



The BEaR Project

Business Case

Spring 2010

**Central
Bedfordshire**

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1.0 Executive summary

1.1 BEaR Project objectives and scope

- 1.1.1** Central Bedfordshire Council (CBC) aims to deliver a sustainable waste management solution which will meet the needs of its growing communities. The BEaR Project's primary focus is to achieve landfill diversion through the delivery of a long-term waste treatment solution in order to meet government targets, reduce the future costs of waste disposal and reduce the authority's carbon footprint. By doing this, the authority will mitigate much of the risk associated with the management of waste in the future. In addition to this, the BEaR Project Team is investigating any additional infrastructure requirements that would assist with the delivery of the forthcoming waste strategy.
- 1.1.2** With a recycling and composting rate in excess of 47%, CBC is within easy reach of achieving the Waste Strategy 2007 target of 50% by 2020 and is on the way to achieving its own target of 60% by this date. A steady decline in the total waste produced by CBC residents over the last few years due to waste minimisation campaigns, the introduction of alternate weekly collections and the impact of the recession has also had a positive impact on waste tonnages.
- 1.1.3** Waste flow modelling has however shown that the performance improvements and waste reduction seen to date are insufficient to prevent the authority from exceeding its allocated landfill allowance in future years under the Landfill Allowance Trading Scheme (LATS). In addition to this Central Bedfordshire has been identified as a key growth area, with the population expected to increase by nearly 25% by 2031. Taking all of these factors into account, the authority anticipates a requirement to treat 60,000 tonnes of residual waste per year through the solution.

1.2 Procurement strategy

- 1.2.1** In order to deliver a solution, CBC must run a competitive tendering process to ensure that it can demonstrate best value in its selection of a solution. In line with EU Procurement Directives, the contract will be tendered using the Competitive Dialogue process and will ultimately be awarded to the Most Economically Advantageous Tender (MEAT).
- 1.2.2** The procurement will be open to all technical solutions and contracting options to ensure innovation and competition. Evaluation criteria defined by the authority will be used as the means of differentiating between bidders and their proposed solutions. It is likely that a number of contracting solutions will come forward due to the nature of the waste treatment market and current procurement activity in the local area.
- 1.2.3** A wide range of technical solutions could also come forward for the residual waste treatment contract. Deliverable solutions in terms of their ability to obtain planning permission and bank funding include; Mechanical Biological Treatment (MBT), Energy from Waste (EfW) and Gasification. Other technology options may be successful if bidders can demonstrate that they meet the authority's requirements.
- 1.2.4** The primary focus of the procurement is a residual waste treatment solution; however work has also been undertaken to assess the feasibility of delivering additional services within the procurement, including a kitchen waste treatment solution, Waste Transfer Station (WTS) and the redevelopment of the authority's Household Waste Recycling Centre's (HWRC's). These elements will assist in the delivery of the wider CBC waste strategy, whilst also demonstrating value for money. If included, bidders will be required to submit a tender for all contract elements.

1.3 Affordability position

- 1.3.1** When delivering the procurement, the authority must set an affordability position to provide the Project with parameters within which to deliver the solution. The affordability position is calculated based on a number of assumptions related to a real life, deliverable “Reference” solution. The reference solution is not a technology choice and is simply used to provide a modelled cost of a solution. In this case, the Reference solution will increase recycling/composting to 60% and send remaining residual waste to a purpose built 60,000tpa Energy from Waste facility. This solution is then compared to the “Do-minimum” option, defined as increasing recycling/composting to 60% whilst continuing to landfill residual waste.
- 1.3.2** Based on prudent assumptions, outlined in this document, the Reference solution offers a break even position when compared to the ‘Do-minimum’ option, with the costs of the two options being approximately the same over the projected contract life. However, alongside the financial analysis, a review of the risk associated with each option and the financial impact of this has been undertaken. This has demonstrated that the transfer of risk to the contractor in the Reference option is substantial, providing the authority with a guaranteed waste disposal cost for the life of the contract (25 years). The Do-minimum option requires the authority to retain significant risk including future increases in landfill tax and availability of disposal in future years.
- 1.3.3** The Reference solution assumes a bespoke facility is built to the authority’s requirements; however, other contracting structures, as outlined in this document, could deliver better value for money to the authority. Real prices will not be known until the procurement is undertaken and a key focus of the process will be the reduction in price of proposed solutions.
- 1.3.4** The costs identified do not include the additional infrastructure elements detailed within this report. The cost of these elements will be assessed as part of the evaluation of the bids to ensure that they offer value for money to the authority.

1.4 Governance

- 1.4.1** A project specific governance structure has been produced in compliance with PRINCE2 methodology to facilitate the procurement and subsequent commissioning, operation and management of the solution. This comprises a dedicated Project team, the Officers’ Project Board and the Members’ Reference Group. A number of key decisions will be reserved to be determined by the Council’s Executive, including approval of the Preferred Bidder and the decision to award the contract.

1.5 Stakeholder communications

- 1.5.1** Effective communications are crucial to ensure that residents, elected Members and other key stakeholders fully understand the need for alternative solutions to treat residual waste. An active and robust BEaR Project Communications Strategy is in place with openness, honesty and accessibility as its key principles.
- 1.5.2** Two full public consultations have been conducted to date and more recently, activities have taken place in the Marston Vale, with local parish council and elected Member involvement. Future communications will focus on informing all key stakeholders about the procurement of the contract.

1.6 Timetable

- 1.6.1** A prudent and realistic delivery timetable has been compiled with key dates as follows:

BEaR Project Business Case – Spring 2010

- Contract Notice Issued (OJEU) – May 2010
- Preferred Bidder announced – January 2012
- Commence Planning – January 2012
- Contract Award – April 2012
- Construction – April 2013
- Operation – April 2016

1.6.2 The Project Team is fully aware that any delay to the delivery programme could have a significant financial impact on the authority, including but not limited to the costs associated with continuing to landfill waste and the increased capital costs of a solution due to additional inflation. A comprehensive risk management process is in place to monitor all project risks including those affecting the delivery timetable.

2.0 Background

2.1 Key Project objectives

- 2.1.1** Landfill has long been relied upon as the primary method of waste disposal in Bedfordshire. The objective of Central Bedfordshire Council (CBC) is to ensure that waste in the area is managed in a more sustainable manner. EU Directives together with UK legislation, policy and strategy have set stringent targets for reducing the amount of Biodegradable Municipal Waste (BMW) sent to landfill. These targets have been set in order to reduce the negative effects of landfilling, particularly the emission of harmful greenhouse gases. To achieve these targets, higher levels of waste minimisation, recycling and composting are required whilst at the same time ensuring that waste disposal services deliver value for money.
- 2.1.2** Alongside target based drivers and environmental benefits, other key reasons for delivering an alternative to landfill include:
- Concerns over the future availability of landfill in the region
 - The risk of increased landfill tax costs in future years
 - The impact of population growth on waste volumes
 - The risk of future changes in legislation (e.g. bans on landfill of certain waste streams)
 - Reducing the carbon footprint of the authority's services
- 2.1.3** The BEaR Projects primary aim is to achieve landfill diversion through the delivery of a long-term waste treatment solution, thus allowing CBC to achieve its future Landfill Allowance Trading Scheme (LATS) targets. In addition to this, as a secondary target, the Project team are investigating any additional infrastructure requirements that would assist the authority in delivering its forthcoming waste strategy.
- 2.1.4** The BEaR Project's key objectives are to:
- Avoid LATS penalties and reduce the increasing impact of landfill taxes on revenue budgets
 - Achieve long lasting environmental benefits
 - Be a valued part of CBC's utility infrastructure
 - Minimise the carbon impact of waste in CBC
 - Go to the market with a "Technology Neutral" stance, ensuring full and open competition by embracing all technology proposals in the procurement process.

2.2 Key characteristics of Central Bedfordshire

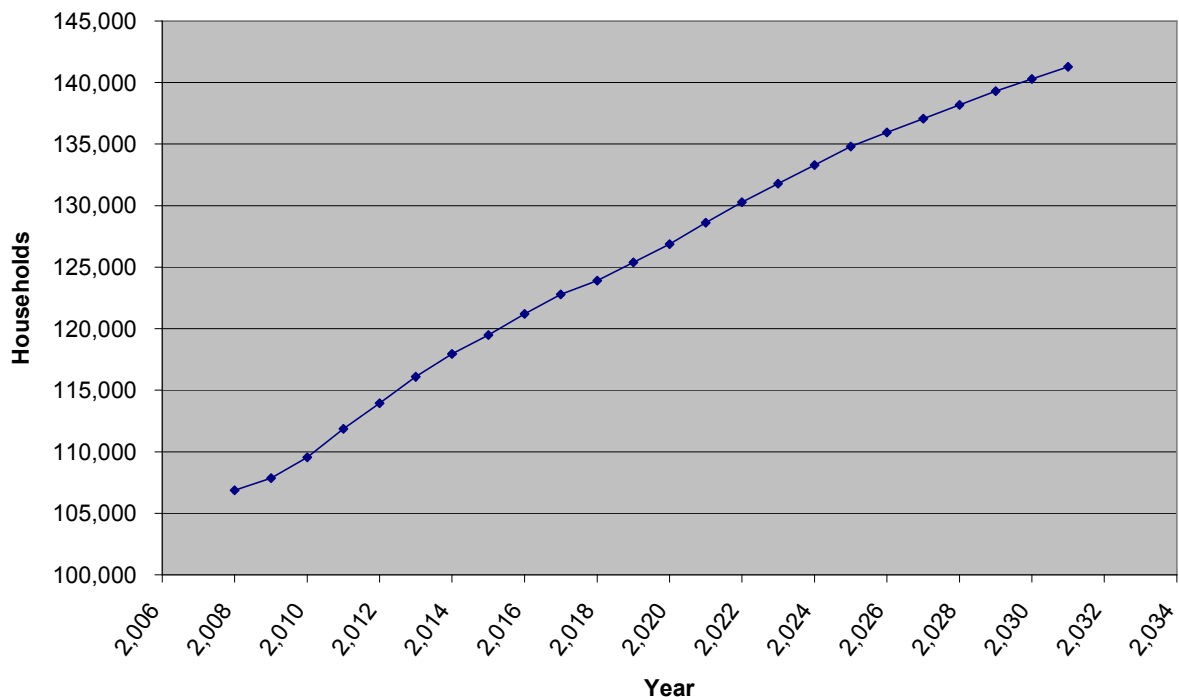
- 2.3.1** Central Bedfordshire is one of the fastest growing areas in the country, in terms of population. Several main roads and rail connections pass through the area and these effective transportation links are particularly relevant for the waste sector given the historic importation of waste into the county for landfill disposal.
- 2.3.2** Central Bedfordshire historically had a large brick-working industry which led to the creation of several clay pits, specifically in the Marston Vale area. As a result, the area has played a major role in the landfill of waste imported from London and the South East of England. Landfill sites such as Brogborough, Sundon and Elstow (now closed), and Stewartby and Arlesey (still operational), all located in Bedfordshire, have in recent years been used for the disposal of waste from both inside and outside the county.

Projected growth

2.3.3 The total population of Central Bedfordshire in 2008/09 was approximately 253,400, however, having been identified by the government as a key growth area, this population is expected to increase by approximately 24.6% over the next decade and beyond, reaching a projected total of 317,500 by 2031.

2.3.4 In order to house the additional population, significant housing delivery is expected and it is these figures that are used to inform waste projections. Housing projections (Figure 1) have been derived from information provided by the planning and development teams. Due to the fluid nature of housing growth projections, the figures will be reviewed periodically throughout the procurement to ensure that the most accurate information is provided to bidders and subsequently used in the calculation of the authority’s capacity requirements.

Figure 1 – Household growth during the contract period



2.3 Current services

2.3.1 CBC is a unitary authority with the responsibility of carrying out waste disposal and collection services. As such, under Sections 51 and 55 of the Environmental Protection Act 1990, the authority has a duty to dispose of controlled waste within its administrative area. The current waste arrangements are explored below.

Waste collection services

2.3.2 A number of kerbside collection schemes are currently offered to residents as summarised in Table 1. The services are not yet fully aligned, following the creation of the authority as part of the LGR; therefore the area has been split into North and South to provide full details of the services currently being provided.

Table 1 – Current kerbside collection schemes

Authority	Alternate Weekly Collection	Fortnightly Recyclables Collection	Glass Collection	Free Garden waste Scheme	Kitchen waste Collection
North CBC	✓	✓ Opt Out	No	✓	✓
South CBC	✓	✓ Opt Out	✓*	✓	No

* A glass collection service is currently available to a number of villages in southern CBC (c. 9000 households).

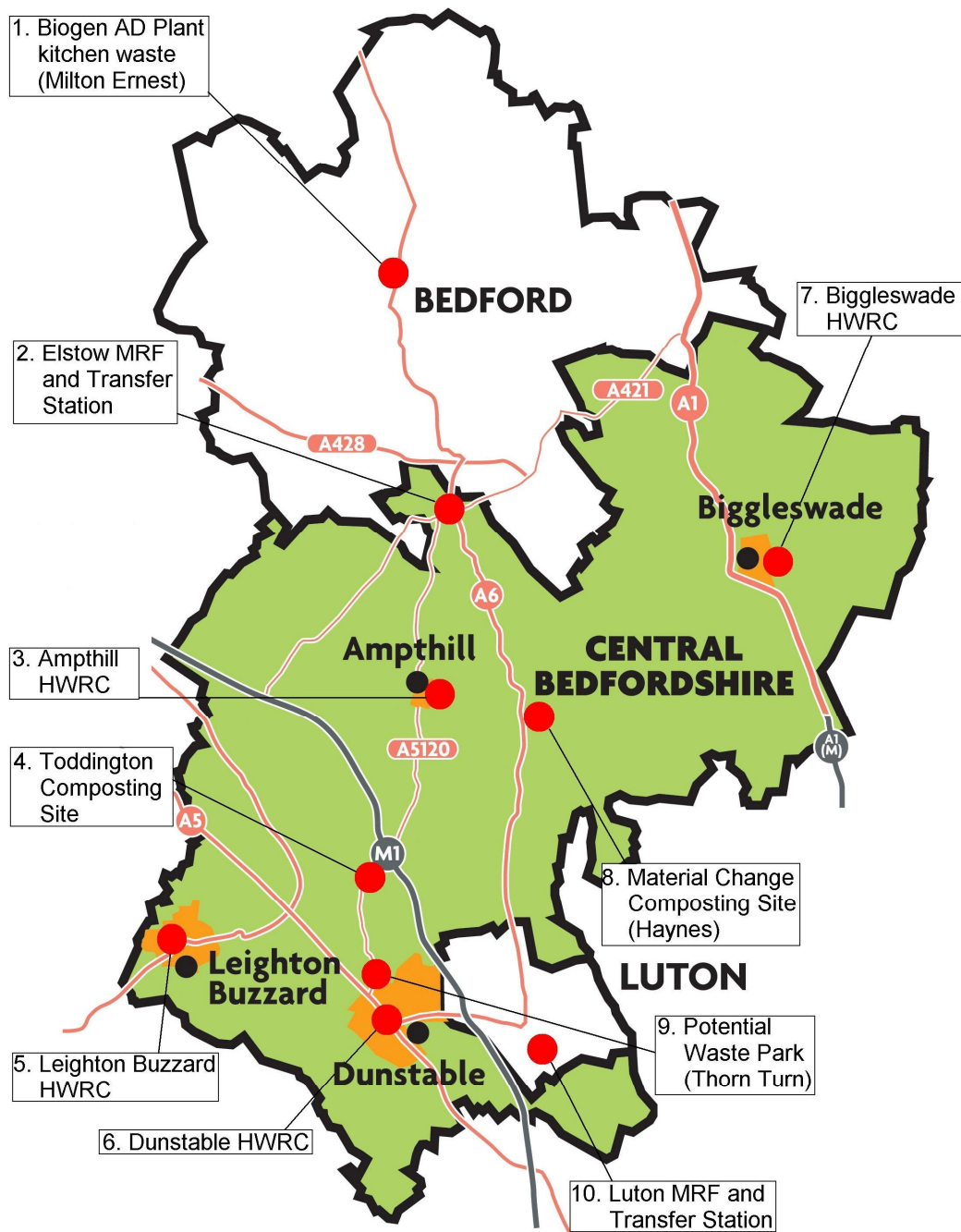
Waste disposal services & facilities

2.3.3 Table 2 details the facilities that make up the current waste disposal infrastructure within Central Bedfordshire. With the exception of landfill sites, the locations of these facilities are shown in Figure 2 (numbered).

Table 2 – Current disposal facilities

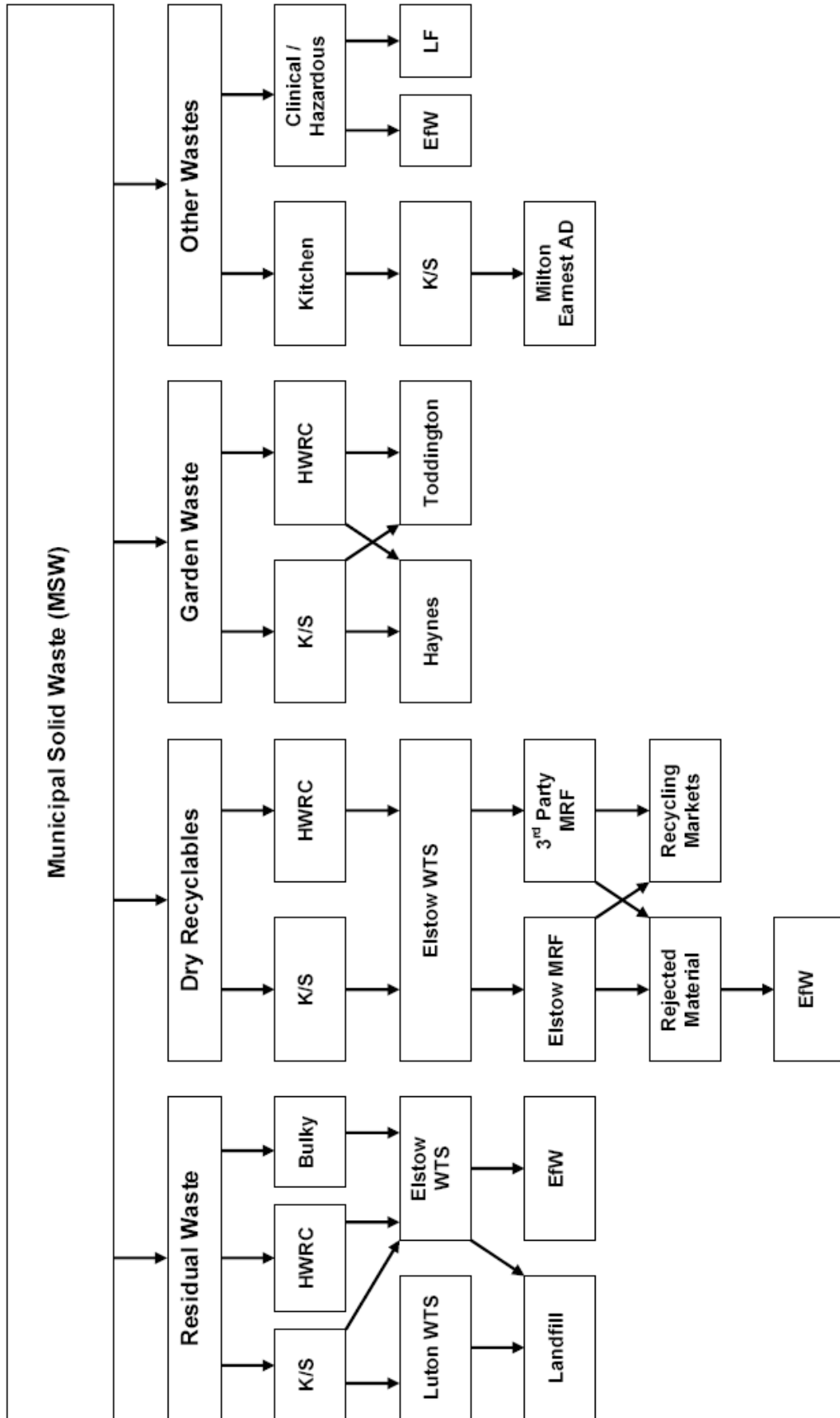
Disposal Infrastructure	Overview
Landfill	Residual waste collected from the kerbside, HWRC's and bulky waste collections is currently disposed of at landfill sites outside Central Bedfordshire.
Kitchen Waste	Kitchen waste collected from approximately 54,000 households in the northern part of Central Bedfordshire is transported to a privately owned and operated Anaerobic Digestion facility located at Milton Ernest (Figure 2, site N° 1).
Waste Transfer Station (WTS)	The authority currently utilises the Elstow WTS (Figure 2, site N° 2) to bulk and transport both residual and recyclable waste for further treatment/disposal. Some residual waste collected in the south of the area is transported to the Luton WTS (Figure 2, site N° 10) due to its proximity.
Material Recycling Facility (MRF)	Recyclable materials collected at the kerbside and HWRC's are transported to the Elstow WTS (Figure 2, site N° 2) where a proportion are sorted at the on-site MRF with the rest being bulked for sorting at a MRF in Milton Keynes that is able to process a wider range of materials. Following separation at the MRF the materials are sent on to re-processors.
Household Waste Recycling Centres (HWRCs)	Four HWRC sites operate in the CBC area, located close to major centres of population (Figure 2, site N° 3, 5, 6 & 7). These sites are used by members of the public as an alternative or supplement to the normal kerbside collection rounds. Materials are sorted and sent for recycling and composting.
Garden Waste Composting	Garden waste collected at the kerbside and at HWRC's is transported to one of two (Figure 2, site N° 4 & 8) privately owned and operated composting sites within the CBC area for open windrow composting.
Bring sites	The public are also served by a network of 142 bring sites at which a range of recyclable materials may be deposited.

Figure 2 - Existing Waste infrastructure



2.3.4 Figure 3 provides a basic overview of current waste flows within Central Bedfordshire from collection to final disposal. The waste is split into its constituent elements; residual, garden, recyclates and other.

Figure 3 – Waste flow diagram



3.0 Waste performance

3.1 Historic waste arisings

3.1.1 Nationally, annual waste growth on a per household basis has reduced considerably in recent years to around 0.5 % per annum from the 3% previously projected in the Waste Strategy for England 2007. CBC has actually witnessed an annual decrease in total waste arisings since 2005/06 as shown in Table 3.

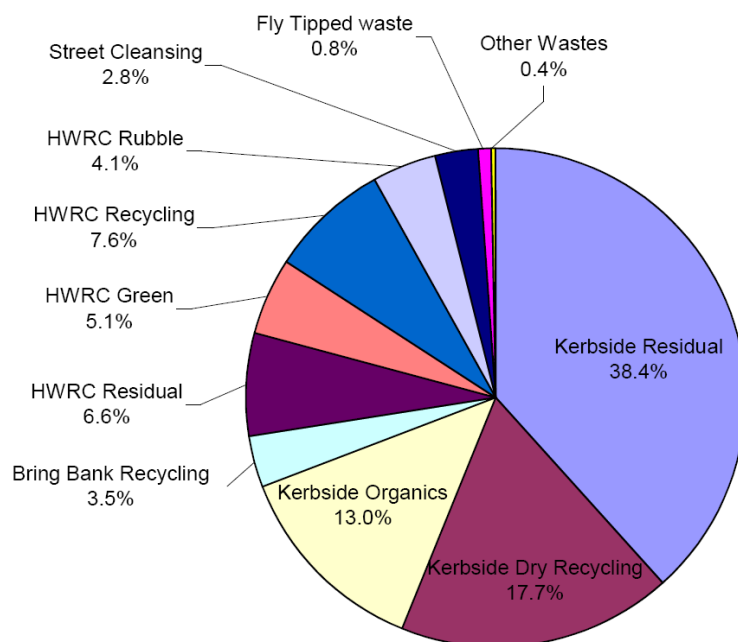
3.1.2 Waste minimisation and awareness programmes, extensive educational campaigns, the promotion of home composting, the introduction of alternate weekly collection of residual waste and additional recycling / composting schemes, have all contributed to the reduction in waste produced by residents. The drop in waste is even more significant when the steady increase in the number of households is taken into account. The impact of the recession on waste arisings has probably also impacted figures in recent years.

Table 3 – Historic waste arisings

Year	Collected Household Waste (t)	Collected Commercial Waste (t)	Collected HWRC Waste (t)	Other MSW (t)	Total MSW Arisings (t)	% Change of total MSW
2005/6	107,686	2,678	22,859	6,525	139,748	-
2006/7	99,878	2,043	26,410	6,585	134,916	-3.58
2007/8	98,561	0.00	25,537	6,561	130,659	-3.25
2008/9	94,698	0.00	24,095	6,311	125,104	-4.44

3.1.3 Figure 4 shows the total waste arisings from 2008/09 broken down into the constituent elements. This clearly demonstrates that the most significant element of the waste dealt with by the authority is residual kerbside waste. The various disposal routes for this waste are shown in Figure 3.

Figure 4 – Waste arisings breakdown (2008/09)



3.2 Performance of existing services

Recycling and composting performance

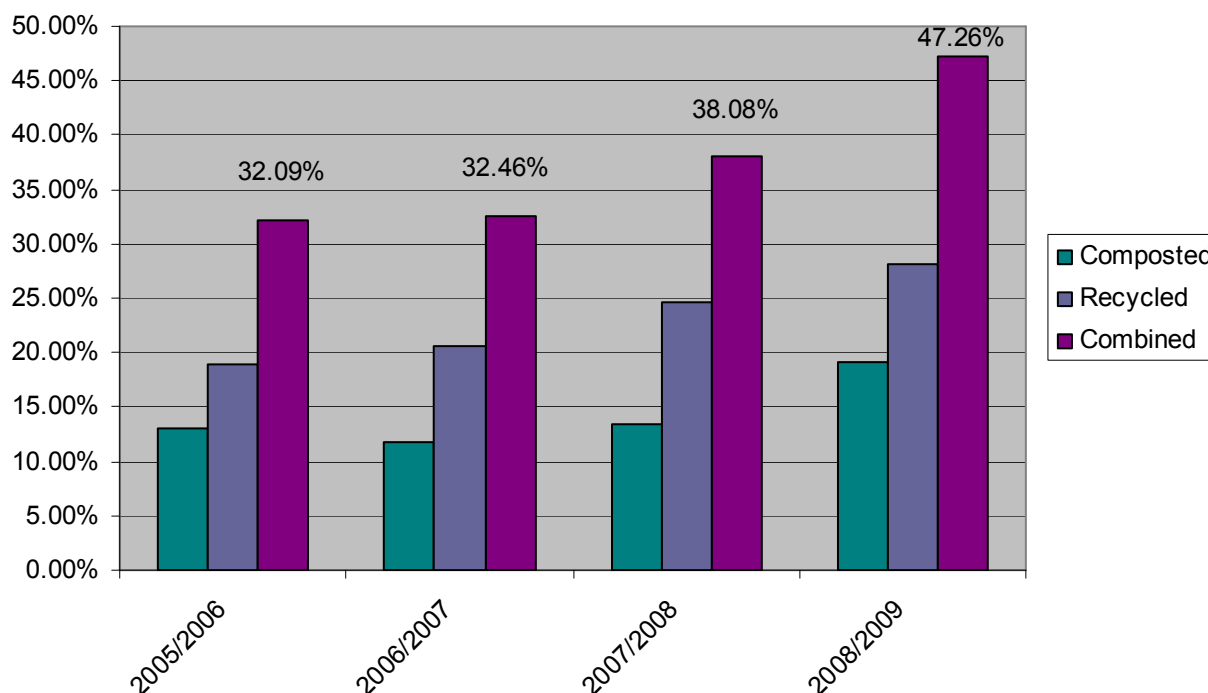
3.2.1 CBC's combined recycling and composting performance in 2008/09 was 47.26%. This represents a significant step change, improving significantly on the 32.09% achieved in 2005/06 (Table 4 and Figure 5 below), demonstrating the resources and commitment that CBC has put into waste diversion.

Table 4 – CBC Recycling and composting tonnage data*

Year	Recycling (t)	Recycling (BVPI 82a) % of HHW	Composting (t)	Composting (BVPI 82b) % of HHW
2005/6**	38,212	19.01	26,284	13.08
2006/7	20,424	20.61	11,958	11.85
2007/8	24,287	24.72	13,275	13.36
2008/9	33,506	28.19	22,665	19.07

**The data for 2005/6 reflects the performance of the legacy BCC (including Bedford Borough) due to the inability to disaggregate for CBC

Figure 5 – CBC recycling and composting performance 2005 - 2009



3.2.2 The step change seen in recycling and composting performance to date has been delivered through:

- Increasing the range of dry recyclable materials collected at the kerbside to include additional materials such as drinks cartons and all plastics;
- Roll out of garden waste collections across the authority area;
- The expansion of HWRC facilities and the targeting of specific materials to integrate with communications campaigns;
- The introduction of Alternate Weekly Collection (AWC) of residual waste and recyclables / garden waste; and

- Co-ordinated waste awareness campaign to encourage residents to reduce their waste and use the recycling facilities available.

Residual waste performance

3.2.3 Historically, CBC has relied on landfill for the disposal of its residual waste. Table 5 presents summary information on the disposal routes of residual waste for the period 2005 - 2009. Diversion of waste to thermal treatment seen in 2008/09 has been achieved via a provision in the current residual disposal contract with SITA to send some waste to an Energy from Waste (EfW) facility rather than landfill.

Table 5 – Residual waste treatment

Year	Thermal Treatment (t)	MSW Landfilled (t)	Diversion Rate (%)	BMW Landfilled (t)	Landfill Allowances (t)
2005/6	101	155,723	32.14	100,931	151,390
2006/7	90	147,653	34.90	92,565	142,185
2007/8	471	131,368	39.60	80,927	129,911
2008/9	3,273	60,508	51.66	45,145	69,000

* Data prior to 2008/9 has not been disaggregated for CBC and reflects the County Council's performance, including Bedford Borough Council.

3.3 Future recycling and composting targets

3.3.1 With a recycling and composting rate in excess of 47%, CBC is within easy reach of achieving the Waste Strategy 2007 target of 50% by 2020. On approving the Projects original Outline Business Case in September 2008, CBC committed to achieving a combined recycling and composting rate of 60% by 2020. It is this rate that has been utilised within the waste flow modelling detailed in section 3.4.

3.3.2 As of 1st April 2008, local authorities are no longer required to collect or report Best Value Performance Indicators (BVPI's). These have been replaced with the new National Indicators (NI's), which will reduce the number of statutory indicators collected/reported by a local authority. LAA targets for NI193 (Percentage of municipal waste landfilled) have already been set as outlined in table 6 below.

Table 6 – LAA NI193 targets

LA	Baseline Year 2007/08	2008/09	2009/10	2010/11
CBC	61.9% (BCC baseline)	56.17% (BCC)	50.62%	48.19%

Achieving a lower figure than the target indicates improved performance.

3.3.3 A number of activities have been identified to increase the authorities recycling performance in future years (Table 7). These initiatives will be fully addressed in the forthcoming waste strategy currently being drafted by the waste team.

Table 7 – Planned recycling initiatives

Planned Recycling Initiative	Summary
Continued waste education and awareness programmes.	Continue to build on the waste education and awareness work already in place including continuing support for WRAP campaigns.
Expansion of bring bank facilities	Provide more banks for items such as textiles and cooking oils.

Improve recycling performance of flats and multiple occupancy dwellings	CBC is working to increase recycling and waste minimisation in communal buildings. This includes ensuring that recycling facilities are in place and that flat dwellers are aware of materials that they can recycle.
New residents information packs	CBC are looking to introduce a pack that will be issued to new residents moving into the authority area, providing information on kerbside recycling and useful hints.
Increase set out and participation rates	To capture more targeted material through increased public education including engaging with residents face to face. CBC recently completed a food waste participation study (details of which are due to be published later this year) which will help enable the waste minimisation team to target the poor performing areas.
Additional materials recycling	Specific waste streams such as plasterboard, carpets, and mattresses are under constant review to seek alternative markets for additional re-use or recycling.
Improvements and upgrades to HWRCs	The latest local waste strategy (BAMWMS) identifies the need to develop the HWRC's to ensure that sites maintain sufficient capacity to satisfy service needs. Future housing growth will also require the provision of additional facilities.
Expansion of food waste collections	Expansion of the existing kitchen waste collection scheme to cover the entire CBC area.

Municipal Waste Strategy

3.3.4 CBC as a new unitary authority plans to undertake a comprehensive review of the current Bedfordshire Authorities Municipal Waste Management Strategy (BAMWMS) during 2010, with the aim of producing a new bespoke CBC strategy. Reviewing and updating the strategy will allow the authority to investigate the potential efficiency savings and issues of integrating the collection and disposal schemes operating in North and South. It will also allow the requirements of the Waste Strategy for England 2007 to be taken into account as well as the significantly improved performance of the authority and the future impact of the BEaR Project.

3.3.5 The main objectives of the current Waste Strategy are to:

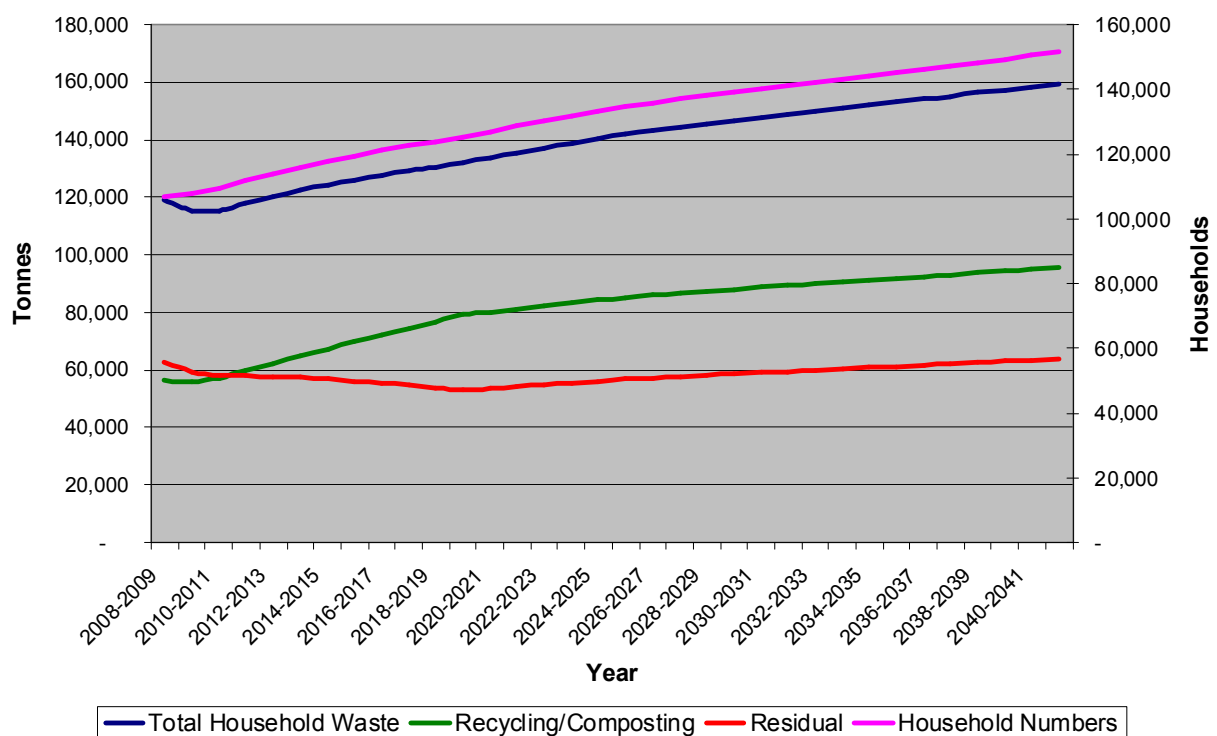
- Follow the waste hierarchy
- Minimise waste
- Work with others to raise awareness of waste issues
- Increase recycling and composting performance as the preferred means of achieving landfill diversion
- Use the principle of integrated waste management
- Consider waste in terms of resource management, with an emphasis on waste reduction and the recovery of resources from waste
- Provide centralised waste management.

3.4 Future waste projections

3.4.1 Calculations of future waste arisings are important when sizing a residual treatment facility that is likely to have an operational life in excess of 25 years. Data from 2008/09 was used for the purposes of modelling the projected requirements of the authority as this was the most recent complete data set. The future waste projections are illustrated in Figure 6, with the key modelling assumptions detailed below:

- Waste growth at the household level** – For the CBC area, a zero waste growth multiplier has been assumed, as waste growth at the household level has not been seen in recent years. Since the recession began, many UK Councils have experienced a drop in total waste arisings and CBC is no different. The model assumes that total waste will continue to drop next year (2010/11) and will then remain fixed at a set tonnage per household for the remaining modelled period. Levels of fly-tipped and open space maintenance waste are assumed to remain consistent throughout the modelled period. These assumptions are based on policies to control fly-tipping and that open spaces will not grow in the coming years.
- Housing growth** – As outlined in section 2.3, Central Bedfordshire has been identified as an area of considerable growth over coming years and this is a key consideration when projecting future waste arisings. Although current housing growth may not be meeting projections, it is expected that the modelled growth will eventually take place. Any new households will bring increased levels of various types of waste, not least recyclables and residual wastes. The recycling and composting performance of any new residents is assumed to be in line with the authority average. It is anticipated that the projected housing growth will be the sole contributing factor to waste growth within the area.
- Waste growth at Household Waste Recycling Centres (HWRCs)** – It is assumed that with more houses being built, there will be increased use of HWRC's and therefore increased arisings. Financial contributions from developers to meet planning requirements may be pooled to provide additional household waste recycling facilities but this would not reduce the amount of waste arising at these sites.
- Increased recycling/composting performance** – As outlined in section 3.3 it has been assumed within the modelling that the authority will achieve a diversion rate of 60% by 2020. This is a key assumption within the waste flow model. Recycling and composting performance will be continually monitored to ensure that this assumption remains accurate.

Figure 6 – Total Municipal Waste Projections to 2041



3.4.2 Figure 6 clearly shows the alignment between the increase in housing stock and the subsequent increase in total waste arisings over the modelled period. It can also be seen that the increase in residual waste arisings is offset by the significant projected increase in recycling and composting, causing the residual waste levels to remain relatively static at approximately 60,000 tonnes per year.

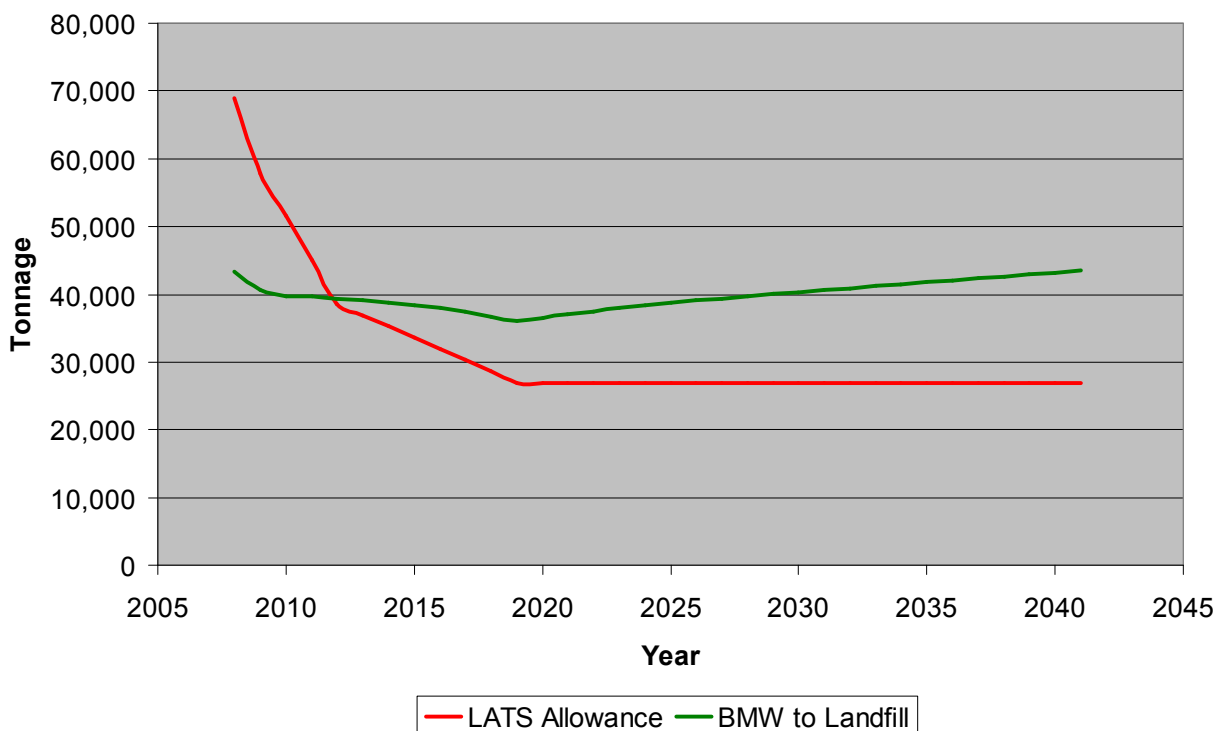
3.4.3 When letting the contract, the authority will ask bidders to include a buffer to ensure that any delay in delivering composting and recycling targets does not lead to the authority requiring additional contracts for the disposal of its residual waste.

3.5 Landfill Allowance Trading Scheme position

3.5.1 Despite the increase in recycling and composting performance seen to date and the projected increase in performance over the coming years, the waste flow modelling indicates that the improvement in performance will be insufficient to achieve the diversion necessary to meet the authorities' allocated allowances under the LATS scheme. Figure 7 highlights the projected LATS performance of CBC and demonstrates that based on the assumptions outlined in section 3.4, it can expect to be in LATS deficit by 2012/13.

3.5.2 To ensure that LATS penalties and the increasing cost of landfill are avoided, a new waste treatment solution must be delivered. The authority will seek to manage its LATS position in the first instance by promoting activities at the top of the waste hierarchy such as minimisation, re-use and recycling before utilising treatment options such as EfW. In the interim period, as part of its existing disposal contract, the authority does have the ability to send a proportion of its waste to an Energy from Waste facility.

Figure 7 – Performance against LATS



4.0 Options

4.1 Introduction

- 4.1.1** As set out in Chapter 3, Central Bedfordshire will have a requirement to treat approximately 60,000 tonnes of residual waste per year in the final contract year (2041). The reduction in waste tonnage seen following the withdrawal of the Partnership authorities has not reduced the number of technical options available to CBC. Due to the nature of the waste management market and procurements already underway in the local area, there are a wide range of potential solutions that could come forward. These options are addressed in sections 4.2 and 4.3.
- 4.1.2** When undertaking modelling to assess the feasibility of delivering a residual waste treatment solution for Central Bedfordshire, the Project team also investigated the future infrastructure requirements of the authority in order to deliver its wider waste strategy. A number of additional infrastructure requirements were identified and work has been undertaken to assess the feasibility of delivering these elements as part of the BEaR Project. The ancillary services and the benefits of including them in the procurement process are discussed in section 4.3.
- 4.1.3** The key focus of the BEaR Project remains the delivery of a residual waste treatment solution. Any other elements that can be incorporated into the procurement will be fully assessed during the procurement to ensure it remains sensible to keep them included within the scope of the Project.

4.2 Residual treatment technology options

General technology options

- 4.2.1** A full technical options appraisal has previously been undertaken to assess the wide range of solutions being offered for the treatment of residual waste. Environmental impact, robustness and bankability were key criteria in this assessment. Those technologies that could demonstrate deliverability in terms of their environmental performance, ability to obtain planning permission and bank funding made it to a shortlist (Table 8).

Table 8 – The shortlisted technologies

Technology	Description
1. Energy from Waste (EfW)	Suitable waste is sent to incineration with the recovery of electrical energy. Air pollution control residues are sent to hazardous landfill and the bottom ash is sent to landfill.
2. Advanced Thermal Treatment (ATT - Gasification)	Pre-treatment of residual waste removes bulky items that are unsuitable for this type of facility. The waste is then combusted in controlled conditions to produce a synthetic gas that is subsequently used to generate electricity.
3. Biodrying Mechanical Biological Treatment (MBT) to Refuse derived Fuel (RDF) Burner	Recyclable materials are mechanically removed prior to drying the waste in controlled conditions producing a RDF. The RDF is then combusted to produce energy (either on-site or in a different location). Residues are sent to landfill.

4. Autoclave to RDF Burner	Rotating Autoclave drums pulp and prepare residual waste under steam pressure for further sorting. Following this recyclables are extracted and two other waste streams are produced – a fibre that can be combusted to produce energy or used as a compost like product and a residue that is sent to landfill.
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4.2.2 Recent market testing has indicated that the shortlisted technologies are those most likely to be proposed by bidders for a purpose-built facility. The shortlist is provided to show the likely technologies that will be proposed and should not be considered as a definitive list. Other technology options are available and may well be successful in the procurement if bidders can demonstrate that they meet the authority’s requirements.

4.2.3 It is the intention of the authority to enter procurement on a “technology neutral” basis, meaning that any technology can be proposed by bidders. The procurement evaluation criteria will then be used to assess each of the solutions.

Contracting options

4.2.4 Due to the nature of the waste treatment market and the current procurement activity in the local area, a number of contracting solutions for residual waste treatment may present themselves during procurement. These contracting options are independent of technology choice and relate more to the structure of the contract between the authority and the contractor.

4.2.5 The Project team will not rule out solutions proposing the importation or exportation of waste as it plans to keep the procurement as open as possible, allowing innovative and value for money solutions to present themselves. The focus of the Project remains the delivery of a solution for local waste and any bids proposing the transportation of waste would need to demonstrate clear benefits to the authority during the procurement process.

4.2.6 Potential contracting options that could present themselves are highlighted in table 9.

Table 9 – Contracting options

Option	Description
Bespoke CBC solution (in-county)	Bidder proposes to build a bespoke facility for the authority within its geographical area serving the authority’s needs alone. The bidder could elect to utilise an identified site or could propose a different site, perhaps already under its ownership. Recent market testing has demonstrated significant interest from small scale technology providers in delivering a bespoke solution. There are some exiting possibilities for the delivery of small scale solutions which could offer local economic and environmental benefits; these solutions will be encouraged through the evaluation and will be investigated further during the procurement to ensure that they can offer the authority a deliverable, value for money solution.
Oversized solution (in-county)	Bidder proposes to build a bespoke facility for CBC that is larger than the requirements of CBC alone. This facility could take additional waste from sources inside or outside the authority boundary. By delivering a larger facility, the bidder would typically be able to offer a cheaper price, however the deliverability of a larger solution would be a key concern. An example of this option would be if a bidder was to propose a facility to treat waste from CBC, BBC and LBC together.

Merchant Solution	Bidders could offer contracts where waste is treated at existing or proposed facilities not developed specifically for CBC. A number of procurement processes are taking place in the local area and spare capacity at these plants could be filled with CBC waste. A facility like this might be outside the CBC area and may be able to offer a very competitive price and therefore will be fully investigated during the procurement. Bids will however be fully assessed to ensure the transfer of risk is acceptable and that solutions are deliverable.
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4.2.7 Bidders may propose variations of the options identified in table 9, for example by offering a bespoke solution outside the authority area. By allowing various contracting options to be proposed, the authority can fully evaluate all options to seek the ultimate value for money solution.

4.3 Additional services

4.3.1 On reviewing the requirements of the authority going forward, the additional infrastructure to deliver the wider waste strategy has been considered. The additional elements are identified below. The key benefits of delivering additional infrastructure items within a single procurement process include:

- Procurement cost savings
- Co-location
- Reduction of interface risk
- Reduction in contract management

Kitchen waste treatment solution (c. 15KTpa)

4.3.2 CBC currently collects approximately 5,000t of kitchen waste from the North CBC area, with the waste being delivered to an Anaerobic Digestion (AD) plant at Milton Ernest in the North of the county for treatment. If the authority plans to align its services in the future and roll out the scheme to the South CBC area, the tonnage could eventually increase to approximately 15,000t each year (allowing for future housing growth). At this level of capacity CBC may benefit from having a dedicated treatment facility within the authority area, thereby reducing transportation costs and collection vehicle down time.

Household Waste Recycling Centre (HWRC)

4.3.3 CBC currently has 4 HWRC's under its control. The sites are operated by a contractor (Viridor) and are performing well using a performance based contract. The limits on the level of recycling that take place at these facilities are the end markets available for the materials and the facilities themselves. The sites would benefit from re-development to bring them up to modern standards thereby providing a flagship public service. One of the sites also requires re-locating due to subsidence issues. The redevelopment/relocation of the sites could be incorporated into the contract as bidders are likely to have significant experience in delivering facilities of this nature. The contract could simply be Design and Build (DB) or could include Operation (DBO). Additional benefits of upgrading the sites could include reducing maintenance costs, enhancing recycling and composting performance and improving site accessibility.

Waste Transfer Station (WTS)

4.3.4 CBC currently sends both recyclable materials and residual waste to be bulked at Elstow and Luton WTS. This contract is due to expire in 2021. Following this date and possibly before, dependant on the location of various treatment infrastructure, the authority will have a requirement for a WTS to bulk waste before being transported for treatment. The requirements of the facility are heavily dependant upon the other services delivered within

the Project but could include provision for the bulking of recyclable materials, residual waste, garden waste and kitchen waste. Being delivered as part of a wider waste infrastructure procurement will ensure that the requirements for the WTS align with the other infrastructure being delivered.

Highways depot

4.3.5 Early discussions have taken place with the Highways team to ascertain requirements for a Highways depot. This facility could include vehicle parking and storage, maintenance facilities and a salt barn. Delivering a highways depot in the south will ensure vehicles are more strategically located throughout the authority area, therefore increasing efficiency and response times.

4.4 Summary

4.4.1 The authority requires a solution to treat 60,000 tonnes of residual waste per annum in a way that diverts the waste from landfill. The shortlisted technologies are those most likely to be proposed by bidders for a purpose built facility although other technologies are available and may be successful during procurement. Entering into the procurement on a “technology neutral” basis will allow bidders to propose a range of technology types. It is also likely that a number of contracting solutions will come forwards during the procurement due to the nature of the waste treatment market and the current procurement activity in the local area.

4.4.2 Additional services including a kitchen waste treatment solution and WTS will also be investigated in order to help CBC deliver its wider waste strategy.

5.0 Procurement strategy

5.1 Introduction

5.2.1 This section;

- Sets out the legal context underpinning the procurement strategy;
- Provides an overview of the procurement strategy and evaluation methodology;
- Identifies the need to and methods of maintaining market interest; and
- Provides an overview of the main procurement documentation.

5.2 Legal context

Public procurement and European law

5.2.2 When tendering for works, Central Bedfordshire must act in accordance with EU procurement directives, ensuring that the principles of fairness, transparency, non-discrimination and proportionality are observed and that all procurement activity is conducted in compliance with the Public Contracts Regulations 2006.

5.2.3 Due to its complex nature, the Competitive Dialogue (CD) procedure will be utilised for the procurement. CD is a flexible procedure for use in procurements where the contracting authority is not in a position to define in advance the legal and financial makeup of the final contract or to assess what the market can offer in the way of technical solutions. Therefore, one of the main features of this procedure is that it allows dialogue to take place with bidders in successive stages to identify and define solutions which meet the requirements of the contracting authority.

Best value

5.2.4 Local authorities have a duty under Section 3 of the Local Government Act 1999 to secure 'best value', having full regard to a combination of economy, efficiency and effectiveness. CBC is committed to running the procurement process in a manner which promotes quality and value for money through effective competition. The contract will ultimately be awarded to the Most Economically Advantageous Tender (MEAT).

5.3 Overall procurement strategy

Contract scope

5.2.5 As previously stated, the primary deliverable of the procurement process is a residual waste treatment solution capable of diverting the authority's waste from landfill for the duration of the contract (25 years). In addition, a number of ancillary services may be included within the contract scope as follows:

- A solution to treat separately collected organic waste collected by the authority (c.15,000t per annum);
- The re-development of 3 of the authority's 4 Household Waste Recycling Centres (HWRCs), and the relocation of the 4th to a more suitable location;
- A Waste Transfer Station (WTS) capable of meeting the authority's future requirements; and
- A Highways Depot.

Procurement process

5.2.6 The procurement will run for approximately two years and will be conducted in successive stages. Bidders will first be required to pass a Pre-Qualification stage where they will need

to provide details of previous experience and financial and legal standing. Bidders that are found to be at risk of failing to deliver the project will be removed at this stage. This process will allow a range of solutions to make it through to the subsequent procurement stages, thereby providing a greater chance of innovation. The selected bidders will then be invited to participate in dialogue and will be reduced by applying a set of pre-determined evaluation criteria.

- 5.2.7** Bidders will be required to submit a tender for all contract elements and will need to ensure that their proposed solutions are capable of treating all contract waste and are compliant with the Project's Output Specification. There will be no further mandatory or variant requirements set.

Evaluation criteria

- 5.2.8** The evaluation criteria will be used as a means to differentiate bidders and their proposed solutions in a manner which will:

- Be robust, objective and transparent;
- Ensure that the authority is not exposed to legal challenge;
- Provide a framework that will facilitate a comprehensive review of each bid; and
- Provide a clear audit trail

- 5.2.9** As is typical of any local authority procurement, the high level evaluation criteria will be split between quality and price. During the initial stages of dialogue, although the affordability of the Project is a key concern, the quality of the final solution is deemed to be a more important element in the evaluation model and is assigned a higher weighting. A higher weighting will be given to price later in the procurement process, when each bidder will have further developed the underlying costs of their proposed solution. The evaluation criteria will be developed by the Project team in consultation with external advisers and the Members' Reference Group and will be subject to approval by the Officers' Project Board.

Market interest

- 5.2.10** The Project team fully understands the importance of maintaining high levels of market interest and has worked hard to make the Project as attractive to the market as possible prior to commencing the procurement process. The procurement notice will be open to all solutions allowing for the full range of service providers and technologies to come forward, ultimately leading to maximum competition and subsequent value for money for the authority.

- 5.2.11** A site will also be offered to bidders as a means of further enhancing competition and providing a level playing field. The authority will welcome any bidders that come forward with their own sites and these bids will be evaluated against the same deliverability criteria as any site identified by the Project.

- 5.2.12** Regular engagement with prospective bidders remains a key priority and both face to face meetings and regular e-mail updates will continue to take place. A bidders' day is also planned early in the procurement, ahead of the return of the Pre-Qualification Questionnaires (PQQ).

5.4 Procurement documentation

Output Specification and Performance Framework

- 5.2.13** The Output Specification defines the outputs that are required of the contractor throughout the life of the contract. Fundamentally, it specifies what the outcomes are rather than how these will be achieved. The Output Specification includes the Performance Framework

which defines the required level of contract performance and outlines the effect of any failure to achieve performance standards in association with the Payment Mechanism.

Payment Mechanism

5.2.14 The Payment Mechanism is a contractual arrangement which is a method for payment and a method for providing an incentive for high performance. As such, the payment mechanism will be linked to the service outputs defined in the output specification and deductions will be applied when performance standards are not achieved.

Project Agreement

5.2.15 The Project Agreement is the formal contract that will be signed between the authority and the successful bidder and will regulate, amongst other things, payment and risk allocation during the contract period. It will contain a number of schedules including the output specification, payment mechanism and performance framework. The contractor's method statements will also be incorporated as schedules and therefore must conform to the requirements defined in the other procurement documents.

6.0 Costs, budgets & finance

6.1 Introduction

- 6.1.1** The move from delivering a large solution for a group of authorities to a smaller solution for Central Bedfordshire alone has warranted a complete re-appraisal of the financial position of the Project. This section outlines the financial analysis that has been performed by the authority and its financial advisers, Grant Thornton UK LLP.
- 6.1.2** By undertaking detailed modelling of the projected costs of a solution, the authority can set an affordability position for the Project to ensure value for money is delivered. Approval of an affordability level by elected Members ensures that they are fully aware of the financial implications of the Project and also provides bidders with the confidence that the Project has the backing of the authority to be delivered. The affordability position is the ultimate cost within which the Project Team will deliver the solution.

6.2 Procurement costs

- 6.2.1** The authority has identified a specific BEaR Project delivery budget as detailed in Table 10. The budget is managed by the BEaR Project Team and is reviewed regularly by the Project Board via a quarterly reporting mechanism.

Table 10 – Procurement Budget

Resources	2010/11	2011/12
Internal Joint Project Team	308	304
Advisers/Consultants	82	121
Site Investigations and Planning Studies	59	0
Total	449	425

- 6.2.2** The main project specific procurement costs that have been identified include the internal Project Team, external advisers and any site investigations (including the Environmental Impact Assessment) associated with a planning application. These costs are within the Sustainable Communities base budget as agreed by Full Council on 25th February 2010. Where possible, to save costs, existing documentation from similar projects and standard documentation from DEFRA will be utilised.

6.3 Financial modelling

How the model works

- 6.3.1** The financial model calculates the costs associated with delivering a bespoke waste treatment facility specifically for the authority within its borders (Reference Solution) and is very similar to the model that bidders would use to bid for the contract.
- 6.3.2** Firstly a waste flow and cost model is developed by the Projects technical advisers which provides the underlying information for the Reference solution. The waste flow model reflects the key assumptions about waste growth, front end recycling and the amount of waste suitable for treatment from the authority. The technical advisers then apply cost estimates to the required facilities using their database of capital, lifecycle and operating costs, combined with the regional context, including knowledge of potential sites and local disposal/recycling costs.
- 6.3.3** Next a 'shadow tariff' model is created by the financial advisers, which calculates the projected cost of the reference solution via a Design, Build, Finance and Operate (DBFO) 'PPP' style contract. The model works by calculating the cost of building the plant and then operating and maintaining it over the life of the contract. On top of this cost, a profit

margin is added to account for the benefit to the successful bidder. Any income such as the sale of electricity to the grid is then subtracted from this total cost.

6.3.4 Finally an affordability model is developed, which includes all costs of the solution that are outside payments to the Contractor under the shadow price (landfill tax, LATS) and Do-minimum analysis.

6.3.5 A wide range of assumptions are used in the financial model; from the funding terms associated with borrowing the capital to build the facility, to the inflation of the operating costs over the 25 year contract period. All of the assumptions used within the model are deemed to be “on-market” (i.e. in line with current conditions) or more prudent than current conditions. All costs in the model are inflated over the life of the contract so that a true representation of the cost can be provided to the authority.

Residual treatment costs

6.3.6 The solution used in the financial modelling is an Energy from Waste (EfW) facility located within the authority area capable of meeting the authority’s requirements (60,000t). The costs also include the required elements to enable the facility to supply heat as part of a CHP scheme. This option was selected as the costs associated with this type of facility are well known and there are fewer variable costs such as the disposal of residues from the facility. The relatively high capital cost of this type of facility also provides a robust affordability position for the authority. This technology has only been utilised to inform the affordability position and is not a technology selection.

6.3.7 The Project Team has used prudent assumptions in the financial model, thus reducing the possibility that the Project will be subject to affordability issues during procurement. Key assumptions include:

- No income from the sale of recyclates captured during treatment (i.e. metals etc);
- No income from the sale of heat (Infrastructure required is included in costs);
- No income from Renewables Obligation Certificates (ROC’s);
- No income from the sale of spare LATS allowances;
- Prudent assumptions on bid development costs, insurance costs and financing costs;
- Balanced assumptions on future LATS and landfill tax rates;
- Balanced assumptions on electricity income (£40MWh);
- Project finance secured by contractor to deliver facility (50bps buffer included).

Do-Minimum costs

6.3.8 For the purposes of modelling the projected costs of a waste treatment solution and providing a clear picture to members of the financial benefits of such a solution, a comparator has to be used, demonstrating the costs associated with continuing current waste disposal practices. This comparator is called the Do-minimum option and assumes the same level of recycling and overall upstream performance as the Reference solution.

6.3.9 Although the same cost assumptions associated with landfill are used in each of the options, they have a far more significant impact on the Do-minimum scenario due to the volume of waste being disposed of in this way. In the modelling, the following assumptions have been used to create the Do-minimum position:

- Landfill gate fee - existing contract rates used until expiry and then increase to £22 per tonne reflecting the long-term average WRAP Gate Fees Report 2009. Subsequently inflated at 3.5% per annum.

- Landfill tax - Increases in £8 per tonne increments until it reaches £72 in 2013/14 and in the absence of guidance surrounding future rates of increase, an assumption has been made that this tax will rise by 3.5% per annum thereafter.
- LATS - the assumption is that the scheme continues beyond 2020 but with targets for BMW to landfill remaining at the level in the last year of the scheme. The modelling assumption is that post 2016, LATS permits will be available in every year.

Results

6.3.10 The results of the financial modelling are provided in Table 11.

Table 11 – Affordability Modelling Results

	Nominal (£m)	NPV (£m)
Reference solution	XXX	XXX
Do Minimum costs	XXX	XXX
Financial benefit/(cost) of Reference solution	XXX	XXX
Reference solution	XXX	XXX
Less relevant budgets	XXX	XXX
Funding (surplus)/deficit	XXX	XXX

6.3.11 Included within the cost of the Reference Solution is the Unitary Charge payment of £XXXm over the course of the contract (2016 – 2041) which is directly payable to the contractor for the service. Additional costs such as transport costs, bulking costs, landfill tax and gate fees then increase the cost of the contract to the authority, resulting in a total Project cost of £XXXm. The total capital expenditure for the solution amounts to £XXXm which is inflated from £XXXm (price at Q4 2009/10) to the point of construction.

6.3.12 Table 11 shows that in nominal cost terms, the reference solution is slightly more expensive than the Do-minimum; however, due to the magnitude of error included within the modeling of both options, the difference in cost can be disregarded (1.4%). The table also shows that the modelled costs of both the Reference solution and Do-minimum options cost more than the authority's current residual waste disposal budget indexed by 2.5% per annum.

6.4 Sensitivity analysis

6.4.1 It is impossible to remove a number of inherent uncertainties behind the assumptions that drive the affordability cost figures, in particular those that drive the Do-minimum scenario. A range of sensitivities have therefore been modelled to show the impact of changes in the key assumptions on the costs associated with each option. This analysis has also informed the production of the Affordability Position (Section 6.5) giving Members an upper cost estimate for the delivery of a residual waste treatment solution.

6.4.2 The sensitivities identified do not represent the worst case imaginable for either option, but try to demonstrate a realistic variability for the key cost areas. The sensitivities do not include factors that will not differentiate between the two options, for example the volume of waste to be treated.

6.4.3 Table 12 sets out the sensitivities that have been run on the Reference solution and the impact that these have on the total Project cost.

Table 12 – Sensitivity analysis results – Reference Solution

Sensitivity	Nominal Project cost (£m)	Increase / (decrease) in nominal project cost (£m)
Reference solution	XXX	-
Capital Cost + 10%	XXX	XXX
Capital Cost – 10%	XXX	XXX
Operational Costs +10%	XXX	XXX
Operational Costs – 10%	XXX	XXX
Cost of finance + 50bps	XXX	XXX
Cost of finance - 50bps	XXX	XXX
Electricity income - £5/MWh	XXX	XXX
Electricity income + £5/MWh	XXX	XXX

6.4.4 Table 12 demonstrates that the most significant sensitivity is an increase in the capital cost of the solution by 10%, taking the total cost of the solution up to £XXXm over the life of the contract. The other sensitivities assessed have a lesser impact on the cost but should be considered when reviewing the affordability of the Project. The impact of beneficial changes in assumptions can also be seen in the table with a 10% reduction in capital cost of the solution bringing the price down to £XXXm.

6.4.5 Table 13 sets out the sensitivities that have been run on the Do-minimum option and the subsequent impact that these have on the total cost of this option.

Table 13 – Sensitivity analysis results – Do-minimum option

Sensitivity	Nominal Do-Minimum cost (£m)	Increase / (decrease) in Do-Minimum cost (£m)
Do-Minimum	XXX	0
LFT Increases to £80/t	XXX	XXX
LFT Increases to £88/t	XXX	XXX
LFT Increases to £120/t	XXX	XXX

6.4.6 Table 13 demonstrates that the primary risk associated with continuing to landfill waste is the impact of future increases in Landfill Tax (LFT). A Landfill Tax escalator is currently in place to 2013/14, increasing the tax by £8/t per annum until it reaches £72/t. It is currently not known what will happen following this point but recent statements made by the Government suggest that this will be a floor rather than a ceiling cost.

Sensitivity analysis conclusion

6.4.7 The risks associated with the two modelled options are very different. The Reference solution is primarily at risk from any changes to the cost of delivering infrastructure, such as increases in the cost of borrowing funds, changes in foreign exchange rates and increases in technology prices. However, once these rates and prices have been agreed during the procurement process, much of the risk of any further change ahead of facility delivery can be passed to the contractor. The authority will then know the cost of waste disposal for the duration of the contract.

6.4.8 The risks associated with the Do-minimum option relate to changes in the future costs of landfill, something that the authority has no control over. Small changes in the cost of landfill tax, landfill disposal gate fees and even transportation will have a significant impact on the cost of continuing to use landfill as the primary method of waste disposal. Table 13 shows that if the government add another year to the landfill tax escalator, taking it to £80/t by 2014/15, the cost of the Do-minimum solution will increase by £XXXm. This escalator has already been extended by 3 years, having originally been planned to cease in 2010/11 at £48/t.

6.4.9 The level of financial uncertainty over the cost of waste management reduces when any treatment solution becomes 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 authority remains exposed to a wide range of potential costs, including the landfill tax escalator and LATS fines.

6.5 Affordability position

6.5.1 The purpose of undertaking the financial modelling is to provide an anticipated cost of delivering a solution and to subsequently set a maximum delivery cost for the Project (Affordability Position). As well as providing Members with the confidence that a value for money solution will be delivered, this approach also provides bidders with the confidence that the authority understands the associated costs and is committed to delivering the project.

6.5.2 As stated, the modelling has been undertaken based on a Reference solution utilising prudent assumptions, subsequently the Project Team and its advisers are confident that a solution can be delivered within the costs identified in table 11. However, in order to reduce the possibility that the Project will be subject to affordability issues during procurement it is sensible to include a level of contingency within the costs.

6.5.3 The level of contingency has been developed whilst taking the sensitivity analysis undertaken on both the Reference solution and the Do-minimum option into account. The most substantial sensitivity assessed (increase in capital costs by 10%), increases the cost of the Reference solution by approximately £XXXm over the life of the contract. By including this as a contingency, the Project will still be able to deliver if changes that impact on project costs occur ahead of contract award. The inclusion of the contingency level creates an upper affordability position of £XXXm as shown in table 14.

Table 14 – Upper affordability position

	Nominal Cost (£m)
Unitary Charge	XXX
Other costs	XXX
Reference solution	XXX
Headroom	XXX
Affordability envelope	XXX

6.6 Alternative options

Funding options

6.6.1 The modelling has been undertaken assuming that the selected bidder will finance the delivery of the solution through Project Finance (i.e. borrowing money from a small group of banks). Currently the costs of this type of finance are high due to the risk adverse position of the banks. There are other funding options available and the procurement will be run in such a way that all options are kept open for as long as possible to ensure best value for the authority.

6.6.2 A number of the larger potential bidders could feasibly fund the capital costs off their own balance sheets, enabling them to provide better funding terms and subsequently a reduced bid cost. Another option open to the authority is to inject capital into the scheme either following the construction of the facility or at some point during the life of the contract. By financing part or all of the capital cost of any solution, the authority could significantly reduce the costs of the solution due to its ability to borrow at preferential rates. This option would be heavily dependant on the authority being in a healthy financial

position and will be assessed throughout the procurement in consultation with the S151 Officer.

- 6.6.3** Initial work undertaken by the Projects financial advisers suggests that if the authority were to fund all capital requirements for the delivery of the Reference solution, the cost would reduce to £XXXm, a saving of £XXXm over the life of the contract. There is however a number of additional risks associated with this option that would need to be fully assessed by the authority.

Contract options

- 6.6.4** As outlined in section 4, a wide range of solutions could be proposed by bidders. The Reference solution assumes that a bespoke facility is delivered for the authority, meeting the requirements of the authority alone. Other options that could be proposed include but are not limited to:

- Merchant style solutions – These are solutions that are not specifically built for the authority but perhaps for a number of authorities and could be inside or outside the CBC area. They may have been built following the procurement of another authority. Due to the size of these facilities they may be able to offer significant economy of scale savings.
- Oversize solutions – A bidder may propose a facility that is larger than the requirements of the authority. This could treat additional waste from outside the area or could take other locally arising waste not under the authority's control. Again the facility would be able to offer economy of scale savings by delivering a larger facility.

- 6.6.5** All solutions proposed by bidders will be assessed using defined evaluation criteria and those offering savings to the authority will need to demonstrate that they are deliverable and environmentally sound.

6.7 Additional infrastructure

- 6.7.1** The affordability of the additional infrastructure to be included within the procurement is currently being assessed. An affordability position will be required for each of the elements to ensure that value for money is delivered by the procurement. Executive approval of the affordability positions of each of the elements will be sought ahead of the detailed stages of the procurement commencing.

6.8 Conclusion

- 6.8.1** The affordability modelling demonstrates that the costs associated with delivering a treatment solution are broadly equivalent to those of continuing to dispose of waste to landfill. Alongside the costs of the two options, a number of other considerations (see below) as addressed in other sections of this Business Case should be taken in to account when deciding whether to progress with the Project:

- Risk transfer
- Environmental impact
- Sustainability
- Growth management

- 6.8.2** Prudent assumptions have been used in the calculation of the Reference solution costs and other solutions could come forward offering cost savings when compared to this solution. The ultimate costs of delivering a solution will not be known until a procurement exercise takes place.

7.0 Sites, planning & design

7.1 Introduction

7.1.1 The authority appreciates the risk of Project delay or failure associated with securing suitable sites and subsequently obtaining planning permission. The authority is therefore seeking to reduce such risks by:

- Offering a site to bidders during the procurement process
- Reviewing the planning strategy on a regular basis and undertaking background studies where appropriate.

7.2 Site selection

7.2.1 CBC is in the process of producing a Waste Core Strategy which will set out the vision, objectives and strategy for waste development over the next 15 years. As part of this, the Waste Core Strategy Preferred Options Consultation Document has identified Rookery South and land at Brogborough landfill as preferred strategic sites and Elstow North together with Thorn Turn as reserve strategic sites. The Project team will ensure that any sites under consideration are in line with the emerging strategy.

7.2.2 The Project team plan to offer a site to bidders during the procurement process. This will ensure a level playing field and encourage competition. Bidders can elect to utilise the site or propose their own alternative, either within or outside Central Bedfordshire.

7.3 Planning strategy

7.3.1 During the procurement phase the Project Board will keep the planning strategy under review. A decision will be taken at the appropriate time either for the Project team to submit an application (as a unitary authority a successful planning application can lawfully be developed out by the Preferred Bidder) or to request the Preferred Bidder to do so.

7.3.2 Consultation with the planning authority through the Minerals and Waste team leader is continuous. The Project team and Entec (planning advisers) will continue to meet with the Minerals and Waste team to discuss the planning strategy and any work being undertaken in relation to a planning application moving forward.

7.4 Design

7.4.1 The authority's approach to design will set out explicitly the need for a high design standard and sustainability without being over prescriptive. The authority will be looking for innovation and creativity in the design. Key design and sustainability outcomes for the project are likely to include:

- Power generation or preferably combined heat and power
- BRE Environmental Assessment Method (BREEAM) excellent standard (or very good as a minimum)
- A design that is sympathetic to its environment
- 10% recycling content in building materials (minimum).

7.4.2 CBC will seek guidance from the Commission for Architecture and the Built Environment (CABE) to ensure that the design and build of the facility will be undertaken to the highest standards. The authority will also look to contribute to the Waste and Resources Action Programme (WRAP) half construction waste to landfill target and has sought advice from WRAP on how design and construct developments can be utilised to minimise waste to landfill and maximise the use of recycled content in building materials.

8.0 Governance & project management

8.1 Introduction

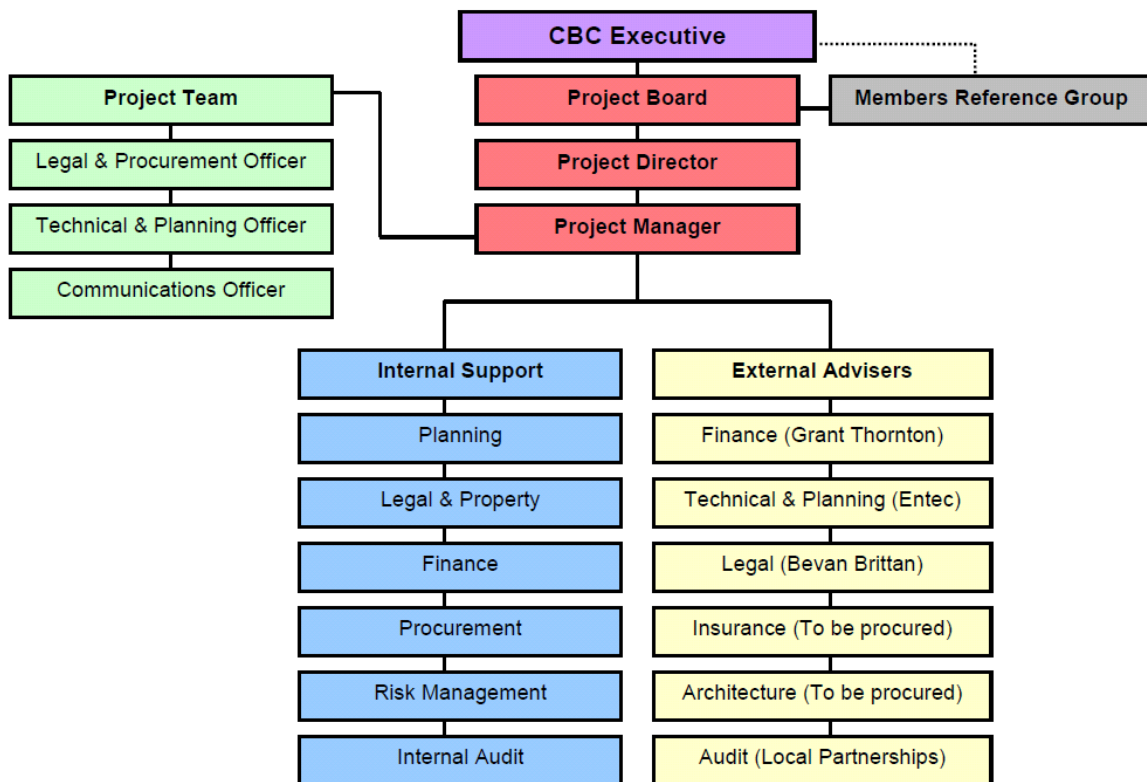
8.1.1 This section sets out the governance and management structure that has been adopted to enable the successful delivery the project. In determining a suitable governance structure, the key Project and corporate objectives have been taken into account as well as PRINCE2 Project management methodology.

8.1.2 Also addressed within this section are the Project Assurance processes and strategies that are currently in place and the Project’s approach to risk management and allocation.

8.2 Governance and management structure

8.2.1 The governance and management structure outlined in Figure 8 has been developed to ensure effective Project governance, enabling decisions to be made in a timely manner by the appropriate officers. The structure has already been agreed in principle by the Project Executive but is subject to Executive approval.

Figure 8 – BEaR Project Governance and Management structure



Project team

8.2.2 The BEaR Project team, as identified in Figure 8, includes waste and project management professionals whose experience is complemented by other officers within CBC’s wider internal support teams. All members of the team have completed PRINCE2 training, providing them with the necessary tools to deliver the Project effectively.

8.2.3 The general functions of the Project team are to:

- Monitor the delivery of the Project against the approved Business Case, budget and project programme;

- Make recommendations and produce reports for the Project Board and Members' Reference Group as necessary to progress the Project;
- Give effect to decisions and instructions from the Project Board;
- Manage the Project Board and Members Reference Group (MRG) including accurate records of proceedings;
- Produce all procurement documentation;
- Maintain key project documentation (Risk Register, Issues Log, Project History and Project Programme);
- Manage the procurement process (undertake bid evaluation, introduce final bidders to the Project Board and debrief unsuccessful bidders);
- Manage the Project's external advisers.

8.2.4 The Project team will be working under the direction of the Project Board. The Project Director will attend regular meetings with the Project Executive and will report to the Project Board on a monthly basis. The Project Executive will have the responsibility of reporting back to the Members' Reference Group on a bi-monthly basis and to the Council's Executive when required.

Officers' Project Board

8.2.5 The Officers' Project Board, which will be commonly referred to as the Project Board, will be established for the purpose of facilitating the procurement and subsequent commissioning, operation and management of the solution for the treatment of residual waste and ancillary services, in line with the Council's current and future waste disposal functions.

8.2.6 As shown in Figure 9 below, the Project Board will comprise the following members:

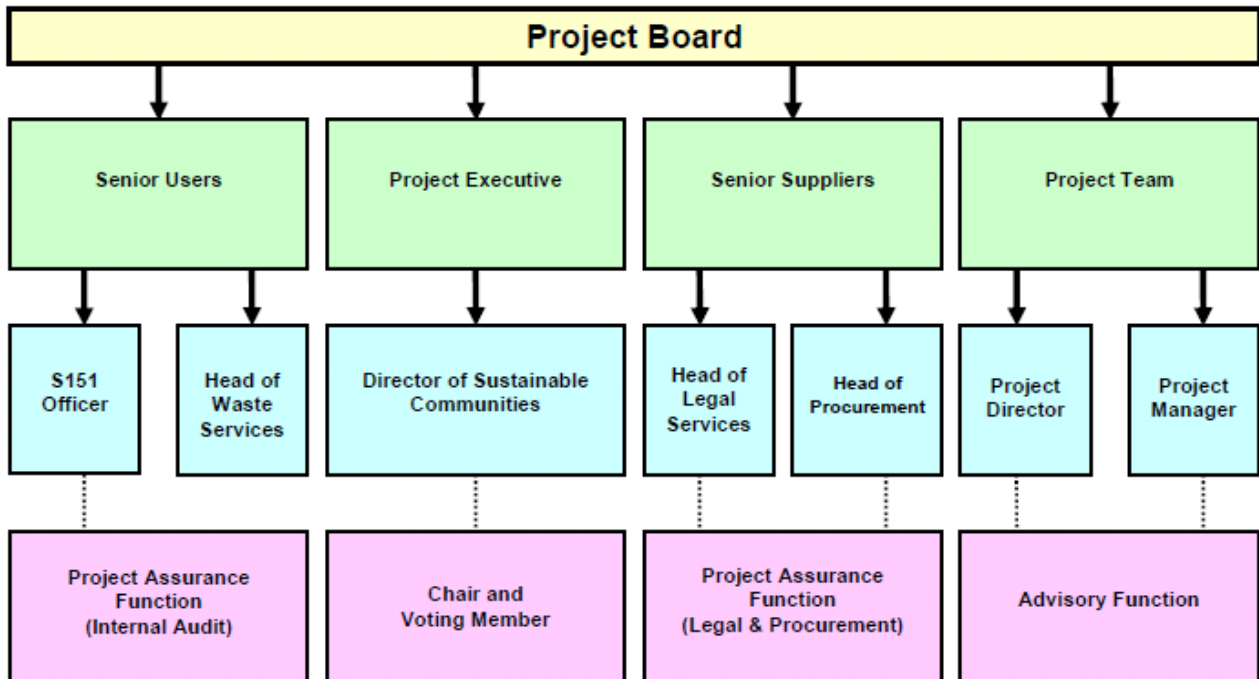
8.2.7 Project Executive - An officer of the Council will be appointed by the Authority. Unless there are overriding reasons to the contrary, the Director of Sustainable Communities will be appointed as the Project Executive due to his strategic responsibility for the Council's waste functions. The Project Executive will be the only voting member and will chair the Project Board meetings. S/he will have executive authority and will be ultimately responsible for the successful delivery of the Project;

8.2.8 Senior Users - The S151 Officer and the Head of Waste Services will be appointed as the Projects Senior Users. The S151 Officer is the most appropriate and experienced person to ensure that the anticipated financial benefits are achieved and the final contract provides value for money. The Head of Waste Services will assist in defining the Project's requirements to ensure the final solution is fit for purpose.

8.2.9 Senior Suppliers - The Head of Legal Services and Head of Procurement will be appointed as the Projects Senior Suppliers. They will also perform a Project Assurance function and assume responsibility for monitoring and ensuring that the Project's performance is acceptable.

8.2.10 Project Director / Project Manager - The Project Director and Project Manager will attend the Project Board meetings in an advisory capacity. Their attendance will provide the necessary management link between the Project Board and the Project team.

Figure 9 – BEaR Officers’ Project Board structure



Functions of the Project Board

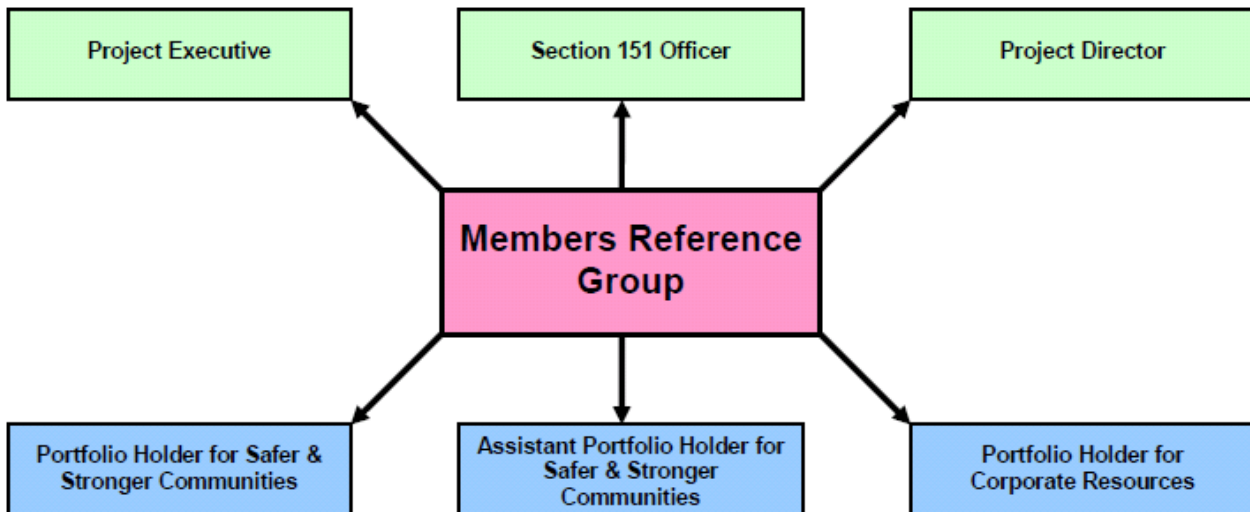
8.2.11 The Council’s Executive will delegate the following functions to the Project Board:

- Overall responsibility for the successful delivery of the Project in line with its objectives, budget and programme;
- Replacement of any Project Board member (with the exception of the Project Executive) if unable to perform their duties or due to termination of their employment with the Council;
- Approval of any additional expenditure for the Project within the affordability envelope agreed by the Council’s Executive;
- Approval of the procurement strategy and all procurement documentation produced by the Project team, including the Project Agreement;
- Approval of shortlisted bidders; and
- Review of final bids and recommendation to the Council’s Executive of the Preferred Bidder.

Members’ Reference Group

8.2.12 A Members’ Reference Group (Figure 10) comprising the Project Executive, S151 Officer, relevant Portfolio Holders (Portfolio Holder and Assistant Portfolio Holder for Safer and Stronger Communities, Portfolio Holder for Corporate Resources) and the Project Director will be established to oversee and monitor the delivery of the Project. It is not intended that decision-making powers will be delegated to the Group but that it could make recommendations to the Council’s Executive if deemed appropriate.

Figure 10 – BEaR Members' Reference Group



8.2.13 The Reference Group will be a forum that will provide the Project Executive with the opportunity to keep key Members engaged with the Project and regularly briefed. Their attendance will also assist in maintaining political support and will enable the Council's Executive to make informed decisions as appropriate.

Reserved matters

8.2.14 The following executive and non-executive decisions will be reserved to be determined by the Council's Executive and will not be within the powers of the Project Board:

- All non-executive functions of the Council;
- Approval of additional expenditure for the Project if costs fall outside the agreed affordability envelope;
- Approval of the Project's Business Case, governance structure and affordability envelope;
- Approval of the Preferred Bidder, recommended by the Project Board;
- The decision to award the contract if the successful bid recommended by the Project Board is materially outside the affordability envelope set out in the Business Case or as amended by the Council's Executive; and
- Approval of any other authority's request to enter into the final contract (including all related legal arrangements).

8.2.15 Where a "Reserved Matter" comes to be considered by the Council's Executive, it shall be the function of the Project Board to make a recommendation and prepare a report. The Project Executive will be responsible for presenting this report to the Council's Executive.

8.3 External advisers

8.3.1 The external advisers identified in Figure 8 have been utilised to date and will continue to provide necessary expert advice to enable Project delivery through the procurement phase to contract award. All current advisers have significant experience of delivering large-scale waste management contracts through PPP and PFI procurement routes. Going forward, additional external consultants may be required in order to provide insurance and design advice.

8.4 Project assurance

- 8.4.1** The BEaR Project team recognises that efficient records management is essential to support its core functions, comply with legal and regulatory obligations and most importantly ensure that confidential information is handled appropriately, therefore safeguarding the council's commercial interests. For that purpose, a Configuration Management Strategy has been developed and is complimented by an Information and Records Security Protocol. Both documents have been produced in accordance with corporate policies and procedures.
- 8.4.2** Effective quality control of documentation produced by the Project team will be achieved by implementing and monitoring the quality systems and processes defined in the Project's Quality Management Strategy. Further assurance processes are in place for review and audit as summarised below and these will continue to be utilised at the appropriate stages.
- **Gateway Review** - Examine the Project at critical stages in its lifecycle ensuring that it can progress successfully to the next stage. During the latest Gateway Review (Gate 2 - June 2009), the review team found that the Project was well managed and people involved are fully committed to its success. The next Gateway Review (Gate 3) is scheduled to take place following tender submission at PQQ stage.
 - **End of stage reviews** - Take place at suitable stages throughout the procurement to ensure that lessons are learned and taken into consideration before proceeding to subsequent stages. These reviews will be managed by the Project Director and Project Manager using internal and external quality review resources.

8.5 Risk management

Risk register

- 8.5.1** The authority has implemented a robust risk management strategy to ensure a proactive and consistent approach to risk management across the Project. The assessment of risks and the scoring system is based on the CBC corporate risk management system and includes specific risks associated with the waste planning process, site acquisition, contract procurement and service delivery.
- 8.5.2** All current, emerging and anticipated risks are documented within the risk register. Each risk is classified by a risk category and is allocated a score to gauge the likelihood of the risk occurring and the subsequent impact that it might have on the Project. Mitigating measures are also provided and scores are updated to take these measures into account. Risks have been assigned to risk owners, i.e. officers best positioned to manage the risks.
- 8.5.3** The risk register is maintained using the J:Cad system. J:Cad is an electronic system which automatically sends risk owners their risks for monitoring, review and updating. This allows the risk owners to fully review their risks and identify where additional resources or actions are required to help manage a risk. The overall responsibility for managing and maintaining the process lies with the Project team. All major risks have associated action plans and have been integrated into the overall project plan.

Risk allocation

- 8.5.4** A key principle of the project is to transfer risk to the party best positioned to manage the risk, thereby maximising value for money. A risk allocation matrix has been produced that identifies and considers the risks associated with the whole Project and how they might be allocated between the contractor and the authority. The risk allocation matrix is indicative at this stage and will be kept under constant review during procurement. The allocation of risks will be further explored with bidders as part of the competitive dialogue. New risks

may emerge depending on a bidder’s proposed solution and allocations may change. A summary of the risk allocation matrix is shown in table 15.

Table 15 – Summary Risk Allocation Matrix

Risk	Allocation	Details
Planning Delay	Shared	The authority will be impacted by the knock-on effect of landfill costs and LATS penalties. The contractor will bear construction indexation and financing carry costs, subject to an agreed planning long stop date.
Construction including ground conditions	Contractor	The contractor will be required to satisfy itself that site conditions are acceptable and will take full risk on cost and time overrun. The authority may however provide warranted data to bidders about the site during the procurement.
Commissioning and Technology risk	Contractor	The contractor will be fully responsible for ensuring that the technology is working effectively and on time and will bear all costs associated with any breakdowns or teething problems.
Service Commencement	Contractor	The contractor will bear an element of landfill costs and LATS deductions if not operating on time (usually subject to negotiation).
Volume of residual waste	Shared	The authority will have to guarantee a minimum tonnage. The contractor will be expected to take risk of tonnage variations within a wide range including handling waste above the capacity of the plant (though not required to divert from landfill if above capacity) subject to an overall maximum cap.
Diversion of tonnage and BMW	Contractor	Key benefit of contract: The contractor bids a fixed diversion rate and is liable for additional landfill costs and deductions or bonuses resulting from variances in actual performance.
Energy income and other Third Party Income	Contractor	The contractor will take commercial risk of changes to base electricity up to an initial guaranteed threshold. Any income above guaranteed level is likely to be shared 50:50.
Disposal of Residues	Contractor	The contractor will be fully responsible for the volume and toxicity of any residues including finding landfill capacity and costs and associated taxes for disposal.
Composition and delivery of residual waste	Shared	The contract will specify parameters within which the contractor is expected to still provide the agreed performance.
Change in law	Shared	The contractor will take the risk of general changes in law (subject to a capex cap). The authorities retain the risk of waste specific legislation except where foreseeable at the time of contract close.

9.0 Stakeholder communications

9.1 Introduction

9.1.1 Effective communications are crucial to ensure that residents, elected Members and other key stakeholders fully understand the need for alternative solutions to treat residual waste. Proactive communications will also ensure that any negative perceptions, based on lack of knowledge, are transformed into positive, well-informed judgements.

9.1.2 Many of the communication activities conducted to date are in addition to those normally expected for a project of this nature; however openness, honesty and accessibility are key principles of the corporate communications strategy.

9.2 Communications strategy

9.2.1 An active and robust BEaR Project Communications Strategy is in place, which has been designed to be flexible, growing as the BEaR Project advances. The main elements of the strategy are to:

- Identify key stakeholders and plan the most effective ways of communicating with them to encourage maximum support;
- Identify how and when appropriate consultation shall be carried out;
- Develop standard methods of responding to enquiries that arise during the project;
- Identify roles and responsibilities of people tasked with delivering communications ;
- Manage proactive and timely communications that add value to the Project;
- Manage media relations to ensure regular, accurate and timely coverage of the Project.

9.3 Key stakeholders

9.3.1 Stakeholders include people and organisations that stand to be affected by the Project or could influence Project delivery. A full stakeholder analysis has been undertaken and the list of stakeholders includes:

- Residents in the vicinity of proposed service
- Residents across Central Bedfordshire
- CBC elected Members & staff
- Parish councils
- Pressure and environmental groups
- Neighbouring landowners, tenants and businesses
- Government departments & local MPs
- CBC internal departments
- Local media
- Potential service providers
- Community sector
- Neighbouring authorities
- Professional & trade associations
- External advisers

9.4 Key Project messages

9.4.1 The key messages being utilised when communicating with stakeholders include:

- We must find a more environmentally friendly solution to treat residual waste;
- We must avoid rapidly increasing landfill taxes and possible fines in the future;
- Waste that cannot be recycled or composted should be used as an energy resource;
- We will consider all waste treatment technologies;

- The successful contractor is likely to be appointed by 2012, following a thorough selection process.

9.4.2 An electronic or hard copy of the Communications Strategy can be requested via the BEaR Project Communications Officer (jenny.goddard@centralbedfordshire.gov.uk).

9.5 Public engagement

9.5.1 Public involvement is crucial to the success of the BEaR Project and will ensure greater public understanding of the key strategies for a sustainable waste management solution.

9.5.2 A countywide public consultation was undertaken in 2006, providing residents with the opportunity to comment on future waste management schemes. A questionnaire supported by a series of road shows at four main towns (Biggleswade, Leighton Buzzard, Dunstable and Ampthill) was used. When residents were asked whether they thought the remaining rubbish, following increased recycling, should be thermally treated to produce energy, 98% agreed this was the best option, demonstrating overwhelming public support for a solution that delivers energy in some form.

9.5.3 A project specific website was also launched in 2006. News releases are issued to local media and trade press at key stages of the Project and BEaR articles are placed in the News Central magazine.

9.6 Targeted communications

9.6.1 Over 3000 residents and businesses in the Marston Vale were sent written information in 2008, advising them of the BEaR Project, giving details of the website and plans for future consultation. Local community events in the Vale have also been attended by the BEaR team, to ensure maximum local awareness of the Project.

9.6.2 A series of communication activities took place in October and November 2009, with local Parish Council and elected Member involvement, the aim being to identify the concerns of local communities. An online survey was produced and advertised through a series of road shows, directly delivered leaflets, posters, the Citizen's Panel and through local Parish Councils. The results¹ demonstrate that the key concerns of residents, in order of importance are the potential impact:

- Of traffic/ lorries to and from a waste facility on the local road network
- Of waste facility emissions on local air quality & public health
- On the local community of a waste facility that receives waste from outside the County

9.6.3 Whilst this campaign was not a consultation as such, the results of the survey will be taken into account. Concerns will be discussed with potential bidders during procurement, to ensure the views of the local community are fully considered during the development of the solution.

9.7 The Rookery South proposal

9.7.1 Buckinghamshire County Council has selected a preferred bidder that is proposing to build an Energy from Waste (EfW) facility at Rookery South near Stewartby. This announcement has caused confusion among residents who do not understand the relationship between Rookery South and the BEaR Project. At the latest series of road shows, the BEaR team explained to over 200 residents that a competition would be run for the CBC waste treatment contract and waste management companies would be able

¹ It should be noted that many respondents were concerned over the proposal made by the Buckinghamshire County Council Preferred Bidder, to build an EfW facility at Rookery South, near Stewartby. Every effort has been made at public events and through written information to distinguish between the two proposals.

to submit their proposals, including the proposal at Rookery South, so that the best solution could be selected.

9.7.2 The BEaR website also contains information about the implications of this issue and key messages to be adopted as the Project progresses will be:

- CBC remain focused on achieving their goal - to provide a greener solution for treating locally produced waste
- To deliver value for money, a competition must be run for the CBC waste treatment contract
- CBC will not hand the contract to one company without open competition
- CBC do not intend to narrow technology choice to a single type.

9.7.3 Local media have also been briefed to ensure they understand the difference between the BEaR Project and this separate proposal and all forms of communication will seek to reduce this confusion further over the coming months.

9.8 Elected Members

9.8.1 Historically, engagement with elected Members has taken place through the Bedfordshire Authorities Waste Partnership (BAWP). Since 2008, a series of elected Member seminars have been undertaken, the latest being held in March 2009, with the aim of providing detailed information to all CBC elected Members about how the proposed evaluation criteria, which would be used during the procurement process, had been developed.

9.8.2 In June 2009, the newly appointed Portfolio Holder and Assistant Portfolio Holder for Safer and Stronger Communities were given a full Project briefing. Other briefings have taken place with Marston Vale ward Members and regular engagement has also taken place via Executive and Overview & Scrutiny Committees.

9.8.3 Several visits to operational waste facilities have been conducted, giving key stakeholders the opportunity to see alternative waste treatment solutions first-hand. Feedback demonstrates that these visits enable attendees to learn a lot more about alternative waste treatment technologies. Members of Parliament for Central Bedfordshire are also given regular briefings, the latest was provided in November 2009. Future engagement with elected Members will be carried out through continued monthly briefings via the project Board, Member briefing notes, email updates, Project reports and presentations.

9.9 Local parish council involvement

9.9.1 Parish councils have been sent regular updates on the BEaR Project and a series of presentations have taken place to ensure parish councillors understand; the need for a treatment solution, the site selection process undertaken and the technologies considered.

9.9.2 In July 2009, the Parish Council Involvement Group (PCIG) was established, with fifteen parish councillors and three elected Members from the Marston Vale in attendance at the initial meeting. Key objectives of the group are to share information, engage in balanced discussions about the proposed residual waste treatment solution 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 and the next meeting will be held in April 2010.

9.10 Future communication activities

9.10.1 Future communications will focus on engagement with the public, informing them about the procurement of the contract and consulting with them on any planning application. A generic information flyer will be distributed across the CBC area; via council offices, leisure facilities, libraries, the recycling team, upper schools and through parish and town

councils. Continued news releases via internal and external media will ensure stakeholders are kept informed and updated with reliable information and will continue to reinforce widespread support from the residents of CBC.

- 9.10.2** Finally, a communication plan will be followed during the pre-procurement phase of the Project. The plan details the different channels of communication that will be used with each stakeholder group, the status of each stakeholder relationship, how to improve and maintain stakeholder relationships, who should engage with each stakeholder and the frequency of engagement. The plan will be updated in April 2010 to incorporate methods of stakeholder communications during the procurement phase of the BEaR Project.

10.0 Timetable

10.1 Project timetable

10.1.1 The Project programme is summarised below in table 16.

Table 16 – High level Project programme

Work Stage	Target Date	
	Start	End
Overview & Scrutiny Meeting	25/03/2010	
Executive Approval of Business Case	07/04/2010	
Contract Notice Issued (OJEU)	01/05/2010	
Pre-Qualification Stage*	01/05/2010	31/07/2010
Outline Solutions Stage*	01/08/2010	28/02/2011
Detailed Solutions Stage*	01/03/2011	31/07/2011
Final Tenders Stage*	01/08/2011	31/12/2011
Preferred Bidder Stage*	01/01/2012	31/03/2012
Contract Award	01/04/2012	
Planning Application*	01/01/2012	31/03/2013
Construction	01/04/2013	30/09/2015
Commissioning	01/10/2015	31/03/2016
Operation	01/04/2016	

10.2 Managing timetable risks

10.2.1 The Partnership recognises that any delay to the delivery programme could have a significant financial impact to the partnership authorities. Additional costs that could be expected resulting from programme delay include;

- Failing to achieve targets (BWM and landfill diversion), resulting in the need to purchase additional tradable allowances
- Increased landfill tax costs
- Additional interim contract arrangements pending full service commencement of the project
- Increased capital plant costs due to additional inflation.

10.2.2 Whilst the Project Team is confident that the timetable is achievable, it has nevertheless considered appropriate arrangements to reduce and mitigate the impacts of timetable delays. Such arrangements could include:

- Carrying out a full suite of baseline studies on the reference site as part of its own application that can be handed over to bidders during the procurement process, thus reducing the time the selected bidder requires to prepare for its own planning application
- Requiring the preferred bidder to start the preparation of its own planning application ahead of or at the point of preferred bidder selection. The Partnership understands that it may be liable for abortive costs if the contract is not subsequently awarded to the preferred bidder provided this was due to a failure of the Partnership

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- Investigating with bidders ways in which the planning approval process and construction timetable can be reduced to ensure the service commencement date is achieved
- Deploying best practice project management techniques to ensure that the procurement timetable is adhered to, including the use of critical reviews such as Gateways.
- Making provisional arrangements to acquire LATS allowances
- Ensuring interim contracts are in line with the delivery programme and do not overlap
- Identifying and maintaining a list of waste treatment facilities that could provide capacity during the interim period, should a delay occur, e.g. facilities proposed in Hertfordshire and Northamptonshire. The Project Team has carried out discussions with these authorities and will continue to do so.