

**CABINET – 8 APRIL 2008**

**PROCUREMENT OF LONG TERM WASTE MANAGEMENT  
TREATMENT FACILITIES**

**REPORT OF THE DIRECTOR OF HIGHWAYS,  
TRANSPORTATION AND WASTE MANAGEMENT**

**PART A**

**Purpose of Report**

1. To obtain Cabinet approval for the submission of an Outline Business Case (OBC) to the Department of Environment, Food and Rural Affairs (Defra) for Private Finance Initiative (PFI) credits to support the proposed procurement of long term waste management treatment facilities.

**Recommendations**

2. It is recommended:
  - (a) that approval be given to the approach of funding the procurement of new waste management infrastructure through the Private Finance Initiative (PFI) process and that in order to achieve this end, an Outline Business Case (OBC) is prepared and submitted to Defra by the end of April 2008.
  - (b) that authority be delegated to the Director of Highways Transportation and Waste Management (in consultation with the Lead Member ) to settle the final content of the OBC
  - (c) that approval be given to the affordability implications of the OBC and of entering into a PFI contract for the treatment of residual waste and to confirm a commitment to fund the affordability gap as set out in this report
  - (d) that approval be given to the submission of the OBC in the knowledge that the duration of the procurement process and the prevailing economic conditions at contract close may affect the financial position set out in the report and that any requirement for additional funding will be met by the County Council, possible scenarios are shown in the Price Sensitivity Analysis contained within Part B of this report.

- (e) that it be noted that the submission of the OBC will be based on a reference project including a reference site and technology with no implication that these constitute the County Council's final preferred options at this stage.
- (f) that it be agreed that the procurement will proceed on an open output specification which is neutral in terms of technology and site.
- (g) that it be agreed that the procurement will proceed based on using HM Treasury's Standardisation of PFI Contracts version 4 (SoPC4) and that the risks allocated between the parties to the Contract will reflect the standard SoPC4 and Office of Government Commerce (OGC) positions.
- (h) that it be agreed that the Director of Highways, Transportation and Waste Management in consultation with the County Solicitor be authorised to finalise the terms of the Statement of Understanding (SoU) to be concluded with each of the District/Borough Councils in support of the County Council's OBC and to execute any document needed to give effect to this decision.
- (i) that the intention to bring a further report to Cabinet in advance of commencing the procurement process regarding the project evaluation criteria be noted.

### **Reason for Recommendations**

3. In order to satisfy the requirements of the national, regional and Leicestershire waste management strategies together with the European Landfill Directive, it is essential that new waste management facilities are delivered to provide an alternative to landfill disposal. Following approval of the Expression of Interest (EoI) for PFI credits submitted to Defra in September 2007, the County Council has been developing its OBC based on Defra contributing PFI credits of a minimum of 50% of the relevant capital investment value of the waste management facilities. Submission of an OBC forms the next stage in taking the procurement process forward.

### **Timetable for Decisions (including Scrutiny)**

4. The following gives an indication of the current timetable for the procurement process. This timetable has been updated since it was last reported to Cabinet on 24 July 2007 and is based on the minimum period to complete the procurement process following advice received from Defra and the County Council's external advisors. It is evident from the risk assessment process carried out to date, and referred to later in this report, that there are a number of key risks that could impact adversely on the project and lead to delays. Any delay could have a significant adverse financial impact through failure to meet the Landfill Directive targets. Some of the risks can be planned for and mitigation

taken to reduce their likelihood. However, some remain outside the direct control of the County Council.

<b>Activity</b>	<b>Target Date</b>
OBC submission to Defra	April 2008
Defra/PRG approval of OBC	August 2008
Start procurement process (OJEU Notice issued)	September 2008
Complete Pre-Qualification Stage	October 2008
Start competitive dialogue	October 2008
Selection of Preferred Bidder	February 2010
Award Contract	May 2010

### **Planning Timetable**

- The County Council, as the waste planning authority is required to prepare a Minerals and Waste Development Framework. This work is progressing in parallel with the waste procurement process and the timetable for production is presented below.

<b>Task</b>	<b>Target Date</b>
Consultation on Spatial Options	October – November 2007
Preparation of Core Strategy submission documents	December 2007 – May 2008
Submission of Core Strategy published	June - July 2008
Pre-Hearing Meeting on Core Strategy	October 2008
Public Hearing into Core Strategy	January 2009
Inspector's Report on Core Strategy	July 2009
Check and consider Inspector's report on Core Strategy	August – September 2009
Adoption of Core Strategy	October 2009
Site Allocations Programme	Mid 2009 – Early 2011

Note: The timetable may be subject to change pending proposed amendments to planning regulations.

### **Policy Framework and Previous Decisions**

- The long-term waste procurement project stems from implementation of the revised Leicestershire Municipal Waste Management Strategy (LMWMS) adopted in 2006. In July 2006, the revised Leicestershire Municipal Waste Management Strategy was adopted by all the partnership local authorities including the County Council.
- On 24 July 2007 the Cabinet approved the submission of an Expression of Interest (EoI) to Defra as the first stage in the process for obtaining PFI credits to support the procurement of new waste management facilities.

8. The Cabinet, at its meeting on 3 March 2008, considered and welcomed a report of the Scrutiny Review Panel on the Procurement of Waste Treatment Facilities that had previously been considered by the Environment Overview and Scrutiny Committee on 28 February 2008. The Panel had produced a report identifying a number of recommendations seeking to influence the production of the Outline Business Case as part of the next stage of the procurement process. The Cabinet requested the Director of Highways, Transportation and Waste Management to ensure that the findings of the review are acted upon.

### **Resource Implications**

9. The Government's approach to ensuring local authority compliance with the Landfill Directive has been through financial penalties and the introduction of the Landfill Allowance Trading Scheme (LATS). Failure to comply with the scheme could mean penalties of £150 per tonne of biodegradable waste in excess of the specified targets, together with a share of any European fines (up to £500,000 per day). In addition, landfill tax will increase by £8 per tonne per year until it reaches £48 per tonne in 2010, the latest Budget confirmed increases will continue after this date but did not indicate by how much.
10. The County Council will pay in excess of £6m in landfill tax during 2008/09. This will rise by a further £1.0m in 2009/10, despite the diversion provided by the interim treatment.
11. The expectation is that landfill tax will continue to rise until disposal costs becomes prohibitive when compared to treatment. So although the primary arguments for moving away from landfill are environmental if the trend in government policy continues it is likely that failure to develop alternative treatment facilities for treatment of waste will be more costly. Development of treatment facilities will reduce financial uncertainty, ensuring that costs that are outside of the Council's control have less impact.
12. As part of the creation of the Outline Business Case for Defra the financial modelling has been updated to compare the reference project (EfW) against the MBT option and the "Do minimum" scenario of continuing to use landfill disposal. The reference project continues to be the best financial option for the Council, both in terms of total expenditure and the accompanying reduction in financial uncertainty mentioned above. However, it should be noted that if the market for outputs is developed in future, MBT technologies may have the potential to be judged much more favourably, on economic grounds, in the actual procurement process. Currently the outputs from the MBT process are assumed to require disposal to landfill or treatment in a purpose built EfW plant.

13. The capital expenditure to prepare for and build the EfW facility plus a transfer station is forecast to be £140m (£110m at 2008 prices). Under Defra's revised methodology for awarding PFI credits the Council will receive 50% of the contractor's capital repayments plus related interest. This equates to a credit award of £87m, which would result in grant of £6.4m per annum, calculated on an annuity basis.
14. Financial analysis has been performed that confirms that the value of PFI credits is sufficient to outweigh the cheaper funding available to the Council from Prudential Borrowing. Additional benefits are gained from PFI procurement due to a greater degree of risk transfer to the private sector.
15. The updated financial modelling compared the cost of the reference project to the provision in the MTFs. This demonstrated that sufficient budget has been provided to pay for the increase in the total cost of waste management when the facility opens in 2015/16, assuming inflation increases continue after 2010/11. This covers all waste costs including; minimisation initiatives, increasing recycling to 58% and the payment of the PFI contract.
16. After 2015/16 the cost of waste management is expected to continue to increase quicker than inflation due to the impact of housing growth on the volume of waste. However the large portion of fixed costs within the PFI contract does help to mitigate this.
17. To perform the financial analysis a series of assumptions have been made about factors that are outside of the control of the Council, which could impact upon both the forecast cost of the reference project and the cost of landfill disposal. Defra requires that a number of scenarios are modelled to illustrate the possible impact, so that members are aware that the final cost to the Council could be higher than expected. It is possible that one or more of these scenarios materialises, causing growth in waste budgets on top of the provision in the MTFs. It is also important that members appreciate that once PFI credits are awarded they will only increase if there is a material change in the nature of the project, for example additional diversion from landfill. The Council has to fund the implications of variations to the original estimates.
18. Section B of the report contains further information about both the affordability position for the Council, the costs of procurement and the results of the financial scenarios. As the Council will incur significant costs in advance of the PFI contract being signed it is vital that members understand the financial implications and uncertainty of the process being entered into.
19. The resource implications section of this report has been written in conjunction with the Director of Corporate Resources.

### **Circulation under Sensitive Issues Procedure**

A copy of the report has been circulated to all Members under the Members Information Service.

### **Officers to Contact**

Holly M Field           Tel: 0116 3058101  
E-mail: [hmfield@leics.gov.uk](mailto:hmfield@leics.gov.uk)

Harold Yates           Tel: 0116 3058387  
E-mail: [hyates@leics.gov.uk](mailto:hyates@leics.gov.uk)

## **PART B**

### **Background**

20. Leicestershire has a clear vision for sustainable waste management and resource use, setting out to reduce waste, reuse waste, increase recycling and composting, recover value from non-recycled waste and significantly reduce the amount of waste going to landfill.
21. Developments in Government policy and regulation have also introduced key financial drivers to facilitate a reduction in the amount of waste going to landfill. The rate of increase in landfill tax has been accelerated from £3 per tonne to £8 per tonne per annum from April 2008 until March 2011.
22. The Landfill Allowance Trading Scheme (LATS) was introduced in 2005/06 as a mechanism for ensuring compliance with the European Union targets on the reduction of biodegradable waste sent to landfill. Leicestershire has been issued with an ever decreasing number of LATS permits. Permits can be bought from other local authorities at a price determined by market forces. A penalty of £150 per tonne is payable for each tonne of waste landfilled without a permit. Penalties become a reality if there are insufficient permits nationally to cover the total amount of waste landfilled.
23. If the UK as a whole fails to meet its EU targets for the diversion of biodegradable municipal waste, the European Parliament can impose fines of up to £500,000 a day. The UK Government has indicated that it may pass on those fines to the local authorities failing to meet their landfill diversion targets.
24. The revised Leicestershire Municipal Waste Management Strategy (LMWMS) was adopted by all the partnership local authorities including the County Council in July 2006. The LMWMS sets out three key areas for action to deliver the core strategy:
  - Waste Prevention and Re-use
  - Recycling and Composting
  - Residual Waste Management
25. The LMWMS includes proposals to meet the short, medium-term and long-term residual waste treatment requirements of the County Council. A separate procurement process has been carried out to secure interim treatment capacity to contribute towards meeting the 2009/10 and 2012/13 landfill directive targets. On 18 December 2007, the Cabinet approved the award of a contract to develop this new interim treatment capacity based on a mechanical biological treatment (MBT) facility capable of processing up to 50,000 tonnes of household waste per annum. It is anticipated, subject to planning approval being granted, that this new facility will become operational in 2009/10.

26. The main aim of the long-term procurement project is to procure a waste management contract that delivers an affordable and sustainable solution that will allow the County Council to meet and exceed the statutory targets for Leicestershire for landfill diversion from 2015 onwards.
27. In February 2007 Defra introduced a revised formal bidding process for PFI/PPP for waste management procurement to regularise the flow of funding applications and construction projects to the market place. Local authorities who wish to apply for PFI credits must now submit a detailed EoI followed by an OBC to a specified timetable, in one of several "bidding rounds". To comply with Defra's timetable the County Council is required to submit an OBC by the end of April 2008 or face the prospect of dropping into the following bidding round, adding a delay of six months to the project. In addition, Defra have indicated that whilst there are sufficient PFI credits to fund projects in the current bidding rounds there is a likelihood that this funding may not be available in future.
28. Defra have allocated a transactor to the project, appointed through their Waste Infrastructure Delivery Programme (WIDP). This is an independent advisor who has been working with the project team since April 2007 and will continue to provide advice and support throughout the procurement process.
29. On 24 July 2007, the Cabinet approved the submission of an EoI to Defra based on a Reference Project that identified the preferred technology solution as Energy from Waste with potential for combined heat and power. The EoI submitted in September 2007 acted as the first stage in the process for obtaining PFI credits to support the procurement of new waste management facilities.
30. In December 2007, Defra confirmed that the County Council's EoI for PFI credits was successful, with Defra willing to reserve PFI Credits of a minimum of 50% of the relevant capital investment value of the residual waste treatment project. Defra has requested that the County Council develop and submit an OBC, setting out proposals for the treatment of residual waste with the primary objective of achieving landfill diversion targets.
31. Defra identified the following issues to be considered as part of the OBC.
  - Greater emphasis on waste minimisation
  - Achievement of the 58% recycling and composting target in the Leicestershire waste strategy
  - Joint working with neighbouring authorities

## Waste Minimisation

32. Waste prevention and re-use are identified as a priority within the LMWMS and this is reinforced within the Waste Strategy for England 2007. In September 2007 the Cabinet formally adopted a three year Waste Prevention and Re-Use Plan and agreed that the County Council would lead the delivery and implementation of the plan on behalf of the Leicestershire Waste Management Partnership.

## Recycling and Composting

33. The LMWMS identifies improvement in recycling and composting performance as a major priority and sets out that the Leicestershire authorities collectively will aim to achieve two specific targets:

- 50% by 2010 and
- 58% by 2017

The Reference Project within the EoI has been reviewed and the OBC has been developed in line with achievement of these two targets.

## Joint working with neighbouring authorities

34. Defra are keen to see solutions that involve joint working between authorities and that achieve economies of scale leading to reduced unit costs of waste treatment for both parties. However, recent consultation with all but one of Leicestershire's neighbouring waste authorities has confirmed that there are no direct opportunities for joint working. A meeting is scheduled to take place with the one outstanding waste authority in April 2008.

## **Outline Business Case**

35. In preparing the OBC for PFI credits, which sets out a formal request for a specific level of credits that has been agreed with Defra, the County Council is required to review and revise if necessary the Reference Project developed at the EoI stage.
36. The County Council is also required to put forward a site either in the Council's ownership, or control, for bidders to use as a potential location for the waste facility. The OBC is therefore, by necessity, based upon a reference project and technology, and on a reference site within the County Council's ownership. However, when procurement commences, bidders will have the option to submit a range of alternative solutions that meet the County Council's output and performance specification. The proposed approach to procurement will be that the County Council adopts the principle of a neutral stance on both technology and sites, in order to encourage competition. In addition, all bids received will be evaluated on the basis of environmental, technical and commercial considerations.

37. The Reference Project forms the basis of the financial modelling for the OBC. If the outcome of the evaluation of bids leads to an alternative solution being selected there may be an impact on the financial model including a shift in the balance of the capital and revenue elements.
38. The Reference Project for the OBC has been refined and is based on a revised assessment of the most probable scenario for future waste growth and takes into account achievement of the 58% recycling and composting levels by 2017 identified within the LWMWS. It is, of course, possible that recycling performance will exceed these estimates, and the proposed procurement strategy will ensure that future contracts provide the flexibility to accommodate reduction in waste volumes and increases in recycling and composting performance above the 58% targeted level.
39. Notwithstanding the achievement of this revised targeted level of recycling and composting by 2017 and the ongoing commitment to waste minimisation, analysis has shown that the County Council would still need future long-term treatment capacity for approximately 180,000 tonnes of residual waste per annum by 2040.
40. As part of the OBC, Defra requires the County Council to demonstrate that there is support for the project from the District/Borough Councils. This support will be evidenced through a Statement of Understanding (SoU) which is being developed in conjunction with the District/Borough Councils. The SoU sets out a number of commitments for the County Council and the District/Borough Councils in respect of requirements to support the long term procurement project.

### **Technology Solutions**

41. In developing the Reference Project, the County Council undertook an appraisal, in conjunction with its technical advisors, of a range of technology solutions. The key criteria evaluated in the appraisal were technical, financial and environmental/social with specific importance given to the deliverability and bankability of the technologies. These included both well-established technologies and emerging technologies.
42. Based on the outcome of the appraisal and the operating experience of the technologies at the time of its completion, EfW was identified as the preferred option to take forward to the Reference Project.
43. Mechanical Biological Treatment (MBT) was viewed as the main alternative to EfW, with other new technologies currently having a limited track record of operating on a commercial scale within the UK.
44. Three MBT options were evaluated as part of the technology options appraisal. These were:

- MBT mechanical sorting of the waste with the biodegradable materials sent to an Anaerobic Digestion (AD) plant and the Refuse Derived Fuel (RDF) sent to EfW
  - MBT with biostabilisation and the residual waste sent to landfill for disposal
  - MBT biodrying to form a high calorific value RDF to be sent to EfW
45. The primary reasons for MBT not scoring as highly as EfW were:
- the significant uncertainty around the availability of markets for the outputs from these processes;
  - the associated costs and environmental impacts of having to landfill this material;
  - the costs of having to develop a dedicated thermal treatment facility, in addition to the MBT facilities, to process these outputs so as to ensure that landfill targets were met.
46. However, the County Council, consistent with Defra's advice, will request proposals that could include a range of alternative solutions that meet the County Council's output and performance specification.

### **Sites**

47. Central Government (Defra and the Project Review Group (PRG) which approve all PFI projects on behalf of HM Treasury) has set out a mandatory requirement for all new waste PFI projects that sites either in the County Council's ownership or control (control could be via a legally binding Option to Purchase) are available for bidders to use as potential locations for the waste facility(ies). This does not preclude the use of other sites in the procurement but is to ensure that the project is deliverable. This criterion was introduced after a number of earlier schemes failed due to a suitable site never being secured.
48. The County Council has in its ownership a site at Whetstone that incorporates a waste transfer station that was a former incineration facility and was identified as possibly being suitable to accommodate a new residual waste treatment facility. An assessment by independent advisors concluded that the Whetstone site is suitable and the OBC therefore proposes that the project moves forward on the basis that this site constitutes the reference site, but providing full opportunity for other sites to come forward during the procurement process.
49. The Whetstone site has also been identified as a site suitable to take a range of waste facilities including the residual municipal waste treatment facility through work preparing a Site Allocations Development Plan Document as part of the Waste Development Framework which the County Council is preparing jointly with Leicester City Council. Consultation on the Site Allocations document (Preferred Options stage), which included the Whetstone site as a preferred site,

was undertaken in October 2006 in accordance with the County Council's Statement of Community Involvement. This consultation involved statutory bodies such as the Environment Agency, Highways Authority, Natural England etc. and the general public. As part of the consultation, a public exhibition was held at Whetstone Parish Council's offices. However, it was recognised that a site search study to identify alternative suitable locations for facilities was necessary.

50. The principal purpose and outcome of the study was to complete a countywide search and evaluation exercise to identify suitable sites for a major residual waste treatment facility by applying planning selection criteria and comparative assessment. The criteria for the site selection study reflect national, regional and local objectives on waste.
51. A small number of sites have been identified as a result of this study none of which are currently in the County Council's ownership. Initial discussions with land owners are in progress to explore the potential to acquire another site. Additionally officers will continue to explore the County Council's own land holdings to see if any suitable site exists which is already within the Council's ownership. It is intended to present a further report to Cabinet in July 2008 in relation to the procurement process generally and the Cabinet will be updated on progress on the identification of alternative sites at that stage.

### **Procurement Approach**

52. The County Council will need to be clear at the start of the procurement process on the services it wishes to procure. Any significant change to the County Council's published OJEU notice could require re-advertisement and therefore cause potential delay, cost impact and higher risk implications. In addition, once the evaluation criteria for award of the contract are published, the County Council may only amend these in very limited circumstances.
53. On securing PFI credits the new long-term waste treatment facilities will be procured using HM Treasury's Standardisation of PFI Contracts version 4 (SoPC4), the current standard PFI contract documentation. The procurement process will be based on the Competitive Dialogue procedure now standard for all PFI projects of this type. This approach is structured to allow dialogue with potential bidders to explore technical solutions available and the financial and contractual means by which they may be delivered. It is designed to allow varying solutions across the bidders and alternative solutions to be brought forward.
54. In addition, Defra, through the Waste Infrastructure Delivery Programme (WIDP), has indicated that it considers that the type of contract necessary for the procurement of large scale residual waste treatment facilities meets the requirements allowing the use of Competitive Dialogue, and that this route should be used.

55. This approach has the benefits of delivering optimum risk transfer, and allows the bidders to bring forward different solutions to deliver the required objective, thereby taking advantage of their knowledge of the industry, emerging technologies and existing market capacity in the form of existing plants built for other contracts and merchant facilities.

### **Procurement and Construction Timeframes**

56. The current programme for the project anticipates that procurement will commence in September 2008 with contract award programmed for May 2010. Construction is anticipated to commence on a two and a half-year programme in April 2012 completing in September 2014. The period from May 2010 to April 2012 will be used for the contractor to prepare a planning submission and obtain planning permission for the plant which will require a detailed Environmental Impact Assessment prepared during the latter end of the procurement period. A six-month commissioning period is anticipated following construction enabling the plant to become operational by April 2015.
57. The contract is anticipated to continue for a further 25 years under the management of the contractor with the plant coming under the ownership and control of the County Council at the end of the contract in March 2040.

### **Contract Objectives and Project Scope**

58. The contract objectives are set out below and will determine the development of the output specification. This will be developed in accordance with the latest Defra guidance for waste PFI procurements. It is stressed that the contract is open to any technology, provided that it can deliver to the output specification.
- The contract will be a PFI type procurement on the basis of an output specification that will be in accordance with Defra's guidance. The contract will cover design, build and operation of a facility(ies).
  - The County Council will seek a contract to provide for treatment of approximately 180,000 tonnes per annum of residual municipal waste from household kerbside, Recycling and Household Waste Sites and Borough/District Council trade refuse collection services. Options within the standard bid will include operation of a transfer station.
  - Contract duration will be 25 operational years with three years allowed for construction and commissioning.
  - The new facility(ies) will not prejudice the County Council's continued efforts to maximise overall recycling and composting

rates in the county. The facility(ies) may include recovery operations that contribute to Leicestershire's recycling performance.

- Sufficient flexibility to accommodate variations in the growth in waste will be achieved through the contract specification;
  - The contractor will be responsible for cost-effective utilisation of spare capacity through third party contracts;
  - The new facility(ies) will be tolerant of long-term changes in waste composition including the result of higher recycling and composting performance;
  - Both parties will be able to implement improvements and initiate changes through an agreed contractual change mechanism incorporating defined response times.
59. It is envisaged that the technology will be delivered primarily to treat the County Council's waste. However, it is not intended that this should restrict the facility's ability to take third party waste on the basis that this could deliver added value for money (i.e. waste could be accepted on the basis that any savings realised would be expected to subsidise the County Council's unitary charge) subject to considerations of sustainability. Assessment of this opportunity will be dealt with in the contract evaluation framework.
60. The scope of the project and possibly the procurement will require the transfer of waste to the treatment facility. Leicestershire is a large geographical area, which makes transfer-loading operations an integral element of waste management. An assessment has shown that it may be value for money to include a transfer station in the scope of procurement and therefore the level of PFI Credits applied for is inclusive of 50% of the capital value of a transfer station.

### **Risk Management**

61. The process of risk management seeks to identify potential risks and to manage them accordingly. Risks can have either positive outcomes on a project (seen as opportunities), or negative impacts on a project (seen as threats). Successful risk management attempts to minimise threats and maximise opportunities.

The Project Team has developed two Risk Registers, identifying risks at both a project level and a programme level.

#### **Programme Risk Register**

62. The Programme Risk Register identifies all the foreseeable procurement risks and potential consequences and identifies a strategy for managing out and mitigating those risks.

Having developed the objectives for the project, an initial risk workshop was undertaken in June 2007 to identify, evaluate and develop response plans to risk events that have the potential to threaten the achievement of the project success. The propensity for risk events to materialise and their potential impact on the project objectives was assessed in order to permit comparison and prioritisation of the risks. The resultant risk register has been integrated into the overall project plan. A total of 40 risks were identified and analysed with 18 being scored as high risk to the delivery of the project.

A risk management strategy and risk owner has been developed for each risk. The management strategy could take one of the following forms:

- Mitigate risk
- Accept risk
- Transfer risk
- Evaluate risk further.

### **Project Risk Register**

63. It is an accepted principle of PFI projects that value for money will be maximised when risk is transferred to the party best able to manage it.

The Project Risk Register identifies all the foreseeable project (contractual) risks and how they will be allocated between the parties to the Contract (authority, contractor or shared). This allocation reflects standard SoPC4 and Office of Government Commerce (OGC) positions and accordingly will ensure that the project will be off the County Council's balance sheet.

In order to minimise the risk and allow bidders to bring forward different solutions it is proposed to procure the contract using an output based specification. The output specification will be developed in accordance with Defra guidance and the contract will be open to any technology solution that can deliver the requirements of the output specification.

Maximum risk is transferred by the use of an output specification as it results in the solution being proposed by the bidder and it is therefore at the risk of the bidder. The use of an output specification also has benefits in that it takes advantage of the bidder's knowledge of the industry, emerging technologies and existing market capacity.

The positions set out in the Project Risk Register will be reflected in the Output Specification and are divided into the following categories:

### **Design risk**

64. The transfer of design risk will mean the contractor is responsible for risk of not delivering the performance targets due to poor design and the need to amend the design to fulfil service objectives, as well as the risk of the design process itself taking too long.

### **Construction risk**

65. The transfer of construction risk will include time and cost overrun (and any resulting failure to meet performance) and site conditions.

### **Planning risk**

66. The contentious nature of large waste management facilities increases the risk of either not securing a satisfactory planning permission or there being a delay to the project.

However, the risk is mitigated by the County Council's approach to sites and planning. The contractor will be expected to obtain planning permission for its chosen design and also to obtain all necessary licences, consents and statutory authorisations to enable it to operate the facilities. The cost of the planning process and compliance with planning conditions will in principle be a contractor risk.

In accordance with the model planning mechanism in the current 4Ps' Waste Management Procurement Pack, the contract will define satisfactory planning permission (SPP). If despite using all reasonable endeavours a satisfactory planning permission is not obtained, additional planning costs and compliance with conditions will be a shared risk.

### **Operational risk**

67. There will be substantial risk transfer through the Payment Mechanism, which will link payment and deductions to meeting the Output Specification.

Any additional costs above those estimated in the price (including lifecycle costs) will be borne by the contractor, who will also bear the risk of obtaining licences and complying with regulations.

Ultimately, failure to perform (whether this is due to an operational failure or otherwise) allows the County Council to terminate the contract and either "sell" the project to a replacement contractor (provided there is a liquid market) or procure an estimate of the value of the contract. The comfort for the County Council is that the contractor (and its funders) will only be compensated to the extent of the value of the project in this re-tendered or expertly determined scenario.

### **Residual Value risk**

68. The County Council is proposing to include a requirement that the facilities must have a design life which extends by five years beyond expiry in order that residual value is maintained and the assets have a useful life and can continue to treat the County Council's residual waste for a further period of time.

### **Financial risk**

69. Whilst the County Council's financial and technical advisers will undertake due diligence of the technical aspects of the bid and the financial model to ensure sufficient funds will be available to the contractor to run the project, once the contract has been awarded, the contractor will bear the risk of running the project and paying back its loans and the calculation of its bid price will have taken this into account.  
The County Council will, however, be exposed to interest rate fluctuations prior to financial close and, given the nature of the waste industry (where key components are purchased from abroad), may also be exposed to foreign exchange rate fluctuations, though the latter is subject to agreement.

### **Performance risk**

70. The County Council will set out certain contractual targets relating to diversion from landfill and other requirements in the Output Specification and will require that the facilities are available to the County Council to receive its waste. The contractor will be required to meet such targets and comply with such requirements. Failure to do so could result in deductions through the Payment Mechanism and could ultimately lead to termination.

### **Demand risk**

71. There is a risk that the volume of demand for the waste services provided by the contractor will change. This risk can be shared, for example, by the contractor being paid in bands according to tonnage delivered and accepted. The contractor may also be responsible for securing some third party income that would assist in reducing costs to the County Council. The payment mechanism will be a factor in allocating these risks.

### **Technology / obsolescence risk**

72. The long term nature of the contract is necessary in order to provide sufficient time for the contractor to recover its significant capital investment costs. This need to make a long term financial commitment means that technology could progress significantly during the period of the contract. Provided the County Council does not require a change to the Output Specification, this is a contractor risk.

The contractor will be incentivised to ensure the facility remains efficient by bonus schemes for exceeding contract targets and deductions for failure to meet targets or other performance indicators.

Substantial upgrading that would require a change to the Output Specification would be dealt with through the change process principles identified in SoPC4, but the benefit of this would clearly need to justify any further significant expenditure by the County Council.

### **Regulatory risk**

73. The risk of changes in law affecting the project will be allocated in accordance with SoPC4 which allocates specific waste law changes to the County Council but passes general changes (e.g. employment law) to the contractor. However, there will be partial sharing of even specific changes.

Changes in landfill tax rates are generally borne by the County Council. However, if the volume of landfill were higher because of failure to meet diversion targets, the contractor would bear the risk of greater landfill costs including tax.

### **Taxation risk**

74. Allocation of changes in the VAT or corporate tax regimes will be in accordance with SoPC4. All general changes in tax law will be a contractor risk although the County Council will bear the risk of any changes in the rate of VAT.

### **Insurance risk**

75. The allocation of insurance risks (uninsurability, unavailability of terms and conditions and premia increases) will be in accordance with SoPC4.

### **Evaluation Strategy**

76. The evaluation of bids received for the project will be carried out using an evaluation model which is neutral on technology alternatives but seeks to use proven technology solutions. In addition, the sites proposed by bidders will be evaluated on their suitability for the technology to be located at the site. The objective of the evaluation will be to ensure the County Council is provided with the most appropriate solution, delivered in a way, which minimises environmental impact and located on a suitable site.
77. The evaluation criteria will be prepared over the next few months alongside the development of the bid documentation. The evaluation criteria will be completed prior to the commencement of the procurement (i.e. the issue of the OJEU notice), and it is intended that a further report will be provided to Cabinet incorporating the evaluation criteria for approval.

## **Waste Development Framework**

78. The County Council is statutorily required to prepare a Waste Development Framework under the Planning and Compulsory Purchase Act 2004 and in accordance with the Town and Country Planning (Local Development) (England) Regulations 2004. The Waste Development Framework is being produced jointly with Leicester City Council. The Development Framework will cover the period up to 2021.

## **Timetable**

79. The County Council has a programme for producing the Waste Development Framework contained in the Minerals and Waste Development Scheme (MWDS). A revised MWDS was agreed by Cabinet on 5<sup>th</sup> March 2007. In accordance with the MWDS consultation on a Waste Spatial Strategy document took place in October 2007. The Spatial Strategy document provided an explanation of the Council's spatial options for dealing with waste development.
80. The next stage in the programme is for the Core Strategy for the Waste Framework to be submitted to the Secretary of State in June 2008 for Examination by a Planning Inspector. In order to meet that deadline the programme is for the Cabinet to initially consider draft submission Waste Core Strategy documents at its meeting on 8<sup>th</sup> April 2008 before Environment Overview and Scrutiny Committee has the opportunity to comment on the documents at its meeting on 15<sup>th</sup> April 2008. The Cabinet will then receive the final submission documents at its meeting on 6<sup>th</sup> May 2008 before they are considered by the County Council on 21<sup>st</sup> May 2008 for approval for submission to the Secretary of State.
81. Following the submission of the documents the Core Strategy will be examined by an independent Inspector appointed by the Secretary of State. It is expected that the examination will include a public hearing where any objectors will have the opportunity to make their case to the Inspector. Following the completion of the examination the Inspector is expected to report back to the County Council in July 2009 with an expected adoption date for the Core Strategy documents in October 2009.
82. The above timetable may be affected by proposed amendments to the Town and Country Planning (Local Development) (England) Regulations 2004 which are expected to come into effect in May 2008. Consultation took place on draft amended regulations earlier this year and one of the requirements of the new regulations may be for a further six week consultation to take place before submission, which would delay the submission date. At present, there is no certainty on when the new regulations will come into force and what the new requirements will be so the Council needs to work to the current timetable approved in the MWDS.

83. The draft submission Core Strategy will be considered by the Cabinet at its meeting on 8<sup>th</sup> April 2008. The Submission Core Strategy broadly follows the format of the Preferred Options Core Strategy, which was published for consultation in 2006. It has been revised to take into account representations made during the consultation in late 2006 and incorporating the Spatial Strategies developed last year in response to Government Office for the East Midlands' advice that the Preferred Options documents may be unsound because of an unclear spatial strategy and the need to have explored and consulted on alternative spatial strategies. Previously the Cabinet has seen the Preferred Options versions of the Core Strategies which were included as appendices to the reports to Cabinet on 26<sup>th</sup> June and 10<sup>th</sup> July 2006 and the Spatial Strategies for Minerals and Waste which were included as appendices to the Cabinet papers for 11<sup>th</sup> September 2007.
84. The Waste Core Strategy is being prepared jointly with Leicester City Council and it is programmed to go to the City Cabinet and Council in May 2008.
85. The Waste Core Strategy will identify the broad areas where new strategic waste facilities (including the sites for the long term waste procurement project) should be located. It will be for the Waste Site Allocations document to identify specific sites for waste facilities. Work on the Site Allocations document is programmed to move to the next stage in spring 2009 when further consultation will take place and additional potential sites can be considered.

### **Financial Implications**

86. This section of the report is to advise members of the full potential cost implications of the Council's Waste PFI project.
87. The Council in conjunction with its Financial and Technical advisors have modelled three financial scenarios, namely:
- "Do Minimum" - recycling increased to 58%, residual waste to landfill
  - "Reference project" - PFI procurement of an EfW facility, with 58% upfront recycling
  - PFI procurement of a MBT + Anaerobic Digestion + EfW, with 58% upfront recycling
88. In each scenario balanced assumptions have been used, based wherever possible on current market knowledge. Whilst every effort has been made to ensure that assumptions used are realistic it should be noted that a significant degree of uncertainty exists, particularly around the future level of landfill tax and the price of LATS allowances.

89. Government has announced its intention to continue increasing the standard rate of landfill tax after £48 per tonne is reached in April 2010. In the absence of guidance about the rate of increase an assumption has been made that this tax will continue to rise by £8 per tonne until £80 per tonne is reached. This is based upon the supposition that government will increase the cost of landfill disposal until it reaches a level that makes treatment an attractive option for non-municipal waste.
90. The price of LATS allowances are influenced by supply and demand factors that are outside of the Council's control. The volume of LATS trading is currently at a low level, but authorities have been willing to trade future years allowances at £35 when they forecast a deficit. This has led to the assumption that once the majority of the planned national treatment infrastructure is in place (2014/15) the long term price of LATS purchases will settle at £30 per allowance.
91. Defra's revised award criteria indicate that the Council will receive a revenue support grant equivalent to approximately 50% of the contractor's capital repayments and related interest charges. This is estimated to have a value of £87m, as this is paid on an annuity basis the annual income is estimated to be £6.4m for the duration of the contract. Whilst this income is significant, the majority of the PFI cost will need to be met by the Council.
92. The waste PFI project is just one part of the Leicestershire's Waste Management Strategy. Investment is also required in areas such as waste minimisation and recycling, where a target of 58% by 2017 has been set. To increase the level of performance in these areas costs will be required to increase quicker than inflation. The table below shows the results of the financial modelling for all three scenarios, including the ongoing cost of improvements in recycling and minimisation initiatives.

**Demonstration of the potential funding requirements for all Waste Management, shown as the actual cost (nominal value).**

£ million	EfW solution		MBT Solution		Do Minimum	
	First year of operations (2015/16)	Cumulative over the contract life	First year of operations (2015/16)	Cumulative over the contract life	First year of operations (2015/16)	Cumulative over the contract life
PFI contract (Unitary Charge)	22	708	21	696	0	0
Other treatment/disposal costs	4	138	10	379	19	732
PFI credits	(6)	(161)	(5)	(119)	0	0
<b>Total cost of Residual Waste</b>	<b>19</b>	<b>685</b>	<b>26</b>	<b>956</b>	<b>19</b>	<b>732</b>
Additional waste management costs*	17	649	17	649	17	649
<b>Waste costs to be financed by LCC</b>	<b>36</b>	<b>1,334</b>	<b>43</b>	<b>1,605</b>	<b>36</b>	<b>1,381</b>
Budget variance (2008/09)	7	307	14	578	6	354
MTFS variance (2010/11)	(2)	19	5	291	(2)	66

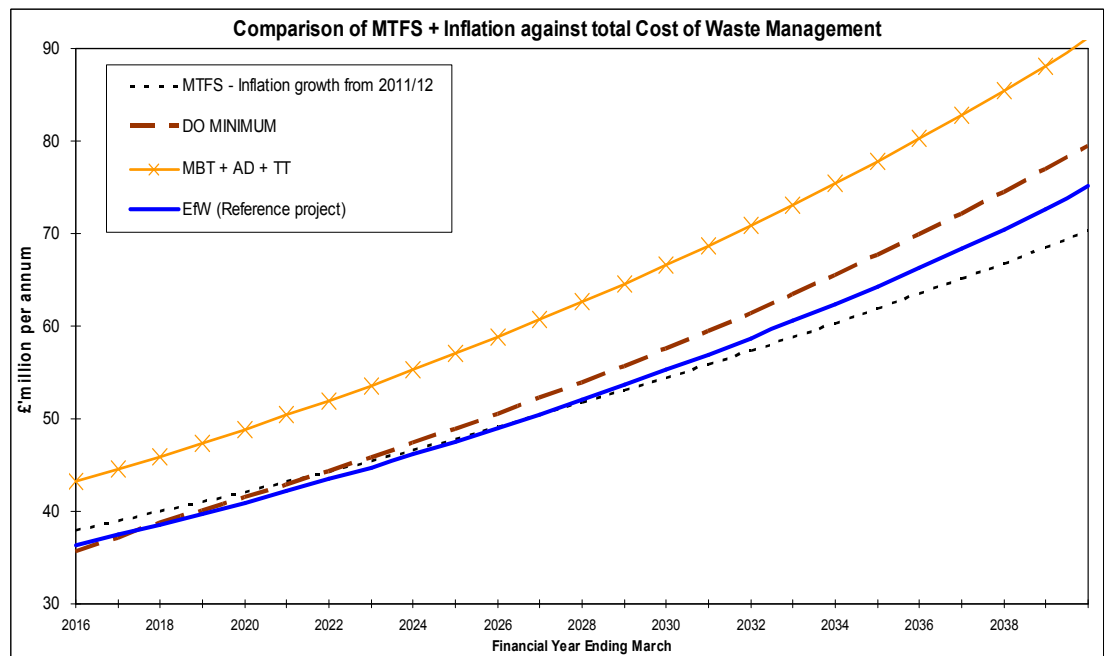
Note: \* Includes costs to the council of increasing to 58% recycling and waste minimisation initiatives plus existing expenditure such as provision of RHWS's and staff costs.

93. The table above demonstrates that although the primary arguments for moving away from landfill are environmental if the trend in government policy continues it is likely that failure to develop treatment facilities for waste treatment will be more costly. There is also an accompanying reduction in the drivers of cost that are outside of the Council's control, primarily Landfill tax.
94. The cost of the reference project is shown to be significantly lower than that of the MBT solution. This is primarily driven by uncertainty over the availability of markets for the process outputs. This uncertainty required the Council to assume that a significant amount of the MBT's outputs would either require to be processed in a purpose built EfW or sent for disposal in landfill. If the market for outputs has developed MBT technologies have the potential to be judged much more favourably, on economic grounds, in the actual procurement process.
95. Over the life of the PFI contract the unitary charge is expected to increase at a lower rate than inflation, reflecting the fact that approximately 40% of costs are fixed, most notably capital expenditure and interest payments. However the total cost of waste management

will continue to increase quicker than inflation. This is chiefly as a result of the expected increase in household numbers.

96. The cost of waste management, under the reference project option, is very close to the financial provision made in the MTFS. This has been enabled by the rapid increase in costs required for the procurement process, which forms part of the waste strategy implementation budget. Once the plant is commissioned the need for this type of expenditure diminishes and can be re-allocated to pay for the service received.

The chart below provides a visual demonstration of the affordability position over the life of the contract.



97. The costs that have been identified to be paid from the waste strategy implementation budget include external advisors, site investigation, planning preparation and environmental impact assessments and site purchase and/or options to purchase. At this early stage in the project some uncertainties still exist about the eventual costs of the procurement process. These will depend on contractual arrangements and how much they vary from the standard position and if a site purchase or purchase option is required and the extent of work required to bring the site to the required standard. This situation is likely to continue until the facility location and technology type are known.
98. The impact upon council tax of the increasing cost of waste management is already built into the MTFS. The impact upon a band D equivalent property of the total increase in the cost of waste

management by 2015/16 is equivalent to £22 (2008/9 prices) or 2.2%, compared to 2008/09.

### Price Sensitivity Analysis

Changes outside of the control of the Council could impact on both the future cost of treating waste as a result of the PFI project and the alternative of landfill disposal. Defra requires that a number of scenarios are modelled to illustrate the possible impact on the Unitary Charge, so that members are able to consider the range of projected costs to the Council. It is envisaged that this sensitivity analysis will enable members to commit to an affordability range for the project. The table below demonstrates some of the likely scenarios that could emerge as the project progresses.

#### **Impact upon the EfW Unitary Charge for possible changes in the financial modelling assumptions**

Scenario	Impact upon first year costs £ million	Rational
EfW Capital Expenditure + £21M (15%)	+ 3.5	Risk adjustment performed to quantify additional costs from a range of unknown factors such as ground conditions.
EfW Capital Expenditure - £5M (3%)	- 0.8	50% reduction in discretionary spend, e.g. visitor centre & visual appearance
Operating Costs +/- 10%	+/- 1.1	Typical range seen from actual bids
Interest costs +/- 0.5%	+/- 0.5	Equivalent to a rate of 6%, which was last seen in 2000. Or removal of the 0.5% contingency above current rates
Electricity Revenue + £6 per tonne	- 1.2	Conservative price assumed in the reference project case.
Electricity Revenue - £2 per tonne	+ 0.4	Reduced calorific value of waste to below average
1 year delay *	+ 0.7	Most likely to be caused during planning approvals

Note \* 2016/17 impact to reflect revised first year of operation

99. The first year impact is representative of what will happen over the life of the contract, for example additional costs as a result of the delay cumulates in £20 million of additional costs over the 25 years.
100. In each of these scenarios the amount of PFI credits received remains unchanged. Credit awards are calculated upon approval of the OBC and only change if there is a material change in the nature of the project. For example an increase can be awarded for additional capacity or the provision of CHP infrastructure. Similarly a decrease could result from a change in technology. The Council has to bear the implications of any variation from these estimates, for example construction inflation at a higher rate than that forecast (5.25%).

101. The scenarios do not represent the worst case imaginable, but try to demonstrate a realistic variability for the key costs areas. For example the additional capital expenditure scenario of an additional 15% (£21m) was generated from a statistical model that predicted that if the site risks materialised it can be stated with 90% certainty that additional capital costs will be less than this figure.
102. It is possible that one or more of these scenarios materialises, causing growth in waste budgets above the provision in the MTFs. This growth should not be required until 2015/16, although it could be required earlier if the cost of landfill is also increased. A possible scenario is the forecast surplus of £2m in 2015/16 being replaced by a deficit of £3m due to the realisation of the following scenarios; £3.5m capital expenditure, £0.5m interest costs, £0.4m electricity revenue. The operating costs and delay scenarios have not been included due to the interdependence with the capital expenditure scenario.
103. The scenarios above do not cover all of the variables that could impact the project. To reduce the potential adverse effects conservative assumptions have been made for factors that are outside of the Council's direct control. The most important of these are:
- Zero residual value assumed; there is a potential for 5-10 years remaining life at the end of the contract.
  - No income for process outputs; assumed either disposed of (bottom ash) or no value (metals)
  - Spare capacity not utilised; assumed no market in the years that the Council has insufficient waste, due to growth.
  - No cost or benefit for Combined Heat and Power (CHP); large range for both depending upon the facility's location and the recipients for steam. The Council intends to encourage bidders to make proposals, this will then allow an application for additional PFI credits should a CHP scheme be feasible.
104. The level of financial uncertainty over the cost of waste management reduces when the PFI facility is operational, due to a combination of risk transfer to the contractor and a reduced impact of changes in Landfill tax and LATS. The same is not true for the Do Minimum option where the Council remains exposed to a wide range of potential costs. The 12 March 2008 budget announced continuing increases in landfill tax beyond the £48 per tonne level in 2010/11, but with no specified ceiling. Similarly no indication has been given as to the future of LATS beyond 2020. The potential exists for trading to stop and £150 fines to be introduced. A shortage of national treatment infrastructure would have a similar impact. The table below illustrates this potential cost variability.

### Impact of changes in landfill disposal penalties

Impact on 2019/20 £ million	EfW solution	Do Minimum	Rational
Landfill Tax +/- £8 per tonne	+/- 0.2	+/- 1.1	Budget indicated tax will continue to increase beyond £48 per tonne, but no guidance on the eventual level.
LATS fines at £150/allowance	0	+ 6.0	Modelling assumed trading continues in an environment of national surplus.

105. It is reasonable to assume that the £150 LATS fines will be the maximum level, however the same cannot be assumed for landfill tax. Increases could continue beyond £80 per tonne if government feels the need to create greater incentives to reduce landfill disposal.
106. To deliver its waste management strategy the Council will be required to make a significant financial commitment. Whilst there is uncertainty over the exact cost of the waste PFI project, at this early stage in the procurement process, if the trend in government policy continues then it is likely that failing to move away from landfill will prove to be more costly to the Council.

### **Communications and Consultation Strategy**

107. Effective stakeholder engagement and communication is essential to the successful delivery of the LMWMS. Considerable work has been done to keep stakeholders involved, informed, and appropriately consulted on the development of the LMWMS and the Waste Development Framework.
108. The County Council carried out extensive public consultation as part of the development of the LMWMS 2006 via the Citizens' Panel; "Leicestershire Matters", the Council's newspaper that is delivered to every household in the county; local media, community forums and on-line on the partnership website. This indicated that there is strong support from people within the county for the long-term proposals being put forward for waste prevention, recycling and composting, recovery and landfill diversion.
109. The County Council has committed to working with its partners, the general public and key stakeholders to deliver the LMWMS. It has developed a communications framework that has been agreed by the LWMP to promote waste management initiatives, build stakeholder buy-in, encourage two-way communications and co-ordinate activities.
110. The communications framework has been formulated to:
- Ensure effective communication and dialogue between members of the LWMP;
  - Promote the LMWMS;

- Build and maintain the engagement of stakeholders;
  - Identify and plan communication and consultation activity in a co-ordinated and consistent way;
  - Ensure communication activity is appropriately planned, resourced and any associated risks and issues managed.
111. In addition, as part of the consultation process on the long term waste procurement project presentations have been given to the Leicestershire Waste Management Partnership, South Leicestershire Partnership, Blaby District Council and Melton Borough Council.

### **Market Sounding Event**

112. An essential part of the OBC submission will be to demonstrate to Defra that the County Council has engaged with companies in the waste and PFI sectors and to evidence that there is interest from those companies to the County Council's current proposals. A market sounding event was therefore arranged in November 2007 to provide a platform for dialogue to take place between the County Council and companies involved in the provision of new waste treatment facilities. The key conclusions from this event were:
- That there was significant interest in the County Council's proposals from almost all the major companies within the waste industry
  - That an open output specification would encourage a range of technology solutions to be proposed
  - That a PFI contract over 25 years duration was acceptable
  - That provision of a suitable site in the County Council's ownership was essential to ensure competition

### **Waste Scrutiny Review Panel**

113. A Scrutiny Review Panel was set up in November 2007 to consider the project for procurement of long-term waste treatment facilities. The Panel reported its interim findings to Environment Overview and Scrutiny Committee on 28 February 2008 confirming that the options evaluation process that had been used was an industry standard for evaluation of waste projects and making the following recommendations in respect of developing the OBC.
114. In moving forward with the procurement process the Environment Overview and Scrutiny Committee is recommended to consider advising the Cabinet that the Outline Business Case should ensure that:-
- a) the procurement process should be an open output specification that encourages a range of technological solutions to be put forward that meet the County Council's long term requirements;

- b) the assessment of treatment technologies should be conducted through a full life cycle approach;
- c) a firm commitment should be retained to waste minimisation;
- d) whilst acknowledging the Authority already has a commitment to achieve recycling and performance over and above that of national targets an enhanced level of recycling (approaching 60%) should be identified;
- e) if successful, food waste trials should be rolled out across the County in partnership with the District Councils and in-county composting facilities should be developed;
- f) the County Council's commitment to reduce its carbon footprint needs to be recognised, factored in and given sufficient weighting in the evaluation criteria.

These recommendations have been taken into account in developing the OBC and taking forward the procurement process.

### **Project Governance**

- 115. In November 2006, the Waste Strategy Implementation Programme Board (WSIPB) was set up to oversee the delivery of the key elements of the LMWMS including the procurement of long-term waste treatment facilities. The WSIPB was established in line with other corporate projects and programmes.
- 116. The WSIPB has clearly defined roles and responsibilities with delegated powers via the Chief Officer Sponsor (Director of Highways Transportation and Waste Management) and the Head of Finance.
- 117. Projects are managed to corporate standards in a Prince 2 environment and report regularly to the WSIPB. Project assurance and internal challenge is carried out by the Corporate Change Management Unit. External challenge and assurance is by Gateway reviews.
- 118. Gateway Reviews are a form of external scrutiny and challenge and are provided through the 4Ps to assist authorities with the delivery of large PFI projects. The WSIP was subject to a Gate 0 Review in February 2007, which resulted in a number of recommendations that have been acted upon to assist with development of the project. A Gate 1 Review is scheduled for late March 2008 to coincide with the submission of the OBC.
- 119. A project team has been established since December 2006 to deliver the procurement of long-term waste treatment facilities.
- 120. The project team incorporates legal, financial, planning and waste management officers from the County Council and externally appointed financial, legal and technical advisors. In addition to the advisors, the project has dedicated resources covering corporate procurement, property services, planning, waste disposal and communications.

121. Entec UK Ltd. are acting as technical advisors, Grant Thornton as financial advisors and Sharpe Pritchard as legal advisors to the project bringing significant waste management PFI knowledge to the team.

### **Equal Opportunities Implications**

122. There are no discernible equal opportunities implications.

### **Conclusion**

123. Leicestershire's Municipal Waste Management Strategy identifies the need to deliver new long term waste treatment facilities and to move away from landfilling of residual waste. It includes a target for achieving recycling and composting levels of 58% of household waste by 2017. However, achievement of this target will still leave a significant volume of residual waste for processing.
124. It is of course, conceivable that recycling performance will exceed this target by 2017, and therefore the proposed procurement strategy will ensure that future contracts provide the flexibility to accommodate reduction and recycling performance above targeted levels and will not put a ceiling on achievements in these areas.
125. Following approval of the EoI for PFI credits, the County Council is developing its OBC, with Defra willing to reserve PFI Credits of a minimum of 50% of the relevant capital investment value of the residual waste treatment project.
126. The Government requires the County Council to develop its OBC around a reference technology, against which costs can be evaluated, and a reference site within the County Council's ownership or control.
127. As a result of the options appraisal completed in 2007, Energy from Waste was identified as the reference technology for inclusion in the OBC. However, it is acknowledged that alternative technologies are available that may deliver the County Council's requirements and therefore the opportunity for a range of solutions to come forward during procurement is being proposed.
128. Whetstone is the only suitable site, which is in the County Council's ownership at this time and the OBC therefore proposes that the project moves forward on the basis that this site constitutes the reference site, but providing full opportunity for other sites to come forward during the procurement process.
129. The report sets out details of the proposed procurement strategy and objectives, and the anticipated timescales for project delivery. The proposed approach to procurement, consistent with Defra's advice, will be that the County Council adopts the principle of a neutral stance on both technology and sites, in order to encourage competition and

ensure the most environmentally sustainable solution is identified. All bids received will be evaluated on the basis of environmental, technical and commercial considerations.

130. The report provides an assessment of value for money and affordability. The report also shows a range of comparative costs of the reference project against continuing to landfill residual waste, in particular demonstrating the impact of potential future increases in landfill costs.

### **Background Papers**

Leicestershire Municipal Waste Management Strategy 2006

Report to Cabinet – Procurement of Long Term Waste Management Treatment Facilities – 24 July 2007

Report to the Environment Scrutiny Committee - Procurement of Long Term Waste Management Treatment Facilities – 6 September 2007

Report to Cabinet - Waste Prevention and Re-use Plan – 11 September 2007

Report to Cabinet – Award of Contract for Interim Residual Waste Treatment – 18 December 2007

Report to Cabinet – Scrutiny Review Panel – Procurement of Waste Treatment Facilities – 3 March 2008.