of major residual waste management facilities employed to deliver the service. This analysis was conducted using the same “Meets BVPI” (33% recycling) and “Exceeds BVPI” (50% recycling) performance specifications.
- 1.4.11 Whilst the BPEO analysis concluded that single or two site scenarios could form the BPEO for the Partnership Area, it did not allow a conclusion to be drawn between a one or two-site approach. Consideration of site acquisition and planning risks associated with each option were therefore required to inform the preferred approach.
- 1.4.12 The sites for major facilities used in the assessment are all sites identified in the Essex and Southend-on-Sea Waste Local Plan (“the Waste Local Plan”), adopted in September 2001, as preferred locations for major waste management

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facilities, and therefore have reasonable prospects in terms of obtaining planning consent for the purpose outlined. However, whilst a single site for residual waste processing could provide a financially efficient solution, the Partnership believes that reliance on a single site would have a number of associated issues which could deem it unsuitable as a Reference Project structure, including:

- A single site could encounter substantial planning difficulties due to the large traffic movements allied to a facility of the capacity envisaged to serve the whole of the Partnership;
- Reliance on a single site would place all the 'eggs in one basket' in terms of delivering the site; and
- The technical and operational risks of a plant the scale of a single facility serving the whole Partnership Area would be unprecedented in European terms, which would render the Reference Project 'un-bankable' from an industry perspective.

System Performance

1.4.13 Figures 1.1 and 1.2, below, show that the technical solution underpinning the Reference Project, when combined with the interim contract currently being procured by the Partnership will deliver:

- 39.5% recycling by 2008, 45% by 2012 and over 50% by the end of the contract; and
- LATS compliance or over-performance in each year of the contract.

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Figure 1.1: Recycling Performance

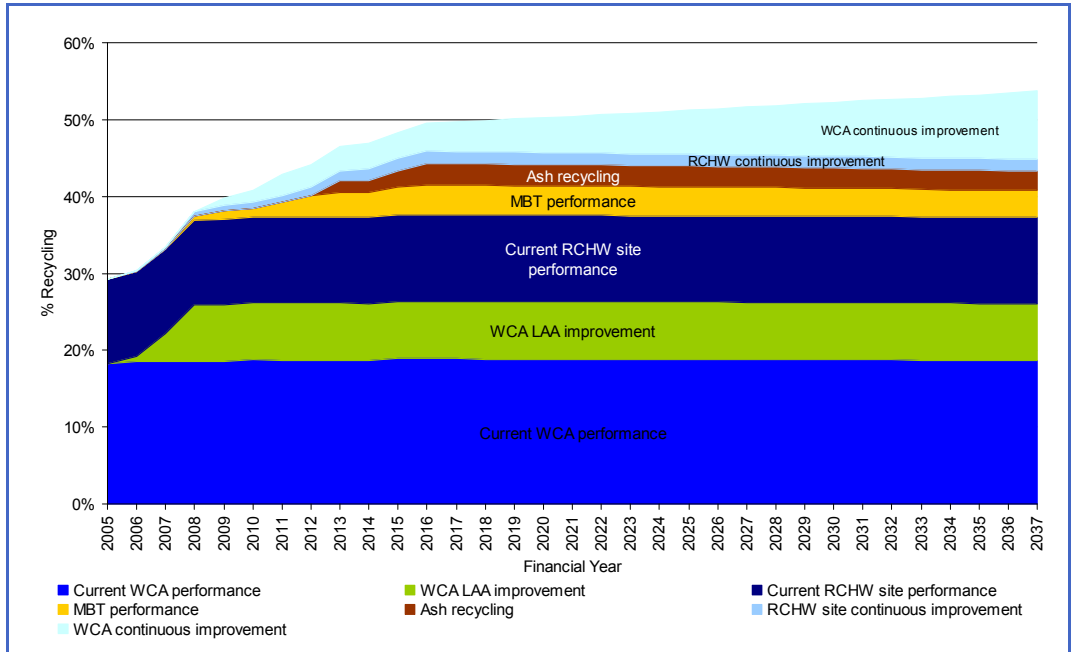
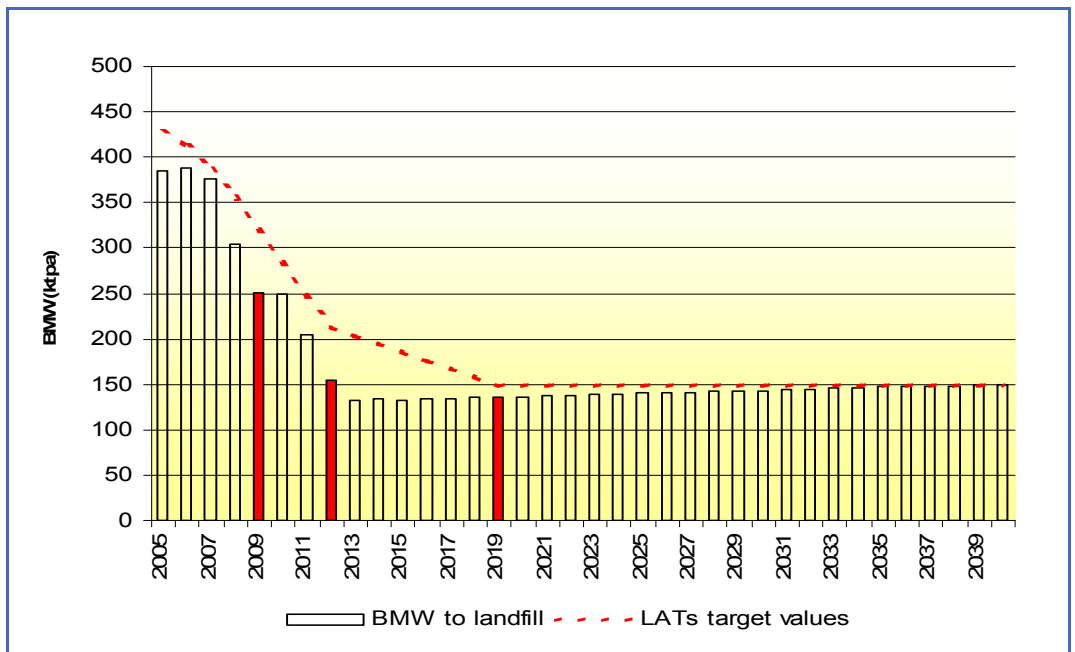


Figure 1.2: Diversion Performance



1.5 PFI Project Scope

1.5.1 Table 1.1, below, summarises the treatment of the principal services to be included within the PFI contract.

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Table 1.1: Treatment of Principal Services

Service Element	PFI Contract	Separate Procurement
Collection		✓
Composting Capacity		✓
RCHW		✓
Transfer Station (Design and Build)		✓
Transfer Station (Operate)	✓	
MRF	✓	
MBT	✓	
SRF energy plant	✓	
AD	✓	
Landfill		✓

1.5.2 The scope of services included within the Reference Project meets the criteria published by Defra in May 2006. There is a clear focus on high capital value residual treatment infrastructure within the project, and additional facilities and services are included only where there are clear advantages to the Partnership in terms of value for money, risk transfer and improved deliverability. The soft market testing exercise conducted in conjunction with Defra in September 2006 (discussed in greater detail in Section 7.4.46) confirms that there is substantive market interest in the project including the following non-residual waste service elements:

1.5.3 The principal infrastructure within the scope of the Reference Project comprises 2 MBT plants, 2 AD plants, 2 MRFs and a SRF energy plant. Given the current limited capacity of the SRF market, the recognised need for security of SRF outlets, and the climate change objectives of the Partnership in increasing renewable energy derived from sources such as biomass and organic waste, the Partnership has approved a project which includes SRF energy recovery capacity within Essex as part of the Reference Project, in the event that sustainable long term markets for the SRF are not available. The Partnership will continue to explore combined heat and power plant development opportunities to further enhance the environmental performance of the project.

1.5.4 The Partnership is certain that the project specific operational practicalities dictate that MRF infrastructure is included within the Reference Project. This approach is supported by the outcomes of the September 2006 soft market

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testing, where ten of the fourteen companies who responded to the issue agreed that, on balance, there was net benefit to an integrated approach to developing waste management facilities on the two primary sites.

- 1.5.5 The Partnership’s intention is to identify and secure transfer station capacity prior to, and independent of, the Reference Project by securing sites and commissioning the design and build of transfer station infrastructure. In developing the transfer stations prior to the operation of the MBT plants, the Partnership is removing from the PFI contractor the responsibility for seeking sites, submitting planning applications and developing a number of low capital value facilities.

1.6 Value for Money

- 1.6.1 A Value for Money (“VfM”) analysis has been undertaken to assess whether a PFI solution could deliver value for money when compared to a traditional procurement.
- 1.6.2 The VfM analysis has been performed in accordance with the “HM Treasury Value for Money Assessment Guidance” as issued in November 2006 and the “Supplementary VfM Guidance for Waste PFI” prepared by Partnerships UK (“PUK”) for Defra in November 2006. The analysis confirms PFI as offering the potential to deliver value for money for the project. The base case results are set out in table 1.2, below:

Table 1.2: Indicative PFI Value for Money Results

	PSC NPC £000’s	PFI NPC £000’s
Base Case Scenario (18% pre-tax IRR)	1,367	1,178
Indicative PFI value for money %		13.87%

1.7 Affordability

- 1.7.1 A summary of the cost of the waste management system underpinning the Reference Project, including those services which fall outside the scope of the Reference Project, and the Do Minimum option is set out in table 1.3, excluding revenue support from PFI credits. The table demonstrates that the cost saving to the Partnership WDAs of implementing the Reference Project is approximately £755 million over the term of the contract, where landfill allowances penalties are assumed to be trading at £150 per tonne. The Reference Project and Do Minimum option are equivalent in nominal cost terms when landfill allowances trade at £27 per tonne.

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Table 1.3: Reference Project and Do Minimum Comparison

Essex Waste Partnership	Do Minimum	Reference Project	Difference
	£'000	£'000	£'000
Reference Project	-	2,417,920	(2,417,920)
Additional 'System' Costs	2,892,651	1,243,192	1,649,459
Landfill tax	984,748	382,698	602,050
Landfill allowance costs	921,916	-	921,916
Total nominal costs	4,799,315	4,043,810	755,505

- 1.7.2 Table 1.4, below shows the affordability gap for the Reference Project, taking into account the revenue support from PFI credits.

Table 1.4: Reference Project Affordability Gap and Do Minimum Comparison

Essex Waste Partnership	ECC	SBC	Total
Nominal Costs and Revenues	£'000	£'000	£'000
Total Nominal Costs	3,692,166	351,644	4,043,810
PFI Revenue Support	158,364	15,978	174,342
Projected Budgets ²	1,948,788	261,134	2,209,922
Affordability Gap	1,585,014	74,532	1,659,546
Annualised Affordability Gap³	55,614	2,615	58,230
Annualised Affordability Gap for Do Minimum³	86,451	4,405	90,856

- 1.7.3 The Partnership is committed to funding the affordability gap identified in order to make the project deliverable over the life of the contract. [This has been demonstrated by the approval of this OBC by the full Councils of both ECC and SBC] following a detailed assessment of the financial implications of the project. ECC have set up a sinking fund provision and is setting aside funds to meet the future costs of the project. SBC is actively seeking solutions to the funding gap which may include the use of sinking funds in future years, as illustrated in the graphs below:

² Project budgets takes the existing budgets for 2007/08 and inflates each year at RPI

³ Annualised affordability gap is calculated as total affordability gap divided by the Contract Term (28.5 years)

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Figure 1.3: Budgetary Provision for ECC

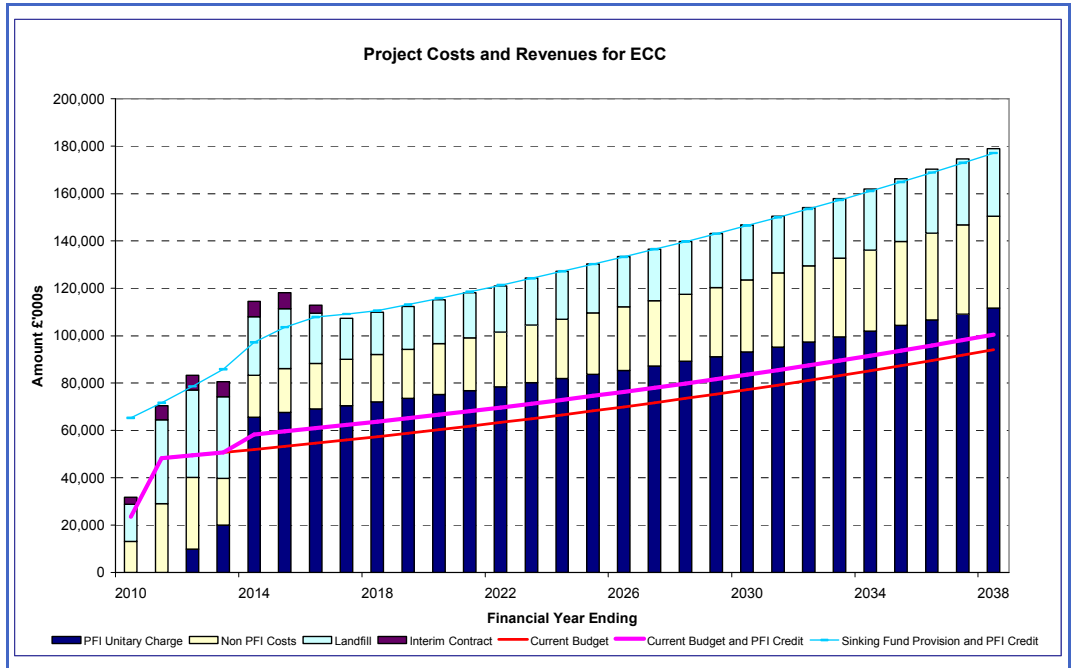
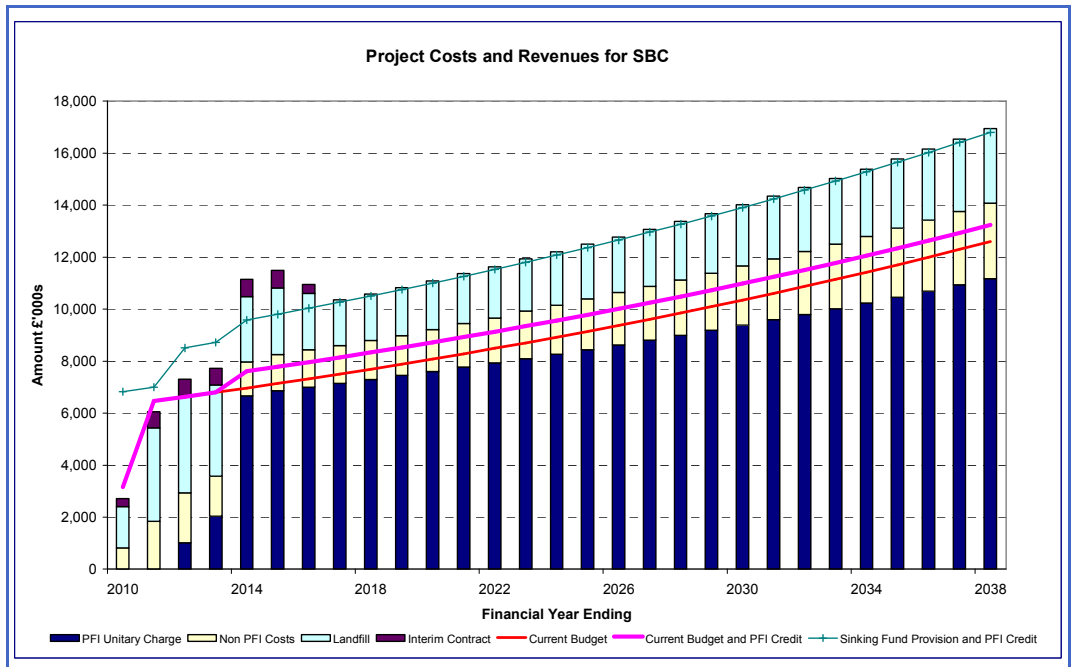


Figure 1.4: Budgetary Provision for SBC



1.8 Delivering the Project

1.8.1 The Partnership has made significant progress in mitigating key deliverability risks to the project. Procedures exist for the identification, documentation, assessment and mitigation of risks to the procurement process. Section 7 details

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the progress the Partnership has made in addressing the Project's key deliverability issues. Three key risk categories within the Project summarised here are:

- Technology risk;
- Markets for MBT outputs; and
- Approval for sites and planning deliverability.

Technology Risk

- 1.8.2 The facilities modelled in the Reference Project are based on the bio-drying systems for producing SRF. There are a number of reference facilities around the world using this type of technology. The risk associated with the technical performance of the facility will be borne by the contractor through the performance requirements in the specification and payment mechanisms. For the purpose of the Reference Project, the SRF energy facility is based on well-established technology that will allow an element of multi-fuel capability. Such technology has operated for a number of years in Scandinavia and in the UK. Similar to the MBT facility the contractor will take on the risk of the technology performance through the performance requirements and the payment mechanism.

Markets for MBT Outputs

- 1.8.3 The Partnership recognises current market concerns regarding the ability to secure end markets for MBT outputs. In relation to the SRF, the Partnership has recognised that owing to the number of other local authorities planning to procure facilities that will generate SRF, and the limited existing capacity for utilising SRF, it is likely that the net amount being produced may be in excess of UK capacity and therefore the component of the MBT output. The Reference Project includes a dedicated energy plant at the Rivenhall site. However, the Partnership is exploring other opportunities that may result in energy production being based alongside other industrial developments so that the Combined Heat and Power ("CHP") benefits can be optimised.
- 1.8.4 As the procurement progresses, the Project Team will continue to investigate other alternatives for the use of SRF which include, but are not limited to, the following:
- Potential use by paper and cement industries;
 - Industrial, commercial and domestic heating supply industries; and

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- Regional facilities which may be developed in conjunction with other authorities in the East of England (see below).

1.8.5 In addition to the scope of technology included in the Reference Project, as a parallel activity, the programme has established a workstream to investigate the opportunities for working with neighbouring WDAs and the commercial sector on shared regional or sub-regional facilities.

Site Availability and Planning

1.8.6 The Partnership has concluded that an approach utilising two principal facilities, one in the north and one in the south of the county, is likely to offer the BPEO. Two principal sites are therefore required in order to deliver the project. It is acknowledged that a number of potential contractors will have control of suitable sites in the Partnership Area, and that these may be brought forward by contractors as part competitive dialogue process. In the light of this the principal aims of the Partnership's site strategy are to:

- Create a level playing field such that contractors without existing sites are not deterred from bidding for the project or disadvantaged as part of the procurement process; and
- Internalise and manage, as far as practicable, the deliverability risks to the project associated with site availability and planning, recognising that, in a number of respects, the public sector is best placed to manage these risks.

1.8.7 The Waste Local Plan was prepared in accordance with the statutory plan-making process, including a statutory consultation process. The draft of the Waste Local Plan was examined in November 1999 - January 2000.

1.8.8 The adopted Waste Local Plan identifies six "preferred locations for waste management" across the Partnership Area, and two of these locations are the preferred locations for the residual waste treatment plants as part of the Reference Project.

South Area Site Deliverability

1.8.9 Of the six preferred locations, only one is situated in the South of the Partnership Area and this is at Courtauld Road in Basildon. Consequently, in order to provide a level playing field for potential contractors, ECC has secured a controlling interest in this site as set out below. There are a number of constraints on the development of the site, for example, it is located within a functional flood plain, and part of the site is of importance for nature conservation. However, the landowner intends to maximise the utilisation of the Courtauld Road site by relocating the flood plain and ecological issues present on the site to an adjacent

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area north of the A127, which the landowner has a contract to buy. The landowner will undertake all the necessary engineering, flood plain and ecological works to make the Courtauld Road site ready for development.

- 1.8.10 ECC and the freehold owner of the Courtauld Road site have submitted a joint planning application for a MBT/AD plant and a MRF facility. This is due to be determined in July 2007.
- 1.8.11 Under the structure agreed with the landowner, ECC will receive a long-term leasehold interest in the site with an option to extend. Contemporaneously with entering into this lease, ECC shall enter into a works agreement with the landowner for all enabling works on the site. This will secure the delivery of a fully developable site by early in 2011 which is in sufficient time to enable the successful bidder to the major long-term waste infrastructure procurement to commence construction of the treatment facilities. A high level delivery schedule and a stage 1 detailed programme can be found in Appendix 23.
- 1.8.12 The Partnership recognises that the successful PFI contractor will need to submit its own planning application for the actual facilities that will be delivered on site, and has incorporated this activity in estimating the project delivery timeline. However, the detailed nature of the application for planning permission submitted for this site should provide the PFI bidder with significantly greater confidence of site planning deliverability if planning is successful.

North Area Site Deliverability

- 1.8.13 The remaining five sites identified in the Waste Local Plan are in the north of the Partnership Area. Of these, two (Stanway in Colchester, and Sandon in Chelmsford) are owned by, or are in the control of, waste management companies. A third site (at Rivenhall) is in the hands of a private landowner (Gent Fairhead & Co Limited) who is prepared to make the site available as part of the PFI project (see details below).
- 1.8.14 The fourth site in the northern area is a relatively small site located at North Weald Airfield and since the adoption of the Waste Local Plan, the Government's Sustainable Communities Plan has identified the locality as part of the wider London-Stansted-Peterborough-Cambridge growth area. The final site at Whitehall Road in Colchester is not considered to be deliverable due to known ecological and environmental contamination problems, traffic access issues, and it is in relative close proximity to residential property.
- 1.8.15 The Partnership has recognised for some time that access to sites in the North of Essex has the potential to influence the availability of sufficient competition for the procurement, and that it is of critical importance that a deliverable site in the

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North Area be identified as available to all potential bidders on competitive terms. This was confirmed by the results of the September 2006 soft market testing event, where bidders raised concerns over the perceived lack of access to sites in the North. In the light of these concerns, the Partnership is implementing a strategy to manage these risks as far as practicable within the project, in terms of:

- Progressing actions to secure that the Rivenhall site is made available to all bidders, and on terms commercially acceptable to the Partnership;
- WDAs supporting applications for planning permission on other sites identified in the Waste Local Plan; and
- The development of a lots based approach to the procurement of the PFI, such that in the event that access to Rivenhall cannot be achieved on acceptable terms, competition risks in the North Area are ring-fenced and competition for the South Area is protected.

- 1.8.16 Discussions have been held with the landowner, Gent Fairhead & Co. Limited, and these have confirmed the desire of the owner to see the Rivenhall site developed as part of the procurement. In respect of the terms upon which Gent Fairhead will make the site available to potential bidders for the project, ECC recognises the concerns raised by Defra in respect of the need to ensure that the terms proposed do not breach any procurement or competition legislation.
- 1.8.17 ECC together with its professional advisors have made it clear to Gent Fairhead since the first approach by the company in 2004 that any potential arrangement to make the site available on a basis other than a lease would need to satisfy procurement legislation and in particular the underlying principles of transparency, openness and equal treatment.
- 1.8.18 Gent Fairhead has signed a letter of support for inclusion within this OBC, detailing its willingness to make the Rivenhall site available on an open and transparent basis to all bidders. This is included at Appendix 24.
- 1.8.19 On 30 March 2007 Gent Fairhead, was granted planning permission (subject to approval by Secretary of State) for the development of a MBT/AD and a MRF facility on the site to treat up to 510kt of waste. In respect of the planning process for the SRF plant on Rivenhall, the Partnership can confirm that it has raised these issues with Gent Fairhead who are willing to accept the development of an SRF plant on the Rivenhall site.
- 1.8.20 ECC is arranging a further series of meetings to commence shortly with a view to agreeing outline commercial terms. These will then be sent to representatives from industry who attended the soft market testing event on 29 September 2006.

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- 1.8.21 This approach will ensure that by July subsequent information can be presented to confirm the commercial terms to be included in the project for the use of the Rivenhall site, along with evidence from the market that such terms are acceptable to a sufficient cross section of potential bidders.
- 1.8.22 The backstop position for the Partnership is that if insufficient market interest is demonstrated in Rivenhall in the context of the terms negotiable with Gent Fairhead, the Partnership will retain the option to exercise a two area lot based procurement with separate lots for the North and South of Essex. This flexibility will be included in the Official Journal of the European Union (“OJEU”) notice for the project.

1.9 Project Management and Stakeholder Engagement

- 1.9.1 The Partnership has extensive experience of managing major waste management procurement projects and ECC, which will be the lead authority, has significant experience of other major infrastructure procurements, including successfully concluded PFI projects. The Partnership is therefore well placed to effectively manage a project of this nature. The project will be managed in line with the Prince II management framework:
- Key decisions will be made through a project board (“Project Board”) whose role will be to steer and monitor the Project’s progress and provide a forum for cross-functional organisational decision, removing obstacles and resolving issues;
 - The Area Joint Committees, made up of elected members, have significant delegated powers for the design and procurement of an integrated waste management system for the Partnership, and Joint Committee decisions are subject to the scrutiny arrangements of each of their parent authorities;
 - The project will be managed on a day-to-day basis by the Project Team led by a Programme Manager who will report to the Project Director;
 - External advisers have been appointed for the procurement and report to the Programme Manager.
- 1.9.2 A high level procurement timetable is provided below which assumes OBC approval at the Project Review Group in September 2007.

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Table 1.5: Procurement Timetable

Action	Date
Refer Officer draft OBC to Defra.	30.04.07
Formal submission of OBC	01.08.07
Sign affordability commitment letter.	31.07.07
Project Review Group approval of OBC.	18.09.07
Publication of OJEU notice	01.10.07
Pre Qualification Questionnaire (PQQ) return	12.11.07
Open Competitive Dialogue	20.12.07
Invitation to Submit Outline Solution (ISOS) return	30.01.08
Invitation to Submit Detailed Solution (ISDS) released	07.05.08
ISDS returned	04.09.08
Final solution returned	09.02.09
Preferred bidder appointed	10.04.09
Financial close	01.10.09

1.10 Support and Commitment

1.10.1 The Partnership has provided a high level of evidenced support and commitment to the overall procurement approach through Joint Committee resolutions endorsing the approach. Critically this OBC has been endorsed by the Partner authorities in the following way:

- [A joint letter of support committing to deliver the project has been signed by the Leader and the Chief Executive of both ECC and SBC, and the supporting minutes from the respective full Council approvals are appended at Appendix 6];
- [A letter of support from each of the three Area Joint Committees signed by the Joint Committee Chairman on behalf of each of the constituent WCAs demonstrating the WCAs support and commitment to the Reference Project];
- [A Memorandum of Understanding (the principles of which have been endorsed by each of the Area Joint Committees) has been signed on behalf of the twelve constituent WCAs by each Joint Committee Chairman, reiterating the WCAs' commitment to reach the stretched recycling targets contained in the Local Area Agreement ("LAA") and thereafter to maintain that rate (a copy of which is included at Appendix 4)];

Executive Summary

- [A resolution by the Area Joint Committees supporting the overall procurement strategy, minutes of these meetings are included in Appendix 8]; and
- Heads of terms agreed between ECC and SBC which will form the basis of a formal Joint Working Agreement and PFI inter authority agreement (a copy of which is included at Appendix 5).

1.11 Conclusions

- 1.11.1 The strategic and financial evaluation of options for waste disposal shows that the Reference Project will provide the greatest deliverable environmental benefit for the Partnership, while meeting the needs of the stakeholder aspirations and exceeding legislative demands. However, the additional costs associated with delivering the project cannot be funded from the Partnership's own resources alone, and the project is only achievable if this application for PFI credits is successful.
- 1.11.2 If PFI credits were allocated, this investment would deliver key elements of waste management infrastructure that are integral to the successful delivery of the Strategies. In turn, the project would unlock a more sustainable waste management future for the Partnership Area, making a significant contribution to the ability of England and Wales to meet its obligations under the Landfill Directive.

Glossary

The following abbreviations apply in this document.

Term	Definition
4Ps	Public Private Partnership Programme
AD	Anaerobic Digestion
ADSCR	Average Debt Service Cover Ratio
BMW	Biodegradable Municipal Waste
BPEO	Best Practicable Environmental Option
BVPI	Best Value Performance Indicator
CapEx	Capital Expenditure
CA site	Civic Amenity Site (this is still mention in some of the diagrams)
CFT	Call for Final Tender
CHP	Combined Heat and Power
DBFO	Design, Build, Finance, Operate
DCLG	Department of Communities and Local Government
Defra	Department for Environment, Food and Rural Affairs
DR4	Dynamic Respiration Test
DSO	Direct Service Organisation
ECC	Essex County Council
EIA	Environmental Impact Assessment
EfW	Energy from Waste
EPC	Engineer, Procure and Construct
ERM	Environmental Resources Management
EU	European Union
FBC	Final Business Case
FoE	Friends of the Earth
FRS5	Financial Reporting Standard 5
FSW	Final Sorting Waste
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IAA	Inter Authority Agreement
IRR	Internal Rate of Return

Glossary

Term	Definition
ISDS	Invitation to Submit Detailed Solution
ISOS	Invitation to Submit Outline Solution
IVC	In-vessel Composting
JMWMS	Joint Municipal Waste Management Strategy
JWA	Joint Working Agreement
KAT	Kerbside Analysis Tool
KPI	Key Performance Indicators
kt	Kilo Tonnes
ktpa	Kilo Tonnes Per Annum
LA21	Local Agenda 21
LAA	Local Area Agreement
LASU	Local Authority Support Unit
LATS	Landfill Allowance Trading Scheme
LIBOR	London Inter-Bank Offer Rate
MBT	Mechanical Biological Treatment
MCM	million cubic metres
MORI	Market and Opinion Research International
MoU	Memorandum of Understanding
MRF	Material Recovery Facilities
MSW	Municipal Solid Waste
MWMS	Municipal Waste Management Strategy
NGO	Non Governmental Organisations
NPC	Net Present Cost
OBC	Outline Business Case
OGC	Office of Government Commerce
OJEU	Official Journal of the European Union
OpEx	Operating Expenditure
ORA	Organic Resource Agency
PFI	Private Finance Initiative
PPP	Public Private Partnership

Glossary

Term	Definition
PSA	Public Service Agreement
PSC	Public Sector Comparator
PUK	Partnerships UK
PWLB	Public Works Loan Board
RCHW	Recycling Centre for Household Waste
ROCs	Renewable Obligation Certificates
RPG9 2001	Regional Spatial Strategy
RPI	Retail Price Index
RSG	Revenue Support Grant
RSS14	Regional Spatial Strategy
SBC	Southend-on-Sea Borough Council
SMT	Soft Market Test
SPV	Special Purpose Vehicle
SRF	Solid Recovered Fuel
SOPC3	Standardisation of PFI Contracts – Version 3
SOPC4	Standardisation of PFI Contracts – Version 4
Strategies	Draft JMWMS (Essex) and MWMS (Southend-on-Sea)
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
VfM	Value for Money
WCA	Waste Collection Authority
WDA	Waste Disposal Authority
WET Act	Waste and Emissions and Trading Act
WLP	Waste Local Plan
WoW	War on Waste
WRAP	Waste and Resources Action Programme

