

## Bedfordshire Energy and Recycling Project Outline Business Case Background Report

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## 1 Introduction

Concerns over the impact on the environment of landfill as a method of waste disposal have resulted in new European and National legislation driving rapid change to existing waste management practices. These new laws have resulted in escalating costs for continuing to landfill through the Landfill Allowance Trading Scheme (LATS) which levies heavy financial penalties for authorities that exceed strict landfill limits.

Central Bedfordshire and Luton have a clear vision for sustainable waste management and resource use, setting out to reduce waste, re-use waste where possible, increase recycling and composting, recover value from non-recycled waste and significantly reduce the amount of waste going to landfill.

The Bedfordshire Energy and Recycling (BEaR) Project is a Partnership Project that has been set up to deliver the final element of this vision. Its primary aim being to deliver a contract to treat the remaining waste, after recyclable and compostable materials have been removed at the kerbside.

The Project was initially set up by Bedfordshire County Council (BCC), however, in May 2008 Luton Borough Council (LBC) was invited to join the Project. Joint working brings many benefits to the Partnership; not least economy of scale and procurement cost savings and is necessary to ensure a means to delivering a long-term waste management solution.

Following the move to a unitary local government structure, the BEaR Partnership consisted of Central Bedfordshire Council (CBC), Bedford Borough Council (BBC) and Luton Borough Council (LBC). Since this time, BBC has decided to withdraw from the Partnership, leaving CBC and LBC to continue as a two authority Partnership. In light of BBC's decision to withdraw the costs and requirements of the Project have been re-modelled.

To assist in the financial delivery of this complex project, the Partnership is seeking Private Finance Initiative (PFI) support from the Government. A scheme has been specifically set up to assist with the delivery of major waste treatment facilities in the UK with significant grant support. The primary aim of these funds is to assist the UK to meet its landfill diversion requirements, as set by the EU.

In its bid for PFI funding, the Partnership must submit an Outline Business Case (OBC) to the Department of Environment, Food and Rural Affairs (DEFRA) by the 11th December 2009. The OBC outlines the Partnership's approach to delivering a waste treatment solution, providing detail of the projected capacity requirement, cost and timetable. This background report provides an overview of the content of the OBC and a brief history of the events leading to its creation.

## 2 Outline Business Case

### 2.1 PFI Bid History

Table 1 below outlines the key events that have led to the production of this revised OBC.

**Table 1 – OBC revision**

Date	Element
March 2008	BCC approved the submission of an Expression of Interest (EoI) to DEFRA. The EoI sought confirmation from DEFRA as to whether a partnership approach to securing a long term waste treatment solution would be suitable for PFI credit support.
May 2008	DEFRA confirmed that the EoI submission met Government eligibility criteria, and that the Partnership authorities could now submit an OBC to DEFRA.
September/October 2008	Executives of each of the Partnership authorities approved the OBC and associated cost implications together with the Joint Working Agreement (JWA).
31st October 2008	OBC submitted to DEFRA.
31st October – 17th March 2009	DEFRA scrutiny of OBC and subsequent approval Ministerial scrutiny of OBC and subsequent approval Partnerships UK scrutiny of OBC and subsequent recommendation for approval
17th March 2009	Project Review Group (PRG) scrutiny of Project and subsequent refusal. PRG required clarification of 4 points (detailed in section 2.2.)
17th March – 16th September	Project Team and Board worked to resolve issues identified by PRG and submitted detailed supporting statements to DEFRA addressing the concerns. Planned to take decision on affordability issue to Executives of each Partner authority in September. BBC rejected the new affordability position and withdrew from the Partnership.
16th September - today	Project Team worked to fully revise the OBC, a requirement of DEFRA following the withdrawal of BBC. New OBC requires endorsement by each of the Partner authorities.

### 2.2 Addressing PRG Issues

As shown in table 1 above, the Project went to PRG in March 2009 and was rejected. PRG asked that further work be done in the following areas before it is re-submitted to PRG:

- I. **Affordability – that the Authority reviews the affordability of the project and re-considers whether the affordability envelope provided is sufficient.**

The Partnership has reviewed the affordability position and updated the financial modelling to take in to account the latest impacts in the financial markets and construction costs. DEFRA have required that additional contingency is added to the model compared to the previous OBC submission to address PRG concerns. This work has been undertaken and agreed with DEFRA and is included in Appendix B.

## **II. Commercial – that the Authority has a clear strategy for managing competition particularly with regard to the Buckinghamshire procurement and how it might impact this project.**

Active and healthy competition during the procurement stage has always been a key deliverable of the BEaR Project and a number of measures have been put in place to ensure that this is achieved. Following Buckinghamshire's decision to award preferred bidder status to a solution within Central Bedfordshire (Covanta), this requirement and the work to achieve it has become even more important.

Covanta may choose to take part in the BEaR Project procurement and bid for the Partnerships waste, however, due to the scale and duration of the proposed contract, it is essential that the Partnership follows procurement law and offers the contract to as wide a market as possible in order to obtain best value for taxpayers. The best way to attract competition is to ensure that a level playing field is created for all bidders. The Project Team has given due consideration to the advantage that Covanta may be perceived to have in the BEaR procurement by other bidders. If any perceived advantage is significant then bidders will not waste their time or money bidding on the BEaR Project.

A number of steps have been taken to deliver a level playing field:

- Providing a site for bidders to use, thus allowing bidders that do not own a site within the area to bid for the contract.
- Providing a range of background information on the site, thus reducing the advantage other bidders may have if they propose a site of their own.
- Running a technology neutral procurement, thus allowing any technical solution to come forward.
- Combining the first two stages of the procurement process (Pre-Qualification and Outline Solutions) as part of an enhanced process, thus reducing the time taken and costs borne by the Partnership and the bidders.

## **III. Statutory Process – The PRG requires evidence that, prior to OJEU, the Authority has either acquired an appropriate site or it has an option over such a site.**

At the time of going to PRG the Partnership had a Heads of Terms agreement on a site which up until this point had been acceptable for PFI award. PRG have however asked that a more binding agreement be made for a parcel of land.

Subsequently the Partnership has secured an Option Agreement on the reference site at Brogborough as detailed in section 5.

#### **IV. Project Team – confirmation that a suitably PFI experienced Project Director is in place.**

At the time of going to PRG a Project Director (Alan Fleming) had been recruited but was not yet in post. A signed contract was provided to PRG, however this was deemed unacceptable at the time. Alan has now been in post for 6 months and will attend the next PRG review of the Project.

### **2.3 Updated OBC**

As outlined in Table 1, DEFRA consider that due to the withdrawal of BBC the Project has fundamentally changed and a revised OBC is required rather than statements addressing the key concerns of PRG being provided.

In order to be scrutinised and approved within the timescales of the PFI's 4th round, the OBC must be finalised and submitted to DEFRA by the 11th December 2009. As before, the OBC is being completed following DEFRA guidelines and is formatted under the following headings:

1. Executive Summary
2. Background
3. Strategic Waste Management Objectives
4. Procurement Strategy and Reference Project
5. Risk Management, Risk Allocation and Contractual Structure
6. Project Team and Governance
7. Sites, Planning and Design
8. Costs, Budgets and Finance
9. Stakeholder Communications
10. Timetable

This report summarises the key aspects of the OBC and recommends the sign-off of the final OBC document is delegated to each of the Lead Officers, in consultation with the relevant Executive Members for each authority. Once it is approved by all authorities involved, the OBC will become a public document, with the exception of some commercially sensitive information which will be removed and is exempt from the Freedom of Information Act 2000.

DEFRA will review the OBC once submitted with the potential of final adjustments being made before a further review is undertaken by Partnerships UK. PRG will then carry out a final review before a decision is made on the eligibility for PFI credit (expected in late March 2010).

## 3 Waste Strategy

### 3.1 Waste Strategy 2007

The Waste Strategy for England 2007 (WS2007) builds on the work of Waste Strategy 2000 (WS2000) but includes more ambitious targets for recycling, waste minimisation and diverting waste from landfill. Its aims are to:

- Decouple waste growth from economic growth and put more emphasis on waste prevention and reuse
- Meet and exceed Landfill Directive diversion targets for Biodegradable Municipal Waste (BMW) in 2010, 2013 and 2020
- Increase diversion from landfill of non municipal waste and secure a better integration of treatment for municipal and non municipal waste
- Secure the investment in infrastructure needed to divert waste from landfill and for the management of hazardous waste
- Get the most environmental benefit from that investment, through increased recycling of resources and recovery of energy from residual waste using a mix of technologies

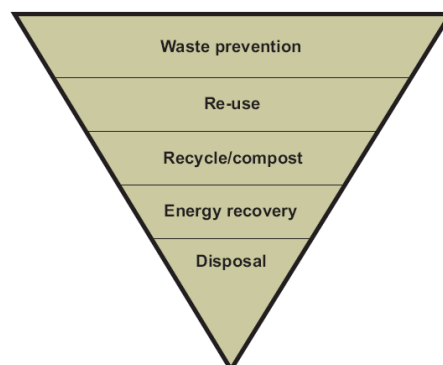
Within WS2007, higher national targets than 2000 have been set for:

- Recycling and composting of household waste (figures outlined in the table 2)
- Recovery of municipal waste through increased recycling of resources and energy recovery – 53% by 2010, 67% by 2015 and 75% by 2020.
- The reduction in the amount of household waste not re-used, recycled or composted. From over 22.2 million tonnes in 2010 with an aspiration to reduce it to 12.2 million tonnes in 2020 – a reduction of 45%. This is equivalent to a fall of 50% per person (from 450kg per person in 2000 to 225kg in 2020).

The waste hierarchy as detailed in the strategy is shown in figure 1.

**Figure 1 – Waste Strategy 2007 Waste Hierarchy**

The waste hierarchy



The BEaR Project is focussed on delivering against the energy recovery element of the hierarchy without affecting the ability of the Partnership authorities to deliver at each stage of the hierarchy above this, i.e. recycling and re-use.

The Government is incentivising local authorities to create opportunities for the reduction, reuse and recycling of waste, and recovery of energy from waste by:

- Increasing the landfill tax escalator so that the standard rate of tax will increase by £8 per year from 2008 until 2013/2014 where it will hit £72 per tonne.
- Consulting on removing the ban on local authorities introducing household financial incentives for waste reduction and recycling.

### 3.2 Bedfordshire and Luton Waste Strategy

The Bedfordshire and Luton Waste Strategy published in 2001 set targets for achieving 33% recycling and composting by 2015, in line with the WS2000. In 2006 the Bedfordshire Authorities Municipal Waste Management Strategy (BAMWMS)<sup>1</sup> was published and Luton published a LATS Strategy together with an Options Appraisal.

As the updated WS2007 had not been published at this point, none of the documents increased the recycling/composting targets that were set in the original 2001 Bedfordshire and Luton Waste Strategy. Whilst the 33% target for 2015 was in line with WS2000, the publication of WS2007 resulted in the local targets being below those set nationally as shown in table 2 below.

**Table 2 – Bedfordshire & Luton Recycling/Composting Targets Compared to WS2007 Targets**

Year	National Waste Strategy 2007	Bedfordshire & Luton Waste Strategy 2001
2010	40%	30%
2015	45%	33%
2020	50%	33%

Detailed modelling has been undertaken for the production of the OBC, taking account of national targets and any new recycling schemes that have either been initiated or are planned to be initiated during the modelled period. Table 3 presents the modelled recycling and composting performance of the two Partnership authorities in the years identified in the strategy.

<sup>1</sup> Produced in partnership between Bedfordshire County Council, Bedford Borough Council, Mid Beds District Council and South Beds District Council.

**Table 3 – Modelled Recycling and Composting Figures**

Year	National Waste Strategy 2007 Targets	Luton Borough Council	Central Bedfordshire Council
2009/10	40%	36.7%	48.9%
2014/15	45%	44.1%	51.1%
2019/20	50%	50.2%	52.9%

Upon approval of the original OBC in September 2008, both of the Partnership authorities stated that it was their intention to increase recycling rates to exceed WS2007 targets with the aim of achieving 60% recycling / composting by 2020.

The revised modelling has shown that the contract will be required to treat 125,000t of residual waste in the final year (2041/42). This modelling takes in to account future housing growth and the increased recycling rates identified in table 3 and compares to a requirement of 195,000t in the original OBC which included BBC.

### 3.3 Local Waste Strategy Review

A review of the BAMWMS was planned to take place in-between the submission of the EOI and OBC in order to capture the revised recycling targets detailed in WS2007 along with stretch targets in the new LAA Agreement (2008/09-2014). Due to the imminent Local Government Re-organisation (LGR) the review was not conducted at this point and a decision was taken that the new unitary authorities would look to develop their own strategies once LGR had taken place.

An accurate timeline for the production of new waste strategies has not yet been formalised, but both CBC and LBC are expecting to initiate this work during 2010. The new strategies will take into account WS2007 and the new aims and priorities of the authorities, as well as the JWA and the BEaR project.

## 4 Waste Treatment options & Reference Project

As part of the OBC, DEFRA requires that the Partnership present a solution that demonstrates the Partnership's needs and is deliverable, bankable and affordable. This solution, which is fully costed and selected via a detailed Options Appraisal process, is called the Reference Project.

The modelling undertaken on the Reference Project allows the facility to be tailored to the local area and based on a known potential site for the facility therefore demonstrating deliverability. DEFRA stress that, and members should be aware that, in presenting the Reference Project, authorities are not committed



to the specified treatment technology (or site), as this will be determined as part of the procurement process.

#### 4.1 Technical Options Appraisal

In 2005 BCC undertook an Options Appraisal, including a Best Practical Environmental Option (BPEO) study to determine the most appropriate technology to divert waste from landfill in Bedfordshire. However, in the intervening time (March 2005 to December 2007) there have been considerable developments in government waste policy, and within the waste management industry. Subsequently in early 2008 this process was updated by undertaking an Options Review. The updated review took new information in to account and also incorporated use of the recently released Environment Agency Waste and Resource Assessment Tool for the Environment (WRATE) tool.

The Options Appraisal is split in to two sections, a technical review and a financial review. The technical review identifies which technology will deliver the Partnerships required performance whilst also taking in to account the environmental and socio-economic impacts of the technology. Following an initial technical review of a long list of options, a shortlist was created (Table 4). It should be noted that each option includes the requirement to recycling and compost at least 50% of the total waste stream ahead of major waste treatment taking place.

**Table 4 – The shortlisted technology options**

Technology	Brief description
<b>Energy from Waste (EfW)</b>	Waste is incinerated in controlled conditions with electricity created during the process. By-products include: Air Pollution Control (APC) residues that are sent to hazardous waste landfill or used in industry; Incinerator Bottom Ash (IBA) which is recycled and used as aggregate and metals that are recycled.
<b>EfW with Combined Heat and Power (CHP)</b>	Waste is incinerated in controlled conditions with both electricity and heat being recovered during the process. The heat could be used in a district heating network. By products are as EfW above.
<b>Pre-treatment followed by Advanced Thermal Treatment (ATT)</b>	Pre-treatment of the waste is required to remove bulky items and non combustible materials (glass and metals) that are unsuitable for treatment. The waste is then combusted using either a Gasification or Pyrolysis technology to produce a synthetic gas that is used to generate electricity. By-products include bottom ash that requires disposal to landfill or use as an aggregate dependant on carbon content.
<b>Biodrying Mechanical Biological Treatment (MBT) to</b>	Waste is dried in controlled conditions and then sorted in to fractions. Some recyclable materials are recovered. By-products include: a Refuse Derived Fuel (RDF) that is then incinerated either on or off site to create energy; metals that are recycled;

<b>RDF Burner</b>	glass and stone that may be used as an aggregate and a rejected fraction that goes to landfill.
<b>Autoclave to RDF Burner</b>	Rotating Autoclave drums pulp and prepare waste in a high pressure steam environment ahead of further sorting. By-products include: recyclable materials that are separated and sent for processing; a fibrous material that can be incinerated either on or off site to create Energy and a residue that is sent to landfill.

Once selected, the shortlisted options were evaluated against a more detailed set of technical criteria which were weighted according to their importance. This produced a score for each technical option.

Alongside the technical appraisal, a financial appraisal was undertaken on the shortlisted options. As well as investigating the total costs of facilities, this also took into account the Shadow Price of Carbon (SPC). Using the SPC methodology, money was either added or taken away from the total cost of each technical option dependant upon its performance in reducing carbon production over its modelled life compared to existing treatment. Those solutions that reduced carbon saw a reduction in cost following the application of the SPC.

The outcomes of the technical and financial appraisals were then combined to provide an overall score for each option. The weighting for the technical and financial elements was 40 / 60 respectively. The final results are shown in table 5.

**Table 5 – Final Results of the Appraisal**

Option	Technical marks	Financial Marks	Total marks
EfW	40.0	57.0	97.0
EfW CHP	38.8	60.0	98.8
ATT	34.2	39.0	73.2
MBT RDF to EfW	35.7	40.0	75.7
Autoclave & RDF to EfW	32.0	37.0	69.0

Table 5 shows that the highest scoring option is to increase recycling and composting to at least 50% then treat the remaining waste using EfW with CHP technology. It is noted that EfW alone (2<sup>nd</sup> highest score) achieves a higher technical score than EfW CHP and this is due to the deliverability issues associated with the CHP element. The overall score of EfW CHP is however higher due to the significant reduction in carbon and subsequent cost reduction compared to EfW alone.

## 4.2 Reference Project

The Reference Project selected through the Options Appraisal (summarised in section 4.1) has been used to determine the high-level cost estimates, evaluate project risks and will also be used to inform the development of procurement documentation. The technology selected was EfW with CHP, however it should be noted that the identification and use of a Reference Project is a requirement of the OBC to enable all costs and risks to be assessed. The Partnership plans to ask the market to propose what they consider to be the best technical solution, these solutions will then be evaluated using agreed evaluation criteria.

A site at Brogborough has been identified as a suitable location and is included as a Reference Site (more detail in section 5). The site has been identified within the Issues and Options Waste Site Allocations Document by the Waste Planning Authority as a potential site for waste treatment facilities and is deemed by the Partnership, following a lengthy site selection process, to be the most deliverable site.

In addition to the major waste infrastructure identified in the Reference Project, the authorities will also require a range of recycling, composting and waste minimisation initiatives to take place to ensure at least 50% recycling is achieved. The costs associated with delivering these new initiatives and their improvements have been included in the whole system costs. These additional costs must be recognised and accepted by each authority as part of the overall project delivery and affordability assessment.

The scope and timing of these additional initiatives varies for each of the Partnership authorities to reflect the different requirements, approaches and the differences in demographics, geography and current recycling and waste minimisation performance.

## 5 Sites & Planning

One of the biggest risks in delivering a waste treatment solution is associated with identifying and securing suitable sites and subsequently obtaining planning permission on the identified site. As such the Partnership is seeking to reduce such risk by:

- Negotiating an option agreement to secure its reference site at Brogborough
- Undertaking a range of background works on the site to hasten the delivery of the solution and demonstrate the deliverability of the site

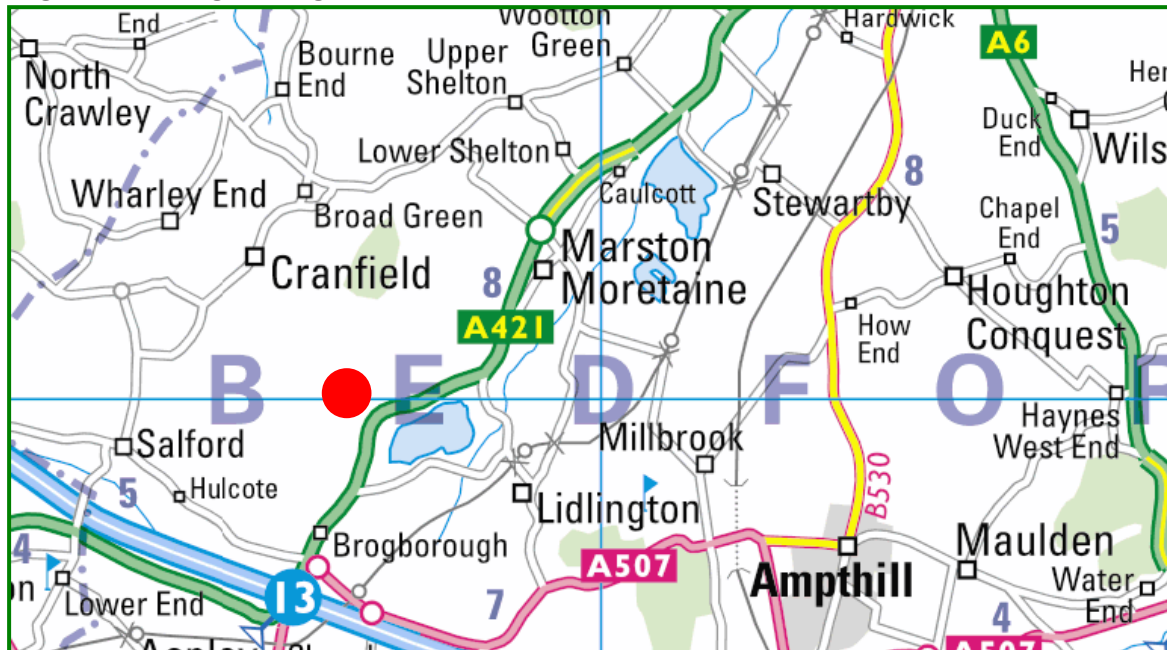
## 5.1 Sites

A comprehensive site appraisal selection process was carried out to identify suitable sites for major waste management facilities. This was carried out in two phases.

- Phase 1 (carried out by Terrance O'Rourke) – This consisted initially of a comprehensive spatial analysis of Bedfordshire to identify potential planning and environmental constraints and opportunities (constraints included green belt land, landscape and visual impact and nature conservation amongst others). This produced a list of 95 sites. Sites were then reassessed against a further 14 criteria including size, proximity to sensitive receptors, accessibility, potential opportunities for CHP and Local Plan Policy W7. This process produced a shortlist of 10 sites.
- Phase 2 (carried out by Entec) – Entec took the 10 shortlisted sites and carried out a site ranking exercise based on the government guidance - Sustainability Appraisal of Regional Spatial Strategies and Local Government Documents – Guidance for Regional Planning Bodies and Local Planning Permission.
- Phase 3 (carried out by the Project Team) – This included: a desk top review of the work carried out in Phases 1 and 2. A review of the Title documentation was also conducted as part of the negotiation of the Land Option and associated areas. This concluded that the Rookery Pit site was encumbered with a restrictive covenant precluding any development of the site for waste management, recycling and other waste related activities. Legal Advice stated that, whilst the covenant could be removed, it would incur significant costs and require a lengthy process. This led to the decision to secure a land option on either Rookery Pit or Brogborough (subject to the above issues being resolved on the Rookery Pit site).

Following BCC's Executive decision in October 2007, the BEaR project team commenced negotiations with landowners of available sites within the top 10 list. Negotiations subsequently led to the identification of Brogborough (Figure 2) as the most deliverable site. On 21<sup>st</sup> July 2009, CBC Executive gave approval to secure an Option on the Brogborough site. The purchase of the land will take place once planning permission has been granted and a bidder selected.

**Figure 2 – Brogborough site location map**



## 5.2 Waste Development Framework

County and unitary authorities have a statutory requirement to prepare a Waste Development Framework (WDF) under the Planning and Compulsory Purchase Act 2004, and in accordance with the Town and County Planning Act (Local Development) (England) Regulations 2004. CBC, BBC and LBC are working together to produce a joint framework that will cover the period until either 2021 or 2026.

Central Bedfordshire is producing a Waste Core Strategy in which strategic sites for development will be included. An Issues and Options Waste Site Allocation Plan has been prepared and consulted on in which the authorities' reference site at Brogborough has been identified as a site having sufficient land available for a major waste treatment facility. It is expected that the Core Strategy containing the strategic sites will be adopted in January 2012.

## 5.3 CHP Feasibility Study

The Partnership appreciates the issues surrounding deliverability of a CHP solution and has worked hard to investigate the potential for a CHP plant in Bedfordshire. A CHP feasibility study has been undertaken looking at the potential heat users, limitations to delivery and the costs involved with developing a CHP facility at the Brogborough and Rookery Pit sites.

The Partnership plan to maximise the opportunities to deliver a CHP solution, but appreciate that should this not be physically possible or financially viable, the

reference facility may resort to being a standard EfW plant with potential for future heat delivery.

## 6 Financial Implications

Section 6 has been removed from this document and is exempt under the freedom of Information Act 2000 - Sections 36 (Prejudice to effective conduct of public affairs) and 43 (Commercial interests).

## 7 Procurement Strategy & Timetable

### 7.1 Procurement Strategy and Approach

The aim of the BEaR Project procurement is to secure a long term waste treatment contract to mitigate the risk of both LATS fines and increasing landfill tax in the most environmentally sustainable and value for money way possible.

To deliver a solution, it may be necessary to procure new treatment infrastructure along with an operational service contract, however existing infrastructure could be offered by bidders. Given the high capital cost associated with waste treatment facilities (see section 6), a long-term contract will be let to spread the capital cost repayments over many years. It is proposed that at least a 25-year operational contract is procured to provide certainty to both the authorities and bidders. Periodic contract review points about every 5 years may provide flexibility in the arrangements.

A comparison of the various procurement and funding options has been undertaken as part of the development of the EoI and also in more detail for the OBC. The results of a high-level funding option review clearly show the financial benefits of procuring facilities in partnership with the addition of Private Finance Initiative (PFI) credit support from central government, over conventional funding methods such as Public Private Partnership (PPP) or Prudential Borrowing (PB). The OBC therefore demonstrates that the PFI route provides better value for money over conventional procurement.

Due to the legislative drivers to divert waste from landfill, many councils are currently reviewing their long-term waste treatment solutions and are seeking support in the form of PFI credit funding. DEFRA has indicated through correspondence that although PFI financial support is currently available it will not be available after March 2010, a guarantee on the level of funding allocation until this point is also not provided.

It should be recognised that in order to secure PFI credit support, the Partnership must adhere to standardised PFI procurement requirements and rigid timescales

including the utilisation of a standardised form of contract and procurement process.

## **7.2 Interim Waste Treatment Capacity**

The Partnership acknowledge that the procurement process, build, and commissioning periods for the residual treatment facility will take some time with a programmed operation start date of 2016. Updated waste flow modelling has shown that based on current projections CBC is likely to fall in to LATS deficit in 2012/13. The authority plans to mitigate the impact of potential fines through several methods including; trading LATS allowances with other authorities at a lower cost than fines, utilising existing and procuring new interim disposal contracts that do not rely entirely on landfill and driving up the recycling and composting levels as high as possible to remove biodegradable material from the waste stream.

Both CBC and LBC's current disposal contracts contain provision to divert some waste to thermal treatment facilities rather than landfill. This ability provides both authorities with some comfort over the interim years ahead of the delivery of the BEaR Project that they can pay additional funds to divert the waste rather than face fines.

## **7.3 Procurement of the BEaR Project contract**

The BEaR Project procurement will focus on residual (black bag) waste disposal only and will not involve the collection or recycling elements of the waste service. It is envisaged that waste will be delivered to an in-county facility using existing collection contracts; it is from this point the waste will become the responsibility of the contractor.

The procurement methodology used to secure the required solution will be the Competitive Dialogue (CD) process (a legal requirement for such contracts). The Partnership will be following Office of Government Commerce (OGC) best practice guidance for PFI projects of this type. Although this methodology is relatively new, a library of procurement documentation is available from DEFRA to assist in the process.

The Partnership plans to utilise a "hybrid" Pre-Qualification stage in the procurement. This methodology has featured in a number of other large scale waste procurements recently and has saved both time and money during the procurement. Market testing has also shown that potential bidders are keen on this approach.

As the Partnership is not specifying which technology should be proposed by bidders, an Output Specification will be issued to bidders to provide them with the opportunity to come forward with innovative solutions.

## 7.4 Output Specification

The Output Specification is the part of the Contract through which the Partnership defines the outputs that it requires from the Contractor over the term of the Contract. Fundamentally, the Output Specification specifies the outcomes that are required to be achieved, not how they should be achieved.

The Output Specification will need to be clear, concise and unambiguous and identify all aspects of the service that are critical to the Partnership. Together the Output Specification and the Payment Mechanism provide the means by which the Contractor's actual performance is measured against the contracted performance and the payment of the Unitary Charge for the services performed is calculated.

The component parts of the Output Specification are:

The Performance Requirements for each phase of the project i.e.:

- the Works Requirements;
- the Commissioning Requirements;
- the Service Requirements;
- the Handover Requirements; and
- the Performance Measurement Framework.

An outline draft of the Output Specification has been produced for the OBC to inform the financial modelling of the project and procurement options and has, where relevant, utilised information arising from market-sounding.

## 7.5 High Level Timetable

Table 6 provides an overview of the key procurement, planning and construction milestones. A more detailed timetable is included in the OBC.

**Table 6 – High Level Timetable**

Procurement Milestone	Target Date (TBC)
OBC Submission	11 <sup>th</sup> December 2009
Approval from PRG of OBC for PFI	March 2010
OJEU notice published	April 2010
Selection of Preferred Bidder	November 2011
Contract Award	April 2012
Planning Application Submitted (by preferred bidder)	April 2012
Planning permission approved	April 2013
Construction start on site	April 2013
Commencement of Operations	April 2016



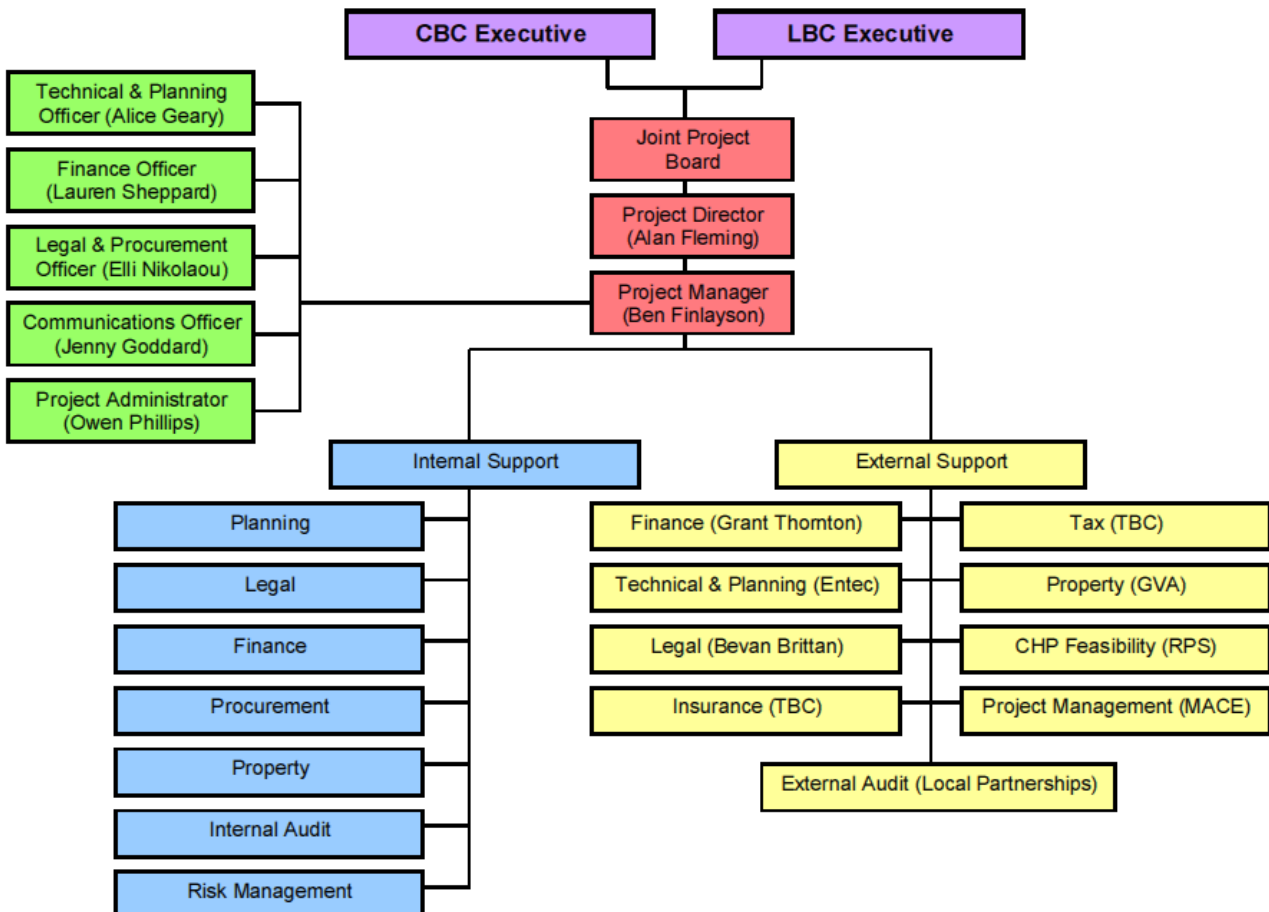
## 8 Project Governance & Joint Working Agreement

### 8.1 Project Team

A dedicated Project Team comprising the Project Director, Project Manager, Project Officers and Project Administrator, have day to day responsibility for the management of the Project, its advisers and internal support teams. The Project Director reports to the Joint Project Board on a monthly basis.

The Project Director (Alan Fleming) has management responsibility for ensuring that the project objectives are delivered and is a non-voting member of the Project Board. The Project Director is appropriately empowered to progress the project between Board meetings, to take decisions and negotiate within delegated parameters set by the Board. The Project Director and Project Manager prepare an annual and an overall BEaR Project budget to be agreed with the Project Board. They manage, monitor and review project expenditure against these budgets and issue a quarterly report to the Board. In addition to that, they report on risk management, resources and progress against the project programme and on other key issues such as project documentation and evaluation criteria.

Figure 3 – BEaR Project Governance and Management structure



The Project Manager (Ben Finlayson) leads the Project Team and ensures that the BEaR Project delivers the pre-determined project outputs and outcomes and is a non-voting member of the Project Board. The Project Manager facilitates a weekly team meeting, ensures that team members and external advisers are delivering the required work packages and delivers the information required by the Project Director for presentation to the Project Board.

The structure (figure 3) outlines the other members of the Project Team as well as those individuals that make up the remaining governance structure of the Project. This structure has been developed to ensure effective Project Governance, enabling decisions to be made in a timely manner by those parties most suitably equipped to make them thus allowing timely Project delivery.

## **8.2 Lead Authority**

The Partnership authorities recognise the need to have one authority leading throughout the procurement and are in agreement that CBC will take on this role. CBC is best placed to be the Lead Authority as the reference site, identified through the site selection study, is within the CBC administrative area. During the service phase, the Lead Authority will be the authority within whose area the main BEaR waste treatment facility/ies are located. It is noted that the exact location will not be known until a preferred bidder has been selected and planning approval has been obtained.

## **8.3 Project Board**

A Project Board has been established to provide a key link between the corporate governance structures of the Partnership authorities and the Project Team. Project Board meetings provide a forum at which key matters are discussed and decisions made. The Authority Lead Officer's (ALO's) are the voting members of the Project Board with unanimity between voting members being required for decisions to be made.

The Project Board contains one ALO from each authority along with a nominated Member (Councillor) to ensure maximum oversight whilst not clouding the officers' accountability and responsibility. The ALO is the officer at Strategic Director level whose responsibilities include the waste functions of that authority.

The current ALO's are:

- Gary Alderson - Director of Sustainable Communities, CBC
- Celia Robb - Head of Street Services, LBC

The existing structure of the Project Board has been designed to ensure clear accountable project management. Experience has demonstrated that having named and accountable officers is the most robust way to deliver a project of this

nature. This provides assurance to the market place that the Partnership is fully engaged and has set up efficient decision making structures to enable the project to be delivered as scheduled. Table 7 provides an overview of the Project Board attendees.

**Table 7 – Project Board register**

Name	Role
Gary Alderson - Director of Sustainable Communities (CBC)	Authority Lead Officer for CBC and Senior Responsible Owner (SRO) – The SRO is an officer of the Lead authority appointed by the Project Board to act as its chair, represent the interests of the Project outside the Project Management structure and provide a link between the Project Team and the corporate governance structure of the Lead authority.
Celia Robb - Head of Street Services (LBC)	Authority Lead Officer for LBC
Cllr Budge Wells - Assistant to the Portfolio Holder, Safer & Stronger Communities(CBC)	Executive Member for CBC – The Executive Member is a non voting member of the Board that facilitates the dissemination of Project information to members, ensuring adequate representation and political engagement by each of the Partner authorities.
Cllr Don Worthing - Environment Portfolio Holder (LBC)	Executive Member for LBC
Alan Fleming - BEaR Project Director	Project Director
Clive Heaphy - Director of Corporate Resources (CBC)	Internal financial adviser
John Atkinson - Head of Legal Services (CBC)	Internal legal adviser
Robert Gregan - Head of Procurement	Internal procurement adviser
Ben Finlayson - BEaR Project Manager	Project Manager
Jeremy Seldon - WIDP Transactor (DEFRA)	The Waste Infrastructure Delivery Programme (WIDP) Transactor is invited to attend meetings of the Project Board as a non-voting member. His role is to scrutinise the Project and ensure delivery against DEFRA requirements.
Additional Officers	Additional officers may be selected when required from among the employees of the Partnership authorities to attend meetings of the Project Board.
External Advisers	External advisers may attend meetings of the Project Board when invited to inform, report, summarise or advise the Board.
Other Attendees	Any of the following from each of the partner authorities are also entitled to attend meetings of the Project Board: <ul style="list-style-type: none"> <li>• Chief Executive Officers</li> <li>• Chief Finance Officers</li> <li>• Monitoring Officers</li> <li>• Officers with responsibility for waste functions (by invitation)</li> </ul>

#### 8.4 Joint Working Agreement (JWA)

The authorities recognise the benefits of working in partnership and have identified the following primary advantages for doing so:

- Significant capital and operational savings due to economies of scale
- Stronger market interest due to size of project, an important factor in achieving competition and subsequent value for money.
- Suitable sites for waste treatment are limited across the Partnership area, minimising the number of sites reduces site development costs and aids timely delivery.
- Eligible for PFI credits
- Joined up thinking

Although the benefits to joint working are clear, the Partnership authorities appreciate the challenges arising from this procurement strategy, including but not limited to the issue of having two statutory decision-making bodies, each with slightly different objectives and drivers.

In view of the high value and strategic importance of the BEaR Project, each of the authorities is required to formally sign up to a legally binding JWA. On submission of the original OBC each authority signed up to a JWA to take the Project through the procurement phase. Following the withdrawal of BBC this original JWA has been revised to take account of the changes that have taken place in the Project. The agreement has been drafted with input from Officers from of each authority and reference to DEFRA guidance on such matters. A brief summary of this agreement is set out below:

- For the management of the procurement, certain key decisions shall be “reserved” to members (in practice, the Executive) of each authority
- A Joint Officer Project Board shall be established with powers delegated by each authority’s Executive to implement the project
- An Authority Lead Officer (ALO) will be identified within each authority, (usually the Director with responsibility for Waste services) and shall act as champion of the project within the authority and be responsible for keeping the Executive of each authority informed of progress, securing the authority’s support and input into the project and answering for the project to the appropriate Scrutiny Committee
- Decisions of the Project Board shall be taken unanimously between the Authority Lead Officers. In the event of disagreement, there shall be a procedure to escalate a dispute to a meeting of the Chief Executives, with mediation during the procurement phase and arbitration during the 25-year service phase
- The Project Board shall only have powers to take those decisions which fall within the Budget and Strategic Plan Framework of each authority. “Reserved decisions” shall not be delegated to the Project Board but shall be reserved for the approval of the Executive of each authority

- The costs of the procurement, including the costs of consultants and the Project Board, shall be split equally between the Partners

In recognition of the financial risk, the JWA requires any authority withdrawing from the Partnership to be liable for any consequential additional costs resulting from this action. Such costs could include any procurement costs accrued and any costs resulting from a delay to the service commencement, e.g. LATS fines.

Upon a reserved decision being taken, the Project Board will prepare and present a common report and recommendation on these matters for each relevant authority's executive committee. The 'Reserved Matters' identified in the JWA include:

- Any decision which is contrary to or not wholly in accordance with the budget approved by each authority for the Project Board, or is contrary to an approved policy or strategy of any of the authorities
- Approval of the OBC
- Agreement of the evaluation criteria to be applied throughout the procurement process
- Approval of the preferred bidder selection
- The decision to award the Contract if the final bid proposed by the Project Board is materially outside the affordability envelope set out in the OBC
- Approval or amendment of the JWA

## 9 Risk Management

The Partnership has taken a rigorous approach to identifying, mitigating where possible and reducing likely risks associated with the project. The Partnership agreed and implemented a robust risk management strategy to ensure a proactive and consistent approach to risk management across the project.

A series of workshops have been carried out involving key representatives from the former Partnership authorities (BCC, BBC, Mid Bedfordshire District Council (MBDC), and South Bedfordshire District Council (SBDC)) along with the Council's technical, legal, financial and planning advisers to identify and categorise potential risks associated with the project.

Current, emerging and anticipated risk are documented on a project risk register and classified by risk category, probability, impact and effect on the project counter measures to reduce the risk. 11 risk categories have been identified, including Procurement, Financial, Planning/Sites, Regulatory, Governance, Technology, Construction and Operational and risks have been assigned to Risk Owners, those people best positioned to manage the risk. The assessment of risks and the scoring system was based on the corporate approach to risk management. The risk register is a live document and is updated and reviewed

regularly throughout the project. A full copy of the risk register is available on request from the Bear Project Manager.

The risk register is reviewed monthly by the BEaR Project Team and agreed by the Project Board. The current risk register was agreed by the board and the Partnership at a risk workshop on the 4<sup>th</sup> July 2008. The register was uploaded onto an electronic system which automatically sends risk owners their risks on a monthly basis for monitoring, reviewing and updating of scores and mitigation measures. The risk management procedure is a standard agenda item on the BEaR Project Board meetings and the regular internal BEaR Project Team's meetings.

## 10 Communications Strategy

The Partnership authorities have placed Stakeholder Communications at the heart of the BEaR Project and an active and robust Communications Strategy and Plan have been produced to ensure successful project delivery.

### 10.1 Communications Strategy

The Communications Strategy provides a comprehensive approach to informing all stakeholders about the BEaR Project. The key aims of the strategy are to:

- Identify key stakeholders and plan the most effective ways of communicating with them to encourage maximum support and buy-in;
- Identify how and when appropriate consultation should be carried out;
- Ensure that communication activities across the Partnership are carried out in a coordinated and consistent way;
- Develop ways of responding to enquiries that may arise during the project's lifetime;
- Identify the roles and responsibilities of people tasked with delivering effective communications;
- Manage a campaign of proactive and timely communications that adds value to the project in pursuit of the Partnership's strategic objectives;
- Manage media relations to eliminate or mitigate potential negative publicity.

The Strategy is based on the principles that all communications are:

- Open, honest, transparent and unambiguous
- Relevant and responsive
- Easy to access
- Inclusive
- Timely
- Consistent, accurate and cohesive



## 10.2 Member Engagement

Extensive consultation has taken place with all of the Partnership authorities at elected member level. Historically, engagement has taken place through the Bedfordshire Authorities Waste Partnership (BAWP) comprising of the four legacy authorities within Bedfordshire:

- BCC
- BBC
- MBDC
- SBDC

The BEaR Project Board is clearly represented by elected Members from Central Bedfordshire and Luton Borough Council. Elected Member seminars have been conducted across the Partnership authorities, prior to any key decisions made by the Executives and engagement has also occurred through Overview and Scrutiny Committees.

Following the local elections on the 4<sup>th</sup> June 2009, newly appointed Project Board Members were given a full briefing. Other briefings have taken place with Marston Vale Ward Members, to ensure key representatives of the communities in close proximity to the reference site are aware of the latest project developments.

Several visits to operational waste treatment facilities have been conducted, giving key stakeholders the opportunity to see alternative waste treatment solutions first-hand. Future engagement with elected members will be carried out through continued briefings and at key points in the project's lifetime, through presentations, internal briefing notes, via email and members bulletins.

## 10.3 Public Engagement

Public consultation is a critical to the successful delivery of the BEaR Project and ongoing public engagement will allow greater resident understanding of the key strategies for delivering a sustainable waste management solution for the Partnership.

A full countywide consultation was launched in January 2006 to ascertain the public's views on how Bedfordshire should manage its waste in the future. When residents were asked whether they thought the remaining rubbish, following increased recycling, should be thermally treated to produce power, 98% of people agreed that this was the best option.

In 2008, residents in the Marston Vale were sent a letter and information sheet, advising them of the BEaR Project and providing details of the website. Local community events have also been attended by the BEaR Project team, to ensure maximum awareness of the project.

A project specific micro-website provides useful project information and is regularly updated to include new developments or key milestones. The website is an effective method of engaging with stakeholders and can be reached via a link from LBCs' website. News releases are issued to local media and trade press at key stages of the project and articles are also placed in council magazines.

In autumn 2009, a programme of communication activities was initiated in the Marston Vale area with the primary aim of identifying the key concerns local communities have with the proposed development of a waste treatment facility in the area. It is hoped that, by involving the local community at an early stage, a proposal can be developed to meet local needs wherever possible.

Direct communications via road shows will continue over the coming months. A generic booklet will be produced to promote the key messages for the BEaR Project and raise the profile of the Partnerships objectives to deliver a sustainable long term waste treatment solution.

In July 2009, a Parish Council Involvement Group (PCIG) was established, with fifteen parish councillors and three elected Members from the Marston Vale in attendance. The key objectives of the group are to share information, engage in balanced discussions about the issues regarding the proposals and to allow parish councillors to represent the interests of their local communities.

The PCIG will continue to meet at key stages of the project, the next meeting will be held in January 2010 to discuss the outcomes of the community involvement campaign, which took place across the Marston Vale during the autumn 2009.

#### **10.4 Market Engagement**

The BEaR Project Team have undertaken a number of market testing events over the life of the project (2004, 2005, 2008 and 2009) with a variety of potential bidders, in order to maximise competition and maintain a strong focus on market attractiveness. Several meetings have also taken place with individual companies and regular e-mail updates have been used to provide potential bidders with the latest news on project developments.

Companies have expressed a significant amount of interest in the project at each of these events and have provided key information to the Project Team to enable them to develop strategies, such as the procurement approach, contract duration and funding route, to make the project as attractive to market as possible.

The Project Director and Project Manager held the most recent market testing event during October 2009, with 10 major companies attending one to one meetings. The key delivery strategies for the project were discussed and all of the attendees were in complete support of the using an enhanced Pre - Qualification Questionnaire (PQQ) to shorten the procurement process. They also re-instated their interest in bidding once the contract notice was issued.