

Prosiect Gwyrdd

Final Business Case (FBC)

Appendices B, C, G, H and I to this document contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and/or 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972.

It is viewed in the public interest to treat the documents referred to above as exempt from publication. Put simply, the rationale for this is that in order for the Authorities to be able to effectively evaluate tenders received it requires bidders to provide details of the commercial make up of their bid which they may not do if they thought such information would be made publicly available. The adverse impact on contractual negotiations due to such disclosure would result in a less effective use of public money. Disclosure of legally privileged information could materially prejudice the authority's ability to defend its legal interests. Therefore on balance, it is submitted that the public interest in maintaining exemption outweighs the public interest in disclosure. That said redacted versions of key documents will be made available.

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Revision History

Revision Date	Version	Updated by	Summary of Changes	Distributed (Y/N)
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REDACTED

APPENDICES

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1. EXECUTIVE SUMMARY

1.1 Introduction

This document sets out the Partnership's Final Business Case (FBC) for the appointment of the Preferred Bidder for the 25-year Prosiect Gwyrdd (PG) residual waste treatment contract.

The purpose of the FBC is two-fold. Firstly it provides a tool for the Partnership (and its stakeholders) to analyse the outcome of the procurement process and answer a number of questions about the proposed solution, including:

- Does it address all of the Partnership's requirements?
- Does it represent good value for money?
- Is it affordable?
- Is it in line with national Waste Policy?
- Is it a good fit with the Partners' wider waste management strategies?
- Is it environmentally sustainable?
- Is the risk-profile appropriate?
- Taking all the above into consideration, is it the right solution for the Partnership?

Secondly, it is a mandatory document, which forms part of the Welsh Government's (WG) revenue-support award process (which is worth approximately 25% of the cost of the services over the 25 year contract). The WG use the document to review issues such as those bulleted above, but also to ensure that the basis on which they allocated funding to the project at the beginning of the process (following the Outline Business Case (OBC)) has not changed.

1.2. Business Case Summary

PG is a residual waste treatment procurement project, being undertaken in accordance with the EU Competitive Dialogue Procedure. In October 2012 PG received Final Tenders from Veolia and Viridor for Energy from Waste (EfW) incineration facilities in Newport and Cardiff respectively. After a detailed evaluation process it can be reported that Viridor's submission scored very highly across the technical, legal and financial criteria and was the Most Economically Advantageous Tender (MEAT) overall. This is the terminology used under procurement processes of this type. Viridor submitted a very good tender, scoring more than 92%.

The solution is a 350,000 tonnes per annum facility at Trident Park, Cardiff and is currently under construction. It is a heat enabled energy recovery facility producing green electricity; with plans to supply heat to local buildings, which will further improve the facility's environmental performance. The facility is 'merchant' – that is, it is larger than PG's requirements, will have waste suppliers other than PG and ownership will not revert to the Partnership on contract expiry.

In the view of the Project Board, the Business Case strongly supports the award of Preferred Bidder to Viridor Waste Management Ltd (Viridor). The procurement process was highly competitive and firmly negotiated, which resulted in a very good price and appropriate commercial positions being tendered.

At the Detailed Solution stage in December 2011 the evaluation scores of the two remaining bids were very close – both representing acceptable and competitive proposals. From January 2012 to Final Tenders in October 2012, robust negotiation resulted in the Preferred Bidder's tendered payments over the life of contract reducing by an estimated £90m; a drop of more than a 17%. This, together with the quality of the solution and the favourable commercial terms, means that the contract therefore represents **excellent value for money**.

At the start of the new service (in April 2016) the tendered gate fees will be considerably lower than the price each Partner would be paying for their waste disposal if they continued with their current arrangements. The WG contribution reduces the price per tonne by a further 25%. Furthermore, only a proportion of the costs will be subject to indexation, which means that the cost of the service, will reduce on an annual basis, relative to inflation over the 25 year period. This makes the contract **highly affordable for the Partner Authorities**, and significantly below the affordability thresholds approved at the OBC stage.

The solution will produce renewable energy. It will be a high efficiency power plant, designated as 'recovery' rather than 'disposal' under EU definitions. The Preferred Bidder is also exploring opportunities to export heat (as well as electricity). This would improve further the facility's efficiency and reduce its carbon footprint.

Through robust negotiation, Viridor has committed to achieve **100% recycling** of Incinerator Bottom Ash (IBA), as well as a commitment to recycling the Air Pollution Control Residues (APCR or "fly ash") as soon as practicable recycling processes are developed for this material.

Modern, clean and efficient incineration such as that proposed by Viridor is a significant environmental improvement on the Partners' current, landfill-based disposal arrangements. It is in line with **WG Policy** and supports the Partners' **waste management strategies** – including their drive to continually increase recycling to at least 70%.

This is a highly capital intensive and complex facility. During negotiations, the Project Team was firm in ensuring that the Partner Authorities did not take on any inappropriate risk. Furthermore, and given the merchant nature of the facility, key risks have been transferred to the contractor to protect the interests of the Partners. As Planning Permission and Environmental Permits have been secured and construction has commenced a number of the most significant deliverability risks to projects of this sort have been removed and reduced.

In summary, this is an affordable and environmentally and financially sustainable solution that represents excellent value for money with a relatively low deliverability risk.

1.3 Structure of the FBC

As well as addressing the overarching business case for awarding the contract to the Preferred Bidder; the FBC analyses the changes since the OBC was published in 2009. This is to establish whether there have been changes in circumstances, key assumptions or a change resulting from the solution offered by Viridor that may have fundamentally altered the basis on which the Partner Authorities approved the initial project and provisional WG funding was awarded.

After a general background section, the FBC is structured into separate but inter-related business cases:

- The Strategic Case;
- The Economic Case;
- The Commercial Case;
- The Management Case;
- The Financial Case.

The following section briefly outlines each of these FBC sections in turn.

1.4 The Strategic Case

This section provides an outline of the Partners' and the WG's strategic waste management objectives and any changes since the approval of the OBC. It also provides an analysis of how well Viridor's proposal fits with the Partner's waste strategies moving forward.

The Strategic Case considers key issues including:

- Waste Minimisation;
- Recycling Performance;

- Landfill Diversion;
- Energy Efficiency;
- Environmental Impact.

In summary, the Strategic Case found that Viridor's solution is a good fit with the Partners waste strategy objectives. Viridor's commitment to recycle 100% of its bottom ash and recycling its APCR as soon as practicable, will make a positive and significant contribution to the Partners achieving their 70% recycling targets.

Viridor's proposal also commits to zero biodegradable waste going to landfill – meeting the WG Landfill Allowance Scheme targets. Furthermore, apart from the relatively small quantities of APCR (until this will be recycled) no other waste will be landfilled.

Viridor's facility is very energy efficient and as such is classed as 'recovery' rather than 'disposal' under the EU waste hierarchy definitions. Viridor is also actively looking for customers to take heat directly from the facility. This will further improve the energy efficiency and therefore the carbon footprint of the facility.

The overall environmental impact of Viridor's proposal is a significant improvement on the current landfill-based disposal methods. Most notable is the reduced net carbon emission resulting in a much lower climate change impact from the Partners' waste activities.

1.5 The Economic Case

This section of the FBC is to demonstrate that the Partnership has run a competitive procurement structured in accordance with the proposals in the OBC and in line with EU procurement rules. The importance of a good competition is that if the bidders are very keen to be awarded the contract, they will submit the best technical solution, on the best commercial terms for the lowest price.

The economic case also considers the flexibility built into the contract; testing its ability to adapt to various changes in circumstances over the 25 year contract duration. Indeed the negotiated contract is flexible and adaptable to changes such as: new legislation; changes to the waste profiles and variations that might be instigated by a Partner's change in Policy.

The Economic Case shows that the process was highly competitive, right up to the submission of the Final Tender. Viridor's proposal is better value and more affordable than the Reference Case that was modelled in the OBC. Financial analysis demonstrated that, under competitive pressure, Viridor reduced its tendered price by more than 17% in the final stage. Furthermore, benchmarking against approximately 20 other similar and recent waste projects, on a like-for-

like basis demonstrated that Viridor's Prosiect Gwyrdd tender is one of lowest priced contracts of this type in the UK.

1.6 The Commercial Case

The Commercial Case considers how the approach to project risk that was assumed in the OBC has changed for the Preferred Bid. Key to this type of project is ensuring the appropriate level of risk transfer from the Public to the Private Sector. The general assumption is that the Public Sector requires a degree of certainty and attempts to transfer risk to achieve this. However, if too much risk is transferred, the Contractor will price it (and the Partnership would therefore pay for it whether or not the risk materialises), putting the cost up and therefore undermining Value for Money.

In Viridor's case, a number of the risks normally associated with Projects of this nature were significantly reduced. Some of the differences to a 'standard' risk profile include:

- Due to its 'merchant' nature, Viridor's facility will never transfer to the Partnership so there is no risk associated with hand-back;
- The facility is able to treat waste in excess of the partner's requirements and has an economic life which is longer than the contract. The Partnership has negotiated a 'pro-rata' principle, except in extreme cases where the Partnership decides when in its best interest not to do so, it will only pay for its share.
- The facility already has planning permission and environmental permits. This negates the risk of future planning failure which would have significant cost and other impacts on the Partnership;
- Construction has commenced and the facility should be operational long before the planned service commencement for Prosiect Gwyrdd. This reduces the potential risk of construction delay.

All the 'derogations' to WG's standard contract needs sign-off by the WG before funding can be approved. The WG undertook a Commercial Health Check before submission of final tenders and the closing of dialogue. The aim was to check the agreed commercial positions and approve the proposed derogations. In a letter dated the 17th October 2012 following the Health Check, WG confirmed that it was content for the Partnership to close dialogue and proceed to the Call for Final Tenders (CFT) stage.

1.7 The Management Case

The management case reviews the project management and governance of the procurement – ensuring that it has been in line with best practice and the arrangements outlined in the OBC. But more importantly, it looks forward to ensure that sufficient resources have been identified for managing the contract throughout the transition and operational phases.

In summary, the Project has been well managed throughout the procurement process with an appropriate governance structure, Member input and overview and scrutiny as set out in the Joint Working Agreement.

Budget has been allocated for the post-procurement phases and a Transition Plan is being developed. The Transition Plan which has been discussed at the Project Board is to manage the period from financial close, in the summer of 2013, to service commencement in April 2016. During this period, the construction phase requires ongoing monitoring and, most importantly, a contract management manual needs developing along with the setting up of the financial and reporting systems and development of the operations team. The second Joint Working Agreement (JWA2) will govern the Partnership during the operational phase.

1.8 The Financial Case

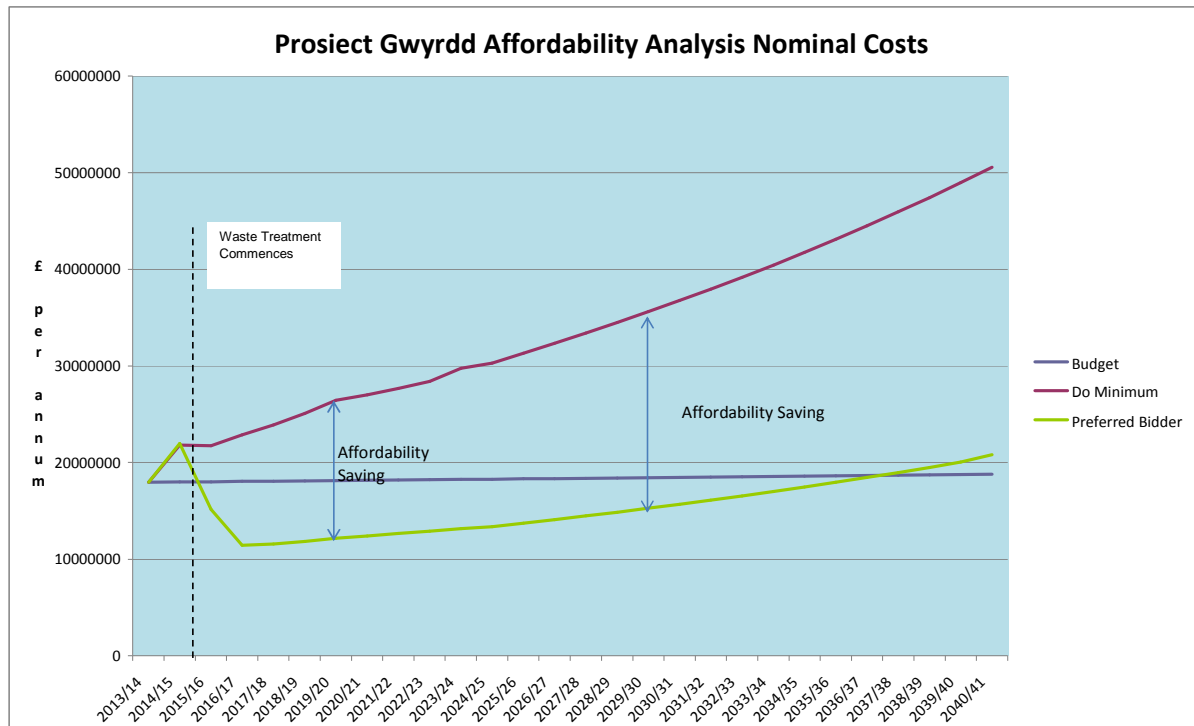
The financial case analyses the cost of the Preferred Bidder's solution and tests that it is affordable to each Partner Authority. The analysis is based on the financial model submitted by Viridor as part of its final tender.

Approval of the FBC (and the Financial Case) by each Partner Authority will demonstrate that each understands and accepts the financial impact on their respective Authority of entering into the contract.

Furthermore approval of the FBC and the relevant affordability position will underpin the decision by the elected Members for the Project to proceed to Financial Close.

The financial case for Viridor as compared with that of the OBC reference case and 'business as usual' is very strong. The graph below (Figure 1.8) shows that the year on year cost of Viridor's contract (the preferred bidder line) is significantly lower than the cost of the Partners continuing with their existing landfill disposal contracts. The project is affordable and good value for money.

Figure 1.8 – Prosiect Gwyrdd Affordability Analysis Nominal Costs



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On approval of the FBC by the WG, it will agree to pay the Partnership revenue support amounting to [REDACTED]. This is approximately 25% of the contract value based on estimated profile tonnages and paid quarterly on an annuity basis.

At Contract Commencement, the estimated saving to the Partnership as a whole (including the benefit of the WG funding) as compared to the cost of continuing with the current landfill disposal arrangements is greater than £11 million. This is equivalent to the Partnership’s combined residual waste disposal budget reducing by more than a half (see Table 1 below).

Table 1 - First Contract Year (2016 – 2017) Cost Comparison

Preferred Bidder Savings		
Partner	Saving: Preferred Bidder vs Landfill	
	£'000s	%
Caerphilly	-2,058	-47%
Cardiff	-5,436	-59%
Monmouthshire	-1,036	-43%
Newport	-1,108	-36%
Vale of Glamorgan	-1,588	-47%
Total : PG	-11,226	-50%

REDACTED

2. PROJECT BACKGROUND

2.1 Introduction

This section provides a summary of each Partner Authorities current recycling and composting activities and residual waste disposal arrangements.

2.2 Key Characteristics of Authority Area

There have been no material changes to the main characteristics of each Partner Authorities area since OBC. However following the May 2011 local elections the political control of each authority changed as illustrated below:

Local Authority	Pre May 2012	Post May 2012
Caerphilly County Borough Council (CCBC)	Plaid Cymru majority	Labour majority
Cardiff City Council (CCC)	Liberal Democrat/Plaid Cymru	Labour majority
Newport City Council (NCC)	Conservative/Liberal Democrat	Labour majority
Monmouthshire County Council (MCC)	Conservative majority	Conservative/Liberal Democrat
Vale of Glamorgan Council (VoGC)	Conservative majority	Labour/Llantwit First Independents

2.3 Analysis of Waste Arisings

The tables below summarise actual municipal waste arisings for each Partner Authority:

Caerphilly County Borough Council

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	58,068	29,923	10,889	9,431	108,311	-
2008/09	57,305	28,554	10,687	9,692	106,238	-1.91%
2009/10	56,368	27,302	9,824	9,092	102,586	-3.44%
2010/11	54,117	30,157	8,529	6,582	99,385	-3.12%
2011/12	56,336	28,147	9,141	5,202	98,826	-0.56%

Cardiff City Council

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	120,718	19,178	27,166	14,785	181,847	-
2008/09	119,707	17,773	27,872	15,518	180,870	-0.54%
2009/10	119,517	16,789	29,469	15,282	181,057	0.10%
2010/11	119,559	15,706	27,145	10,464	172,874	-4.52%
2011/12	115,298	15,564	28,897	9,482	169,241	-2.10%

Monmouthshire County Council

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	34,594	2,209	10,687	4,626	52,116	-
2008/09	33,564	2,118	10,972	2,414	49,068	-5.85%
2009/10	32,268	2,615	11,193	2,069	48,145	-1.88%
2010/11	32,445	2,639	10,035	1,764	46,883	-2.62%
2011/12	31,113	2,351	10,570	1,598	45,632	-2.67%

Newport City Council

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	49,477	5,592	11,827	6,150	73,046	-
2008/09	49,289	4,611	11,078	5,929	70,907	-2.93%
2009/10	48,545	4,521	11,173	5,861	70,100	-1.14%
2010/11	48,335	4,165	11,690	4,792	68,982	-1.59%
2011/12	49,156	3,316	10,944	2,876	66,292	-3.90%

Vale of Glamorgan County Council

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	35,346	8,195	18,788	4,521	66,850	-
2008/09	35,384	7,780	18,977	4,089	66,230	-0.93%
2009/10	34,347	7,326	17,696	3,917	63,265	-4.48%
2010/11	33,343	6,678	16,556	3,535	60,152	-4.92%
2011/12	33,907	5,929	16,175	3,816	59,827	-0.54%

Prosiect Gwyrdd Total

Year	WCA H'hold Collected Waste	WCA Collected Trade Waste	HWRC H'hold Waste	Other MSW	Total MSW Arising	Annual Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2007/08	298,203	65,097	79,357	39,513	482,170	-
2008/09	295,249	60,836	79,586	37,642	473,313	-1.84%
2009/10	291,045	58,553	79,355	36,221	465,153	-1.72%
2010/11	287,799	59,345	73,955	27,137	448,276	-3.63%
2011/12	285,810	55,307	75,727	22,974	439,818	-1.89%

The Partnership Waste Flow Model has been updated at key stages of the procurement process, taking into account population, waste trends and revised waste targets. The partnership has produced the following estimates of future Municipal Waste arisings:

Caerphilly County Borough Council

Year	WCA H'hold Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	53,707	29,929	8,529	9,927	102,092	3.31%
2013/2014	53,785	29,972	8,529	9,942	102,227	0.13%
2014/2015	53,966	30,073	8,529	9,975	102,544	0.31%
2015/2016	54,148	30,174	8,529	10,009	102,861	0.31%
2016/2017	54,307	30,263	8,529	10,038	103,138	0.27%
2017/2018	54,466	30,352	8,529	10,068	103,415	0.27%
2018/2019	54,625	30,440	8,529	10,097	103,692	0.27%
2019/2020	54,784	30,529	8,529	10,126	103,969	0.27%
2020/2021	54,943	30,617	8,529	10,156	104,246	0.27%
2021/2022	55,061	30,683	8,529	10,178	104,451	0.20%
2022/2023	55,179	30,749	8,529	10,199	104,656	0.20%
2023/2024	55,297	30,814	8,529	10,221	104,861	0.20%
2024/2025	55,414	30,880	8,529	10,243	105,066	0.20%
2025/2026	55,533	30,946	8,529	10,265	105,273	0.20%
2026/2027	55,600	30,983	8,529	10,277	105,389	0.11%
2027/2028	55,666	31,020	8,529	10,290	105,505	0.11%
2028/2029	55,733	31,058	8,529	10,302	105,621	0.11%
2029/2030	55,800	31,095	8,529	10,314	105,738	0.11%
2030/2031	55,867	31,132	8,529	10,327	105,854	0.11%
2031/2032	55,933	31,169	8,529	10,339	105,971	0.11%
2032/2033	56,001	31,207	8,529	10,351	106,087	0.11%
2033/2034	56,068	31,244	8,529	10,364	106,204	0.11%
2034/2035	56,135	31,281	8,529	10,376	106,321	0.11%
2035/2036	56,202	31,319	8,529	10,389	106,438	0.11%
2036/2037	56,269	31,356	8,529	10,401	106,556	0.11%
2037/2038	56,337	31,394	8,529	10,413	106,673	0.11%
2038/2039	56,404	31,432	8,529	10,426	106,791	0.11%
2039/2040	56,472	31,469	8,529	10,438	106,909	0.11%
2040/2041	56,540	31,507	8,529	10,451	107,027	0.11%

The anticipated increase in 2012/13 is due to the addition of Caerphilly Street Cleansing material, which is currently treated via reed bed techniques, leading to a step change between 2011/12 and 2012/13.

Cardiff City Council

Year	WCA H'hold Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	116,366	36,288	14,968	9,867	177,488	4.87%
2013/2014	117,156	36,534	15,147	9,934	178,771	0.72%
2014/2015	118,227	36,868	15,329	10,025	180,449	0.94%
2015/2016	119,324	37,210	15,513	10,118	182,164	0.95%
2016/2017	120,446	37,560	15,699	10,213	183,919	0.96%
2017/2018	121,591	37,917	15,888	10,310	185,705	0.97%
2018/2019	122,751	38,279	16,078	10,408	187,517	0.98%
2019/2020	123,921	38,643	16,271	10,508	189,343	0.97%
2020/2021	125,093	39,009	16,434	10,607	191,143	0.95%
2021/2022	126,265	39,374	16,598	10,706	192,944	0.94%
2022/2023	127,431	39,738	16,764	10,805	194,739	0.93%
2023/2024	128,589	40,099	16,932	10,903	196,523	0.92%
2024/2025	129,736	40,457	17,101	11,001	198,294	0.90%
2025/2026	130,871	40,811	17,101	11,097	199,880	0.80%
2026/2027	131,994	41,161	17,101	11,192	201,448	0.78%
2027/2028	133,103	41,507	17,101	11,286	202,998	0.77%
2028/2029	134,199	41,849	17,101	11,379	204,528	0.75%
2029/2030	135,282	42,186	17,101	11,471	206,041	0.74%
2030/2031	136,353	42,520	17,101	11,562	207,536	0.73%
2031/2032	137,414	42,851	17,101	11,652	209,018	0.71%
2032/2033	138,524	43,198	17,101	11,746	210,569	0.74%
2033/2034	139,644	43,547	17,101	11,841	212,132	0.74%
2034/2035	140,772	43,898	17,101	11,936	213,708	0.74%
2035/2036	141,910	44,253	17,101	12,033	215,297	0.74%
2036/2037	143,057	44,611	17,101	12,130	216,899	0.74%
2037/2038	144,213	44,971	17,101	12,228	218,513	0.74%
2038/2039	145,378	45,335	17,101	12,327	220,141	0.74%
2039/2040	146,553	45,701	17,101	12,427	221,781	0.75%
2040/2041	147,737	46,070	17,101	12,527	223,435	0.75%

Monmouthshire County Council

Year	WCA Household Collected Waste	HWRC Household Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	29,829	9,528	2,533	2,552	44,442	-2.61%
2013/2014	29,770	9,509	2,528	2,547	44,354	-0.20%
2014/2015	29,767	9,508	2,528	2,546	44,351	-0.01%
2015/2016	29,824	9,526	2,533	2,551	44,434	0.19%
2016/2017	29,877	9,543	2,538	2,556	44,513	0.18%
2017/2018	30,117	9,620	2,558	2,576	44,871	0.80%
2018/2019	30,357	9,697	2,578	2,597	45,230	0.80%
2019/2020	30,598	9,774	2,599	2,617	45,588	0.79%
2020/2021	30,838	9,850	2,619	2,638	45,946	0.79%
2021/2022	31,078	9,927	2,640	2,658	46,304	0.78%
2022/2023	31,179	9,959	2,648	2,667	46,454	0.33%
2023/2024	31,278	9,991	2,657	2,676	46,602	0.32%
2024/2025	31,375	10,022	2,665	2,684	46,746	0.31%
2025/2026	31,470	10,052	2,673	2,692	46,887	0.30%
2026/2027	31,562	10,082	2,681	2,700	47,025	0.29%
2027/2028	31,653	10,111	2,688	2,708	47,160	0.29%
2028/2029	31,741	10,139	2,696	2,715	47,291	0.28%
2029/2030	31,827	10,166	2,703	2,723	47,420	0.27%
2030/2031	31,911	10,193	2,710	2,730	47,545	0.26%
2031/2032	31,993	10,219	2,717	2,737	47,667	0.26%
2032/2033	32,223	10,293	2,737	2,756	48,009	0.72%
2033/2034	32,453	10,366	2,756	2,776	48,351	0.71%
2034/2035	32,682	10,440	2,776	2,796	48,693	0.71%
2035/2036	32,912	10,513	2,795	2,815	49,035	0.70%
2036/2037	33,141	10,586	2,815	2,835	49,377	0.70%
2037/2038	33,371	10,660	2,834	2,855	49,720	0.69%
2038/2039	33,601	10,733	2,854	2,874	50,062	0.69%
2039/2040	33,830	10,806	2,873	2,894	50,404	0.68%
2040/2041	34,060	10,880	2,893	2,914	50,746	0.68%

Newport City Council

Year	WCA H'hold Collecte d Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	48,637	10,701	4,118	4,537	67,992	2.56%
2013/2014	48,717	10,718	4,124	4,544	68,103	0.16%
2014/2015	48,909	10,761	4,141	4,562	68,372	0.40%
2015/2016	49,113	10,805	4,158	4,581	68,657	0.42%
2016/2017	49,327	10,853	4,176	4,601	68,957	0.44%
2017/2018	49,550	10,902	4,195	4,622	69,268	0.45%
2018/2019	49,778	10,952	4,214	4,643	69,587	0.46%
2019/2020	50,008	11,003	4,234	4,665	69,909	0.46%
2020/2021	50,238	11,053	4,253	4,686	70,231	0.46%
2021/2022	50,464	11,103	4,272	4,707	70,546	0.45%
2022/2023	50,684	11,151	4,291	4,728	70,853	0.44%
2023/2024	50,897	11,198	4,309	4,748	71,151	0.42%
2024/2025	51,104	11,244	4,326	4,767	71,440	0.41%
2025/2026	51,303	11,287	4,343	4,785	71,719	0.39%
2026/2027	51,496	11,330	4,360	4,803	71,989	0.38%
2027/2028	51,682	11,371	4,375	4,821	72,249	0.36%
2028/2029	51,860	11,410	4,390	4,837	72,498	0.35%
2029/2030	52,034	11,448	4,405	4,854	72,741	0.33%
2030/2031	52,202	11,485	4,419	4,869	72,976	0.32%
2031/2032	52,366	11,521	4,433	4,885	73,205	0.31%
2032/2033	52,526	11,556	4,447	4,899	73,428	0.31%
2033/2034	52,682	11,591	4,460	4,914	73,646	0.30%
2034/2035	52,847	11,627	4,474	4,929	73,878	0.31%
2035/2036	53,014	11,664	4,488	4,945	74,111	0.31%
2036/2037	53,181	11,700	4,502	4,961	74,344	0.31%
2037/2038	53,348	11,737	4,516	4,976	74,578	0.31%
2038/2039	53,516	11,774	4,531	4,992	74,813	0.31%
2039/2040	53,684	11,811	4,545	5,008	75,048	0.31%
2040/2041	53,853	11,848	4,559	5,023	75,284	0.31%

Vale of Glamorgan County Council

Year	WCA Household Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	34,206	16,740	6,862	3,011	60,819	1.66%
2013/2014	34,363	16,817	6,894	3,025	61,099	0.46%
2014/2015	34,595	16,930	6,940	3,045	61,511	0.67%
2015/2016	34,830	17,045	6,987	3,066	61,928	0.68%
2016/2017	35,069	17,162	7,035	3,087	62,353	0.69%
2017/2018	35,311	17,281	7,084	3,108	62,783	0.69%
2018/2019	35,555	17,400	7,133	3,130	63,218	0.69%
2019/2020	35,801	17,520	7,182	3,151	63,655	0.69%
2020/2021	36,044	17,640	7,231	3,173	64,088	0.68%
2021/2022	36,285	17,757	7,279	3,194	64,515	0.67%
2022/2023	36,520	17,873	7,327	3,215	64,934	0.65%
2023/2024	36,751	17,985	7,373	3,235	65,343	0.63%
2024/2025	36,975	18,095	7,418	3,255	65,743	0.61%
2025/2026	37,195	18,203	7,462	3,274	66,133	0.59%
2026/2027	37,408	18,307	7,505	3,293	66,512	0.57%
2027/2028	37,613	18,407	7,546	3,311	66,878	0.55%
2028/2029	37,812	18,505	7,586	3,328	67,231	0.53%
2029/2030	38,004	18,599	7,624	3,345	67,573	0.51%
2030/2031	38,190	18,689	7,661	3,362	67,902	0.49%
2031/2032	38,367	18,776	7,697	3,377	68,218	0.47%
2032/2033	38,537	18,860	7,731	3,392	68,520	0.44%
2033/2034	38,700	18,939	7,764	3,406	68,810	0.42%
2034/2035	38,880	19,028	7,800	3,422	69,130	0.47%
2035/2036	39,061	19,116	7,836	3,438	69,452	0.47%
2036/2037	39,243	19,205	7,873	3,454	69,775	0.47%
2037/2038	39,426	19,294	7,909	3,470	70,100	0.47%
2038/2039	39,609	19,384	7,946	3,486	70,426	0.47%
2039/2040	39,794	19,474	7,983	3,503	70,754	0.47%
2040/2041	39,979	19,565	8,020	3,519	71,083	0.47%

Prosiect GwyRDD Total

Year	WCA Household Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2012/2013	282,744	103,185	37,010	29,893	452,832	2.96%
2013/2014	283,790	103,550	37,223	29,991	454,555	0.38%
2014/2015	285,465	104,140	37,467	30,154	457,226	0.59%
2015/2016	287,238	104,762	37,720	30,325	460,045	0.62%
2016/2017	289,026	105,381	37,977	30,495	462,879	0.62%
2017/2018	291,035	106,071	38,253	30,684	466,043	0.68%
2018/2019	293,067	106,768	38,533	30,875	469,243	0.69%
2019/2020	295,112	107,469	38,815	31,067	472,463	0.69%
2020/2021	297,157	108,170	39,066	31,260	475,653	0.68%
2021/2022	299,152	108,845	39,318	31,443	478,759	0.65%
2022/2023	300,993	109,470	39,559	31,614	481,636	0.60%
2023/2024	302,811	110,088	39,799	31,783	484,481	0.59%
2024/2025	304,605	110,698	40,039	31,949	487,291	0.58%
2025/2026	306,372	111,299	40,108	32,113	489,893	0.53%
2026/2027	308,060	111,863	40,175	32,265	492,363	0.50%
2027/2028	309,718	112,416	40,240	32,415	494,789	0.49%
2028/2029	311,346	112,960	40,302	32,562	497,171	0.48%
2029/2030	312,948	113,495	40,363	32,706	499,512	0.47%
2030/2031	314,523	114,020	40,421	32,849	501,813	0.46%
2031/2032	316,074	114,538	40,478	32,989	504,079	0.45%
2032/2033	317,811	115,113	40,545	33,145	506,614	0.50%
2033/2034	319,546	115,687	40,610	33,301	509,144	0.50%
2034/2035	321,317	116,274	40,680	33,460	511,731	0.51%
2035/2036	323,099	116,865	40,750	33,620	514,333	0.51%
2036/2037	324,891	117,459	40,820	33,781	516,951	0.51%
2037/2038	326,694	118,057	40,890	33,943	519,584	0.51%
2038/2039	328,508	118,658	40,961	34,105	522,232	0.51%
2039/2040	330,333	119,262	41,032	34,269	524,896	0.51%
2040/2041	332,168	119,870	41,103	34,434	527,575	0.51%

The Partnership predictions as a whole show a year on year increase in the quantity of MSW the Authorities manage, the assumptions behind the model have been based on a number of growth factors. These factors include; Population/housing trends, Economic growth, Consumer behaviour, Changes in retailer materials use (e.g. packaging types/weights), Legislative drivers, Waste minimisation initiatives, Recycling performance, Changes in the Commercial Waste market.

The Partnership considers that although initially the waste generated per head will continue to fall, that this will equalise with increased consumer confidence and major changes to packaging waste having occurred. The growth is driven by predicted population increases for each authority based upon information from the Statistical Directorate for Wales using the 2006-based local authority population projections for Wales.

2.4 Details of Current Arrangements for Collection and Disposal

Caerphilly County Borough Council: In October 2009 CCBC implemented a weekly collection of co-mingled dry recycling, a weekly food and green waste collection and fortnightly residual waste collection service for residents with further collections of bulky garden and household waste available by appointment. The Authority provides twenty-five bring sites and six Household Waste Recycling Centres (HWRCs) which have a post sort of the residual waste from the sites extracting further recyclable material. The Authority currently has approximately 2000 trade customers which receive a weekly residual collection with the option to also recycle glass, cans and cardboard. Residual waste is sent to Trecatti landfill site, and is contracted with Biffa Waste Services Ltd until April 2015 with the option to extend this contract for 12-month periods for a further 5 years. A number of contractual arrangements are in place covering HWRCs, bring sites, transfer stations, composting and recyclates.

Cardiff City Council: In September 2011 CCC implemented a weekly collection of co-mingled dry recycling, a weekly food waste collection and fortnightly residual and green waste collection service for residents with further collections of bulky household waste available by request. The Authority provides twenty-two bring sites and four HWRCs which have a post sort of the residual waste from the sites extracting further recyclable material. The Authority currently has approximately 3,000 trade customers which receive residual collection and/or co-mingled dry recycling collection, additionally the Authority offer commercial glass and food waste collection services. Residual waste is sent to landfill at the Authority's Lamby Way site or through contract with Biffa Waste Services Ltd to Trecatti Landfill Site. The contract is annually renewed for 12-month periods up until 2018. The Lamby Way landfill site is planned to close in March 2014 with all residual waste then being sent through the Biffa Waste Services Ltd, Treatment and Disposal Contract until the commencement of the Prosiect Gwyrdd contract.

Monmouthshire County Council: In September 2010 MCC implemented a weekly collection of co-mingled dry recycling, a weekly food and green waste collection and fortnightly residual waste collection service for residents with further collections of bulky household waste available by request. The Authority provides twenty-eight bring sites and four HWRCs. Residual waste is sent to a Viridor

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Waste Management Ltd landfill in Wiltshire via transfer stations through an on going contract requiring two years notice of termination by either party.

Newport City Council: NCC provides alternate weekly collection of residual and garden waste with weekly dry recycle and food waste collections. Residual waste is landfilled at the Authority's site at Docks Way, which currently has fifteen years void space remaining. All services are operated by the Council with the exception of kerbside recycling and food waste collections, which are operated by Newport Wastesavers.

Vale of Glamorgan Council: in September 2011 VoGC introduced a weekly collection of co-mingled dry recycling, a weekly food waste collection and fortnightly residual and green waste collection service for residents with further collections of bulky household waste available by request. The Authority provides forty-six bring sites and two HWRCs. Residual waste is sent to landfill via transfer station through a contract with Biffa Waste Services Ltd to Trecatti Landfill Site. The contract is due to expire 31st March 2016 with potential for extension upto 31st March 2018. Collection arrangements are managed by the Authority, with a number of contracts in place for treatment and disposal of waste.

2.5 Performance of Existing Services

Recycling & Food/Green Waste Treatment Services

The tables below summarise actual recycling performance for each Partner Authority:

Caerphilly County Borough Council

Year	Recycling Tonnes	Recycling % of MSW	Composting Tonnes	Composting % of MSW	Total Recycling % of MSW
2007/08	20,049	20.56%	6,171	6.33%	26.89%
2008/09	25,207	25.11%	7,254	7.23%	32.34%
2009/10	30,716	32.08%	11,451	11.96%	44.04%
2010/11	32,359	35.29%	14,663	15.99%	51.28%
2011/12	36,262	39.62%	14,822	16.20%	55.82%

Cardiff City Council

Year	Recycling	Recycling	Composting	Composting	Total Recycling
	Tonnes	% of MSW	Tonnes	% of MSW	% of MSW
2007/08*	30,313	16.68%	18,369	10.11%	26.79%
2008/09*	37,947	21.35%	24,483	13.77%	35.12%
2009/10*	39,455	22.29%	29,916	16.90%	39.19%
2010/11*	38,827	23.12%	31,609	18.82%	41.94%
2011/12*	46,270	28.39%	34,204	20.99%	49.38%

* - Excludes Rubble collected and recycled during this period.

Monmouthshire County Council

Year	Recycling	Recycling	Composting	Composting	Total Recycling
	Tonnes	% of MSW	Tonnes	% of MSW	% of MSW
2007/08	8,274	15.88%	9,569	18.36%	34.24%
2008/09	8,392	17.10%	10,555	21.51%	38.61%
2009/10	9,298	19.31%	11,167	23.19%	42.50%
2010/11	11,515	24.56%	11,556	24.65%	49.21%
2011/12	12,855	28.17%	12,680	27.78%	55.95%

Newport City Council

Year	Recycling	Recycling	Composting	Composting	Total Recycling
	Tonnes	% of MSW	Tonnes	% of MSW	% of MSW
2007/08	16,397	22.44%	10,354	14.17%	36.51%
2008/09	16,897	23.82%	10,184	14.34%	38.16%
2009/10	18,200	25.96%	10,422	14.86%	40.82%
2010/11	18,352	26.66%	13,230	19.17%	45.83%
2011/12	18,546	27.97%	13,503	20.36%	48.33%

Vale of Glamorgan County Council

Year	Recycling Tonnes	Recycling % of MSW	Composting Tonnes	Composting % of MSW	Total Recycling % of MSW
2007/08	18,855	28.12%	5,878	9.24%	37.36%
2008/09	19,570	29.56%	7,205	10.88%	40.44%
2009/10	18,348	29.00%	7,774	12.29%	41.29%
2010/11	17,406	28.95%	8,935	14.86%	43.81%
2011/12	19,163	32.04%	12,137	20.29%	52.33%

Residual Waste Treatment

The tables below summarise actual residual waste treatment for each Partner Authority:

Caerphilly County Borough Council

Year	Residual Tonnes	Residual % of MSW	Residual Treatment Tonnes	Residual Landfilled Tonnes	Residual Diversion Rate % of MSW
2007/08	71,291	67.3	0	71,291	0%
2008/09	67,911	63.5	0	67,911	0%
2009/10	53,595	52.7	0	53,595	0%
2010/11	45,556	46.0	0	45,556	0%
2011/12	39,129	39.7	0	39,129	0%

Cardiff City Council

Year	Residual Tonnes	Residual % of MSW	Residual Treatment Tonnes	Residual Landfilled Tonnes	Diversion Rate % of MSW
2007/08	128,596	70.72%	0	128,596	0.00
2008/09	112,550	62.23%	0	112,550	0.00
2009/10	104,786	57.87%	1,312	103,474	0.72
2010/11	95,825	55.43%	0	95,825	0.00
2011/12	84,948	50.19%	0	84,948	0.00

Monmouthshire County Council

Year	Residual	Residual	Residual Treatment	Residual Landfilled	Residual Diversion Rate
	Tonnes	% of MSW	Tonnes	Tonnes	% of MSW
2007/08	34,273	65.76%	0	34,273	0%
2008/09	30,119	61.38%	0	30,119	0%
2009/10	27,679	57.49%	0	27,679	0%
2010/11	23,811	50.79%	0	23,811	0%
2011/12	20,096	44.04%	0	20,096	0%

Newport City Council

Year	Residual	Residual	Residual Treatment	Residual Landfilled	Residual Diversion Rate
	Tonnes	% of MSW	Tonnes	Tonnes	% of MSW
2007/08	46,308	63.39%	0	46,308	0%
2008/09	43,828	61.81%	0	43,828	0%
2009/10	41,613	59.36%	0	41,613	0%
2010/11	37,356	54.15%	0	37,356	0%
2011/12	34,124	51.47%	0	34,124	0%

Vale of Glamorgan County Council

Year	Residual	Residual	Residual Treatment	Residual Landfilled	Residual Diversion Rate
	Tonnes	% of MSW	Tonnes	Tonnes	% of MSW
2007/08	42,089	62.96%	15	42,074	0.02%
2008/09	39,439	59.55%	15	39,424	0.02%
2009/10	37,147	58.78%	17	37,130	0.03%
2010/11	33,806	56.28%	16	33,790	0.03%
2011/12	28,524	47.68%	0	28,524	0.00%

Performance Against Landfill Allowance Scheme (LAS)

A summary of each Partner Authority's actual performance against LAS allowances, relating to Biodegradable Municipal Waste (BMW) is given in the tables below:

Caerphilly County Borough Council

Year	Total BMW Arising	BMW Landfilled	LAS Allowance	Surplus / (Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2007/08	64,637	45,354	56,295	10,941
2008/09	65,243	42,600	50,760	8,160
2009/10	61,987	32,242	45,226	12,984
2010/11	60,417	26,657	37,347	10,690
2011/12	60,162	22,665	32,604	9,939

Cardiff City Council

Year	Total BMW Arising	BMW Landfilled	LAS Allowance	Surplus / (Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2007/08	110,880	74,377	89,204	14,827
2008/09	110,287	63,495	80,424	16,929
2009/10	110,406	58,534	71,642	13,108
2010/11	105,426	52,178	64,065	11,887
2011/12	103,222	42,533	55,931	13,398

Monmouthshire County Council

Year	Total BMW Arising	BMW Landfilled	LAS Allowance	Surplus / (Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2007/08	31,812	18,621	24,821	6,200
2008/09	29,930	15,806	22,631	6,825
2009/10	29,147	14,173	20,441	6,268
2010/11	28,599	10,660	18,380	7,720
2011/12	27,770	7,393	16,046	8,653

Newport City Council

Year	Total BMW Arising	BMW Landfilled	LAS Allowance	Surplus / (Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2007/08	44,523	27,391	37,238	9,847
2008/09	43,260	25,951	33,972	8,021
2009/10	42,826	24,707	30,707	6,000
2010/11	42,085	21,488	25,725	4,237
2011/12	40,554	19,795	22,459	2,664

Vale of Glamorgan County Council

Year	Total BMW Arising	BMW Landfilled	LAS Allowance	Surplus / (Deficit)
	Tonnes	Tonnes	Tonnes	Tonnes
2007/08	40,760	25,850	30,675	4,825
2008/09	40,383	23,485	27,931	4,446
2009/10	38,605	22,775	25,188	2,413
2010/11	36,647	20,158	23,551	3,393
2011/12	36,505	15,594	20,561	4,967

3. THE STRATEGIC CASE

3.1 Introduction

The WG published 'Towards Zero Waste One Wales: One Planet' in June 2010, as the overarching waste strategy document for Wales. The primary objectives of the strategy are two-fold:

- The commitment to see Wales using only its fair share of the earth's resources within the lifetime of a generation, thus reducing our impact on climate change; and
- To comply with the requirements of relevant EU Directives.

The strategy sets the following targets for Waste Recycling and Composting, and Landfilling of Residual Waste:

WG targets for Waste Recycling and Composting, Landfill and Residual Waste

Municipal Waste collected by local authorities	09/10	12/13	15/16	19/20	24/25
Minimum levels of recycling/composting (or AD)	40%	52%	58%	64%	70%
Maximum level of landfill of municipal waste	-	-	-	10%	5%

The WG recycling targets as set out above are now statutory, with authorities facing a £200 per tonne fine for failure. Each of the Prosiect Gwyrdd Partner Authorities are committed to achieving these targets, strategically aligning themselves to the WG overarching strategy through front end segregation of recyclables, food waste and green waste and thermal treatment of residual waste to produce energy.

Viridor's residual waste treatment solution will enable the diversion of municipal waste from landfill and by the recycling of process residues contribute towards each Authority's achievement of the Statutory Recycling and Composting Targets.

3.2 Municipal Waste Management Strategy (MWMS)

Caerphilly County Borough Council

CCBC is fully committed to WG policy and is currently in the process of producing a business plan for the revision of the MWMS, to align with 'Towards Zero Waste One Wales: One Planet'.

Cardiff City Council

CCC undertook a full waste strategy review in 2011, including public consultation. The review aligned the strategy with 'Towards Zero Waste One Wales: One Planet' incorporating WG policies and guidance within the 2011 to 2016 waste management strategy. The strategy focused on how Cardiff will meet the new recycling target of 70% by 2025.

- As a result, city wide changes to the collection services were introduced in September 2011 providing residents with weekly co-mingled recycling, weekly food and alternating residual and green waste collections;
- It identified the need for an AD and open windrow procurement for the treatment of the separately collected food and green waste;
- The 2011 strategy revision continued to recognise the need for Prosiect Gwyrdd and assumed a residual waste treatment facility will be operational by 2016/17. The financial profile, recycling contribution and WRATE modelling were based on these assumptions.

Monmouthshire County Council

MCC is fully committed to WG policy and will be undertaking a full Strategy Review in 2013. It produced a Municipal Waste Management Strategy in 2004 which at the time was in line with best practicable environmental option and sustainable waste options. Since 2004 however a national and local policy framework has emerged which has altered the priorities of the strategy. The key changes to note are:

- Increasing focus on waste prevention;
- Statutory recycling targets of 70% by 2025;
- Removal of Mechanical Biological treatment (MBT) as the preferred treatment process instead waste hierarchy recommended with recycling to be followed by energy recovery with Incinerator bottom Ash (IBA) recycling.

These will be incorporated in the revised strategy and ensure alignment with 'Towards Zero Waste One Wales: One Planet'.

The strategy review will be focussing on in particular:

- How can MCC best influence waste prevention and reduction;
- Maximisation and support for community reuse;

- Expansion of preparation for reuse;
- Best collection methodology for recycling to meet outcomes set by MCC, taking full account of European and national policy and legislation;
- Best collection and treatment methodology/ies for organic waste;
- The implications of Prosiect Gwyrdd and the collections review on the Authority's existing transfer station, HWRC sites and landfill contract.

Newport City Council

NCC is fully committed to WG Policy and is updating its Waste Strategy. It is planned that the new document will be completed and published in 2013. The revision will provide alignment with 'Towards Zero Waste One Wales: One Planet'.

In addition the document is likely to include new recycling opportunities for materials such as mattresses and street sweepings.

Vale of Glamorgan County Council

The VoG Waste Strategy has been updated twice since originally produced in 2004. In 2009 the strategy was updated to align itself with national waste policy and recognise residual waste treatment with the capture of energy as the preferred process for treating residual waste and the treatment of BMW via Anaerobic Digestion.

The strategy was further updated in 2011, introducing the collection of all kerbside materials; residual waste, dry recycling and organic material (food and garden waste) on the same day, with residual waste and garden waste being collected on alternate weeks. It also recommended that co-mingled dry recyclate be collected weekly.

3.3 Waste Minimisation

Caerphilly County Borough Council

CCBC plans to continue to enhance and improve in-house corporate recycling and waste minimisation for council employees.

The continuation of educational road show programmes to increase waste awareness in the community. This involves representation at a range of major public events and focuses on:

- Community composting;
- Carrier bag campaigns;
- Food waste minimisation;

- Portable battery recycling.

Introducing the Waste Free Challenge – the aim is for families to reduce and reuse all of their waste and recycle anything they can't avoid reducing. Innovatively, the Authority will monitor the families (by film) to promote more resource efficient and healthier lifestyles. A short DVD will then be produced and copies distributed to residents giving them ideas and tips on how to reduce their waste.

Cardiff City Council

CCC continues to support waste minimisation activities, such as home composting, fortnightly residual waste collections, paint reuse schemes, providing advice and guidance on smart shopping, real nappies etc. Future schemes will explore furniture and bulky item reuse.

Monmouthshire County Council

MCC expanded its relationship with the local community sector providing them with a service level agreement to undertake the Authority's bulky waste service. This change has seen the bulky waste service now focussing on reuse and preparation for reuse rather than landfill and has also delivered wider social benefits in terms of rehabilitation and volunteering.

It has fully rolled out weekly dry, twin stream co-mingled collections, weekly food collections (co-collected with garden waste) and fortnightly residual. The Council has also invested in upgrading two household waste recycling centres in partnership with their contractor Dragon Waste to allow a better recycling experience for Monmouthshire residents and enabling those sites to be high recycling performers.

Newport City Council

NCC promotes waste minimisation operating an alternate week residual waste collection and the introduction of replacing 240L residual waste bins with smaller 180L bins and promoting the use of home composting bins.

The Authority undertakes extensive marketing, enforcement and education activities as well as promoting the Real Nappy campaign, reuse of furniture, computers and clothing.

Vale of Glamorgan

VoGC continues to support waste minimisation activities with the introduction of alternate week residual waste collections and the weekly collection of dry recycling and food waste. The Authority has worked with WRAP on several studies investigating possible improvements in the management of HWRC's and is working in collaboration with them

to improve their communications strategy regarding waste and recycling.

The Authority has been adopting proactive awareness campaigns such as “What’s in You Bin” used as a logo on all communication paperwork aimed at promoting more sustainable waste practices.

3.4 Recycling, Composting and Anaerobic Digestion

Recycling

The following tables provide each Partner Authorities recycling projections excluding the contribution of any IBA recycling.

Caerphilly

Year	Recycling	
	Tonnes	% of MSW
2012/13	48,015	47.0%
2015/16	48,908	47.5%
2019/20	49,736	47.8%
2024/25	50,451	48.0%

Cardiff

Year	Recycling	
	Tonnes	% of MSW
2012/13	67,896	38.3%
2015/16	73,740	40.5%
2019/20	76,639	40.5%
2024/25	80,259	40.5%

Monmouthshire

Year	Recycling	
	Tonnes	% of MSW
2012/13	12,211	27.5%
2015/16	14,176	31.9%
2019/20	14,544	31.9%
2024/25	15,710	33.6%

Newport

Year	Recycling	
	Tonnes	% of MSW
2012/13	20,420	30.0%
2015/16	22,896	33.3%
2019/20	24,164	34.6%
2024/25	26,507	37.1%

Vale of Glamorgan

Year	Recycling	
	Tonnes	% of MSW
2012/13	22,016	36.2%
2015/16	23,309	37.6%
2019/20	23,959	37.6%
2024/25	25,772	39.2%

Viridor is contracted to recycle 100% of the IBA that is produced at the facility. It is estimated that the recycling of IBA will make a 7% contribution towards the Partner Authorities meeting WG statutory recycling targets.

The Partnership appreciates that although Viridor will recycle 100% of IBA output there is potential for the proportion produced to vary over time dependant on a number of factors such as composition; therefore each Partner Authority is committed to ensuring the meeting of the WG statutory targets through further front end diversion.

Organic Treatment

The following tables provide each Partner Authorities organic treatment projections.

Caerphilly County Borough Council

Year	Organic Treatment	
	Tonnes	% of MSW
2012/13	15,668	15.3
2015/16	16,472	16.0
2019/20	16,894	16.2
2024/25	17,088	16.3
2040/41	17,435	16.3

Cardiff City Council

Year	Organic Treatment	
	Tonnes	% of MSW
2012/13	36,568	20.6
2015/16	41,683	22.9
2019/20	43,308	22.9
2024/25	45,348	22.9
2040/41	51,362	23.0

Monmouthshire County Council

Year	Organic Treatment	
	Tonnes	% of MSW
2012/13	11,709	26.3
2015/16	12,467	28.1
2019/20	12,790	28.1
2024/25	14,047	30.0
2040/41	15,249	30.0

Newport City Council

Year	Organic Treatment	
	Tonnes	% of MSW
2012/13	14,936	22.0
2015/16	16,932	24.7
2019/20	17,241	24.7
2024/25	18,680	26.1
2040/41	19,685	26.1

Vale of Glamorgan County Council

Year	Organic Treatment	
	Tonnes	% of MSW
2012/13	12,668	20.8
2015/16	14,205	22.9
2019/20	14,601	22.9
2024/25	15,688	23.9
2040/41	16,962	23.9

3.5 The Solution Proposed by the Preferred Bidder

Viridor proposes a twin line Energy from Waste solution for Prosiect Gwyrdd with a capacity of 350,000 tonnes per annum sited at Trident Park, Cardiff. The Facility will be designed and constructed by a joint venture project team comprising CNIM (process plant) and Lagan Construction (civil engineering works).

The plant construction completion date contains a significant time buffer and it is proposed that the facility will be operational to accept 3rd party waste 12 months before the Partnership's Service Commencement Date of 1st April 2016.

The facility's outputs are:

- IBA which will be taken to Neal Aggregates, for recycling into secondary aggregate;
- Air Pollution Control Residue (APCR) which will be taken to a suitably licensed hazardous waste facility, with an obligation to seek recycling of this material as processes become established and viable;
- Metals extracted at the facility and from the IBA will be recycled through local metal recyclers.

The Trident Park EfW facility will generate 30MW of electricity, which is sufficient to power 50,000 households. It is designed to recover 20MW heat as high-grade steam to support a low-carbon fuel district heating system in Cardiff.

Key Solution Facilities

Proposed Facility Type	Location of Proposed Facilities	Capacity of Facility	Operational Commencement Date
CHP enabled EFW	Trident Park, Glass Avenue, Ocean Way Cardiff.	350,000 tonnes per annum	30 th January 2015 PG Commencement Date 1 st April 2016 with waste offered for commissioning purposes from 1 st September 2015
IBA Re-processor	Neal Aggregates Suppliers Ltd, Newton Road, Rumney, CF3 2EJ		1 st September 2015

A working version of the massflow model used to calculate the wasteflow inputs to the financial model is provided within Appendix I.

The Partnership's Technical Advisor's (Jacobs UK Ltd) have supplied a letter confirming full understanding of the nature and scope of the technical solution being proposed, including an endorsement of the robustness of the technology and design. A copy of the signed letter is provided in Appendix E.

Viridor has guaranteed to recycle 100% of the IBA produced at the facility; this is estimated to be 7% of the Partner Authorities MSW recycling. Should Viridor fail to achieve this guarantee then the deduction regime within the Payment Mechanism will apply.

The following key annual waste flow related performance measures are contained within the Payment Mechanisms Deductions:

The paragraph below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 2, 3 & 4.

1. **BMW Diversion** – a deduction is applied if Contract Waste disposed of directly to Landfill (both accepted and not accepted) exceeds the Guaranteed Unprocessed Landfill Tonnage. If it does then the Residual Biodegradable Percentage is applied to this tonnage and a deduction of [REDACTED] is applied to the resulting net tonnage. This deduction only applies however if one of the Partners have not met their LAS target for that year and have incurred a WG fine.
2. **Recycling** – A deduction is applied if the contractor fails to meet the Recycling Target.
[REDACTED]. These deductions will not apply if no market exists for IBA products.
3. **Unprocessed IBA** - This deduction compensates the Partner Authorities for contribution to recycling performance that is lost as a consequence of Viridor not processing IBA. A deduction of [REDACTED], indexed at RPIx, is applied.
4. **Non-Acceptance** – The cost incurred by the Partner Authorities in disposing of waste not accepted by Viridor, including any transportation costs, are recovered.

The following tables summarises the forecast tonnage of IBA recycled over the contract period and shows this as a percentage of total MSW: It should be noted that although the same proportion of IBA is generated per Partner Authority, the contribution that IBA Recycling makes as a proportion of MSW varies dependant on the proportion of MSW each Partner Authority sends to the facility.

REDACTED

Caerphilly County Borough Council

Year	IBA Recycling	
	Tonnes	% of MSW
2015/2016	3,945	3.8%
2019/2020	7,333	7.1%
2024/2025	7,369	7.0%
2040/2041	7,489	7.0%

Cardiff City Council

Year	IBA Recycling	
	Tonnes	% of MSW
2015/2016	7,490	4.1%
2019/2020	13,352	7.1%
2024/2025	13,985	7.1%
2040/2041	15,677	7.0%

Monmouthshire County Council

Year	IBA Recycling	
	Tonnes	% of MSW
2015/2016	1,991	4.5%
2019/2020	3,503	7.7%
2024/2025	3,230	6.9%
2040/2041	3,507	6.9%

Newport City Council

Year	IBA Recycling	
	Tonnes	% of MSW
2015/2016	3,371	4.9%
2019/2020	5,714	8.2%
2024/2025	5,261	7.4%
2040/2041	5,544	7.4%

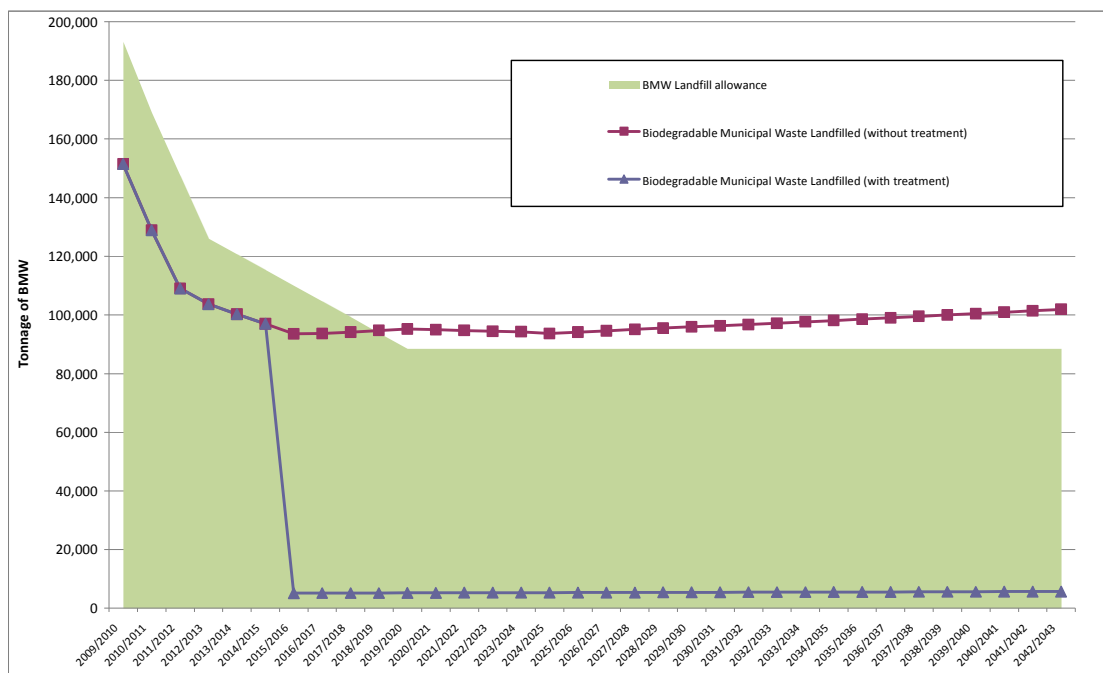
Vale of Glamorgan County Council

Year	IBA Recycling	
	Tonnes	% of MSW
2015/2016	2,858	4.6%
2019/2020	5,036	7.9%
2024/2025	4,873	7.4%
2040/2041	5,269	7.4%

3.6 Landfill

The graph below (Figure 3.6.1) illustrates the quantity of residual waste projected to be landfilled by the Partner Authorities, based on Viridor’s solution, and compares this with the Partner Authorities combined Landfill Allowance (which applies to BMW). Viridor has guaranteed a maximum level of 2.1% Contract Waste to landfill consisting of the Contract Waste element of the APCR.

Figure 3.6.1 - Forecast of Partnership BMW to Landfill and BMW Landfill Allowance Targets



Key:

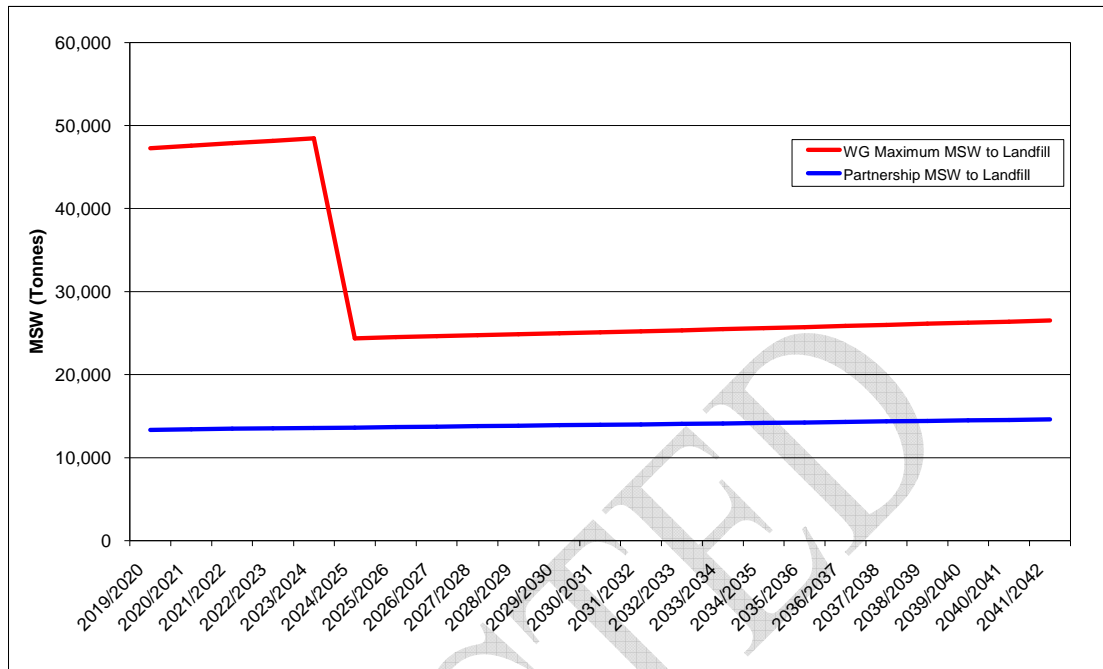
BMW Landfill Allowance – the combined Partnership BMW allowances to landfill

Biodegradable Municipal Waste Landfilled (without treatment) – Forecast of the combined Partnerships quantity of BMW which would be landfill if no residual waste treatment solution is in place.

Biodegradable Municipal Waste Landfilled (with treatment) – Forecast of the combined Partnerships quantity of BMW which will be landfilled with the residual waste treatment solution in place, this includes rejects from other processes such as Material Recycling Facilities.

The graph above (Figure 3.6.1) demonstrates that the Partnership and each individual Authority, through the residual waste treatment contract will achieve the necessary diversion of BMW from landfill to achieve the targets set out within the LAS.

Figure 3.6.2 - Partnership Performance against WG Landfill Targets



The graph above (Figure 3.6.2), illustrates the Partnership’s forecast performance against WG’s Landfill Diversion targets, the MSW to landfill consists of the Partnership MSW component of the APCR and other MSW rejects from recycling and organic treatments.

The above illustrates the important contribution that Prosiect Gwyrdd will make in helping the Partner Authorities meet both their LAS and WG Landfill Diversion targets.

3.7 Performance Summary

Each of the Partner Authority’s are committed to achieving the revised Welsh Government Recycling and Composting Targets featured within ‘Towards Zero Waste’ national strategy for Wales June 2010.

The below summary tables set out each Partner Authorities projected recycling levels, the proportion of MSW which will be sent for residual waste treatment and to landfill.

Caerphilly County Borough Council

Year	National Waste Strategy Recycling Target	FBC Recycling Target	Proportion of MSW to Residual Waste Treatment	Proportion of MSW to Landfill
	%	%	%	%
2012/13	52	62.4%	0.0%	37.6%
2015/16	58	67.4%	17.9%	17.8%
2019/20	64	71.1%	30.1%	1.6%
2024/25	70	71.3%	29.9%	1.6%

Cardiff City Council

Year	National Waste Strategy Recycling Target	FBC Recycling Target	Proportion of MSW to Residual Waste Treatment	Proportion of MSW to Landfill
	%	%	%	%
2012/13	52	58.9%	0.0%	41.1%
2015/16	58	67.5%	20.5%	16.6%
2019/20	64	70.4%	35.1%	2.3%
2024/25	70	70.4%	35.1%	2.3%

Monmouthshire County Council

Year	National Waste Strategy Recycling Target	FBC Recycling Target	Proportion of MSW to Residual Waste Treatment	Proportion of MSW to Landfill
	%	%	%	%
2012/13	52	53.5%	0.0%	46.2%
2015/16	58	59.7%	22.3%	18.2%
2019/20	64	67.6%	38.2%	2.6%
2024/25	70	70.6%	34.4%	2.7%

Newport City Council

Year	National Waste Strategy Recycling Target	FBC Recycling Target	Proportion of MSW to Residual Waste Treatment	Proportion of MSW to Landfill
	%	%	%	%
2012/13	52	52.0%	0.0%	48.0%
2015/16	58	62.9%	24.4%	18.1%
2019/20	64	67.4%	40.7%	1.0%
2024/25	70	70.6%	36.6%	0.9%

Vale of Glamorgan County Council

Year	National Waste Strategy Recycling Target	FBC Recycling Target	Proportion of MSW to Residual Waste Treatment	Proportion of MSW to Landfill
	%	%	%	%
2012/13	52	54.4%	0.0%	43.0%
2015/16	58	58.2%	23.0%	17.4%
2019/20	64	68.5%	39.4%	0.9%
2024/25	70	70.5%	36.9%	0.8%

3.8 Combined Heat and Power (CHP)

The facility has been designed to be CHP enabled as per the Partner Authorities and WG requirements.

Viridor has held detailed discussions with a major energy company to deliver a low carbon sustainable heat grid for Cardiff. Providing energy to users in the vicinity of the site, it is proposed to supply heat to support a heat distribution network delivering up to 20MW. Current design is for a full loop network around the city centre ensuring key locations are connected.

Viridor's proposed heat grid is at the feasibility stage and they are fully committed to the proposal. Viridor's solution for Prosiect Gwyrdd is structured on an electricity only basis. When Viridor's proposal for heat off-take is ready for implementation, they will need to submit a Contractor Change Request to the Partnership under the terms of the Contract.

As part of the change request, Viridor will need to demonstrate that the implementation of the heat network will not adversely impact on Viridor's ability to continue treating the Partnership's Contract Waste and satisfy the various Performance Standards under the Contract.

Provided Viridor can continue satisfying its contractual obligations to the Partnership, Viridor are free to implement the heat network at their own cost and risk.

Viridor has demonstrated to the Partnership's satisfaction that there is sufficient capacity within the Facility to implement the heat network on the basis of third party waste alone. The Partnership's unitary charge and potential gain share income will be based on electricity off-take arrangements only.

The diagram below shows the proposed route:



3.9 Electricity Generation Efficiency (R1)

R1 is the electricity generation efficiency threshold (of 0.65), above which a facility can be designated as 'recovery' rather than 'disposal' under EU definitions. Attaining R1 status is a condition of WG support.

In accordance with the published guidelines, the R1 Ratio for the Facility has been calculated to be 0.675, based on initial design data and operational assumptions. The Partnership's technical advisors are satisfied that this assessment has been undertaken on a reasonable basis. The Facility is therefore anticipated to be R1 compliant and defined as Recovery.

3.10 Environmental Impact

Based on peer reviewed WRATE modelling of Viridor's proposed waste treatment solution the Partnership expects to achieve the following carbon savings and landfill diversion benefits.

Table 3.10 - Summary of Benefits

Environmental Benefits	Baseline Scenario	Viridor Scenario	Difference
Net Benefit Predicted Carbon Saving (t CO ₂ eq)	38,592	-12,800	51,392
Landfill Diversion (t)	0	162,862	162,862

The WRATE analysis has demonstrated that the proposed solution will provide an annual net benefit predicted carbon saving of 51,392 tonnes CO₂ equivalent in comparison to continued landfill.

3.11 Appraisal of Technology Options for Residual Waste Treatment

The Partner Authorities strategic approach to residual waste treatment technologies has not changed since OBC.

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4. THE ECONOMIC CASE

4.1 Introduction

The recommendation to conduct an EU procurement process following the Competitive Dialogue Procedure to procure the Most Economically Advantageous Tender (MEAT) was detailed within the Prosiect Gwyrdd OBC and the OBC Health-check Addendum that had been approved by each Partner Authority. The Competitive Dialogue Procedure was undertaken in accordance with the EU Public Sector Procurement Directive (2004/18/EC), which was implemented into UK law via the Public Contracts Regulations Statutory Instrument 2006/5 with effect from 31st January 2006.

To provide a clear understanding of the entire procurement process; the project team developed the following procurement documentation, which was approved at each stage of the process in accordance with the Project's Joint Working Agreement.

- Procurement Strategy;
- Procurement Plan;
- Official Journal of European Union (OJEU) Notice;
- Pre-Qualification Questionnaire (PQQ) and Selection Criteria;
- Initial Descriptive Document (IDD);
- Evaluation Criteria, Methodology, Weightings & Scoring Mechanism containing Award Criteria for Each Stage;
- Output Specification;
- Invitation to Participate in Dialogue (ITPD) Including Outline Solutions (ISOS) suite of documentation;
- Invitation to Submit Detailed Solution (ISDS) suite of documentation;
- Invitation to Submit Final Tenders (ISFT) including Call for Final Tenders (CFT) suite of documentation.

A Contract Notice (reference 2009/S 227-326432) was published in the Official Journal of the European Union on 23rd November 2009. This invited expressions of interest from organisations wishing to enter into a contract with the Lead Contracting Authority (acting on behalf of itself and the Partnership) for the joint provision of a residual waste treatment and disposal solution. Each Stage of the Procurement process was conducted via WG's procurement arm Value Wales e-

tenderwales portal and all documentation and interaction with the Applicants/Participants was undertaken via the portal.

From the outset the Partnership was keen to maximise interest in the procurement, to ensure a good competition, which would lead to the best value for money outcome. In order to assist in supplier development and to ensure that all potential providers were fully aware of the project and process to be followed, an industry day was held on 7th December 2009. At the industry day the Chairperson of the Joint Committee, the Senior Responsible Officer, the Project Team and Advisors met potential Applicants. Presentations were made as to the content, outlined requirements and scope of the project. As a result of the industry day and earlier market testing exercises, Forty-seven (47) potential providers expressed an interest with Thirty-six (36) organisations downloading the PQQ.

4.2 STAGES OF THE PROCUREMENT PROCESS

The Procurement Process was delivered through a number of stages as detailed in the Prosiect Gwyrdd Procurement Strategy and Plan. Each stage of the process was evaluated in accordance with the pre-established and published Evaluation Methodologies and Scoring Mechanisms.

The following General Principles were observed throughout the Procurement process, which all Applicants/Participants were afforded:

- Equal Treatment and non-discrimination;
- Mutual Recognition;
- Confidentiality; and
- Proportionality.

Each stage required a significant level of documentation, resources and input from stakeholders with intense and efficient project management throughout. A dialogue team was established consisting of a Project Director, Procurement Manager, Technical Manager, Finance Manager, Legal Officer, Project Control Officer and external specialist Advisors as required. The dialogue meetings for each stage were effectively managed with a proficient recorder present at all meetings, to ensure that details of all the dialogue sessions were captured consistently and accurately.

Table 4.1 - Stages of the Procurement Process

No.	Stage
1.	Selection
1a	Pre- Qualification (PQQ)
2.	Competitive Dialogue Invitation to Participate in Dialogue
2a	A Invitation to Submit Outline Solution (ISOS)
2b	Invitation to Submit Detailed Solution (ISDS)
2c	Invitation to Submit Final Tender (ISFT)
3.	Preferred Bidder & Contract Close
	Identification of Preferred Bidder leading to Financial Close (Contract Award).

4.2.1 Stage 1 - Pre-Qualification

A Pre-Qualification Questionnaire (PQQ) was made available to all interested providers along with the Initial Descriptive Document (IDD). This detailed the scope of the procurement, the rules of engagement for the Competitive Dialogue commercial relationship, the PQQ evaluation methodology, the timetable, key contacts and other supporting information. This was considered necessary to achieve the desired outcome in a manner that would satisfy all public sector propriety, audit and governance criteria.

As detailed within the Procurement Strategy it was envisaged that a maximum of Eight (8) Applicants will be selected at Pre-Qualification stage. This stage included pass or fail test and scored tests with only the top Eight (8) (or Nine (9) applicants if there were equal points scored at Eighth 8th place) being shortlisted to the next stage of the procurement. In accordance with Procurement Regulations, the selection stage was backward facing focussing on the Applicant's capability to deliver a satisfactory solution, their financial and economic standing, technical ability and past performance.

All PQQs were required to be submitted by the published deadline and no questionnaires were accepted after that deadline.

It is important to note that at the PQQ selection stage the Partnership was not considering the Applicants' proposed solution(s) for the project, and no such information was requested at that stage, as specified within the Public Contract Regulations. The PQQ was prepared having regard to these regulations and was evaluated in accordance with the agreed and published evaluation methodology, set out in Table 4.2 below.

Table 4.2 - PQQ evaluation methodology

Section	Description	Score
A	General Company Information	Pass/fail
B	Eligibility	Pass/fail
C	Financial and Economic Standing	25
D	Ability & Approach to Raising Finance	5
E	Experience of working on similar projects	15
F	Technical Capacity and Ability	40
G	Environmental & Quality Management	5
H	Potential Provider's Advisors & Conflict of Interest	Pass/fail
I	Health & Safety	5
J	Equal Opportunities	5
K	References - References used to verify the responses provided in this PQQ	N/A
L	Certification	Pass/fail

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Table 4.3 - Provides a summary of the Pre-Qualification Stage

No.	Selection Stage	Procurement Summary	Organisation Names		Governance
			Applicants Selected for ITPD & ISOS	Applicants De-Selected	
1a	<p>Pre-Qualification</p> <p>Period of Stage: 24 November 2009 to 24 May 2010</p>	<p>Eight (8) Highest Scoring PQQ Applicants to be Shortlisted to Invitation to Participate in Dialogue (ITPD) Stage.</p> <p>24 November 2009 OJEU Notice Published</p> <p>07 December 2009 Supplier Industry Day</p> <p>Forty-Seven (47) Potential Suppliers Expressed an Interest</p> <p>Thirty-Six (36) Organisations downloading the PQQ</p> <p>22 January 2010 PQQ Submission Deadline</p> <p>Fourteen (14) Organisations Submitted Questionnaires</p> <p>11 March 2010 Compliance Checks and Commencement of Evaluation Process</p>	<p>Covanta Energy Ltd</p> <p>MVV Umwelt Gmbh</p> <p>Shanks Group PLC</p> <p>SITA UK Ltd</p> <p>Urbaser Ltd</p> <p>Veolia ES Aurora Ltd</p> <p>Viridor Waste Management Limited</p> <p>Waste Recycling Group Ltd</p>	<p>Air Products UK</p> <p>Biffa Waste Services Ltd</p> <p>E.ON Energy-from-Waste UK Ltd</p> <p>Hills Waste Solutions Ltd</p> <p>New Earth Solutions Group Ltd</p> <p>Sterecycle Ltd</p>	<p>Project Board – 4 Nov 2009</p> <p>Joint Committee – 18 Nov 2009</p> <p>Approval of: Procurement Strategy Procurement Plan Official Journal of European Union Notice (Advert/Publication) Pre-Qualification Questionnaire - including Evaluation Methodology, Initial Descriptive Document (IDD)</p> <p>Project Board – 17 May 2010</p> <p>Joint Committee – 24 May 2010</p> <p>Approval of Short List and Commencement of Invitation to Participate in Dialogue (ITPD)</p>

4.2.2 Competitive Dialogue Stages – Evaluation Methodology

The underlying principle of the Evaluation Methodology for the Competitive Dialogue Procedure was to select the Most Economically Advantageous Tender that meets the Partnership's requirements for the Project. The Evaluation Methodology was designed to provide a structured and auditable approach to evaluating the Solutions submitted by the Participants.

The Evaluation Methodology set out in table 4.4 below provides a summary of the Level 1 Criteria and the respective weightings used at the ISOS, ISDS and ISFT Stages of the Procedure. The information was published at the outset of the Competitive Dialogue Procedure and further detailed guidance was provided at the start of each stage. This covered Level 1, Level 2, Level 3 and Level 4 of the Evaluation Criteria and their respective weightings.

The Project had been mindful throughout each stage, to take into consideration the potential risks of challenge to the process. Courts have seen an increase in Procurement test case law where companies have successfully challenged public procurements in areas such as 'process' and 'equal treatment of Participants'. The project team in conjunction with its Advisors paid due regard to these matters and have sought to mitigate and minimise such risks in so far as is practicable.

Table 4.4 - A summary of the Level 1 Criteria and the respective weightings used at the ISOS, ISDS and ISFT Stages of the Procedure.

Level 1 Criteria	Range of Weightings	ISOS stage	ISDS stage	ISFT stage
Technical & Service Delivery	30-65	65	50	30
Deliverability & Integrity of the Solution	0-5	5	5	0
Finance & Commercial	20-55	20	30	55
Legal & Contractual	10-15	10	15	15
Total	n/a	100	100	100

4.2.3 Stage 2a Competitive Dialogue – Invitation to Participate in Dialogue (ITPD) & Invitation to Submit Outline Solutions (ISOS)

The formal Invitation to Participate in Dialogue was issued to the Eight (8) successfully pre-qualified Participants (formerly known as Applicants). This represented the first stage of the Competitive Dialogue procedure namely the ISOS stage. Participants were allowed to submit up to Two (2) Outline Solutions at this stage.

The Participants' Outline Solution focused on the technical aspects of their respective bids but there was also an opportunity to consider Participants' financial assumptions and indicative costs, relative to the project's published Target Price.

During the ISOS stage Four (4) Participants withdrew from the process sighting the economic climate and a strategic reassessment of projects within the UK. This is not an unusual outcome at this stage of a competitive dialogue process, as Participants consider their bidding priorities as costs increase.

Four (4) Participants submitted Five (5) Outline Solutions by the stated deadline. The Solutions were evaluated and ranked according to their scores. In accordance with the Procurement Strategy the intention was to invite the Participants with the Four (4) highest scoring Solutions to proceed to the next stage of the Competitive Dialogue procedure. The results of the evaluation were communicated to the Participants in accordance with the Public Contract Regulations and all Participants were afforded the opportunity to request feedback from the Partnership on their respective Outline Solutions.

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Table 4.5 - Summary of Outline Solutions (in alphabetical order):

Company Name	Covanta Energy Ltd	Veolia ES Aurora Ltd – Base Bid	Veolia ES Aurora Ltd – Variant Bid	Viridor Waste Management Ltd	Waste Recycling Group Ltd
Technology	Energy from Waste *CHP Enabled	Energy from Waste *CHP Enabled	Energy from Waste & *CHP	Energy from Waste *CHP Enabled	Energy from Waste *CHP
Location	Brig-y-Cwm, Merthyr	Partnership's Optional Site, Tatton Road, Newport	Llanwern Steel Works, Newport	Trident Park, Cardiff	Solutia UK Site, Traston Rd, Newport
Capacity (Tonnes)	750,000	256,000	256,000	350,000	292,500

*CHP - Combined Heat and Power

REDACTED

Table 4.6 - Summary of Stage 2a - Invitation to Participate in Dialogue (ITPD) & Invitation to Submit Outline Solutions (ISOS)

No.	Competitive Dialogue	Procurement Summary	Organisation Names		Governance
			Participants Selected for ISDS	Participants De-Selected/Withdrew	
2a	<p>Invitation to Participate in Dialogue (ITPD)</p> <p>&</p> <p>Invitation to Submit Outline Solution (ISOS)</p> <p>Period of Stage: 25 May 2010 to 6 December 2010</p>	<p>25 May 2010 Issue of ISOS Documentation to the Eight (8) Shortlisted Applicants</p> <p>25 June 2010 to 23 July 2010 Two (2) Rounds of Dialogue Meetings with Participants</p> <p>6 September 2010 ISOS Submission Deadline Four (4) Participants submitted Five (5) Solutions</p> <p>7 September 2010 Compliance Checks, Commencement of Evaluation Process & Quality Assurance</p> <p>22 Sept to 26 October 2010 Clarifications with all Participants</p> <p>4 November 2010 Procurement update meeting with remaining Participants</p>	<p>Covanta Energy Ltd</p> <p>Veolia ES Aurora Ltd – Variant Bid</p> <p>Viridor Waste Management Ltd</p> <p>Waste Recycling Group Ltd</p>	<p>Veolia ES Aurora Ltd – Base Bid De-selection of 5th ranked solution</p> <p>Shanks Group PLC (Withdrew – 18 June 2010)</p> <p>Urbaser Ltd (Withdrew – 21 June 2010)</p> <p>SITA UK Ltd (Withdrew – 23 June 2010)</p> <p>MVV Umwelt GmbH (Withdrew – 22 July 2010)</p>	<p>Joint Committee – 10 March 2010</p> <p>Approval of Invitation to Participate in Dialogue (ITPD) suite of Documentation including Invitation to Submit Outline Solution (ISOS) & Evaluation Methodology</p> <p>Project Board – 17 May 2010</p> <p>Joint Committee – 24 May 2010</p> <p>Approval of Short List & Commencement of Invitation to Participate in Dialogue (ITPD) including Invitation to Submit Outline Solution (ISOS).</p> <p>Project Board – 24 Nov 2010</p> <p>Joint Committee – 6 Dec 2010</p> <p>Approval of ISOS Evaluation Short List & Invitation to Submit Detailed Solution (ISDS) suite of Documentation & Commencement of ISDS Stage.</p>

4.2.4 Stage 2b Competitive Dialogue – Invitation to Submit Detailed Solutions (ISDS)

The intention of the ISDS Stage was to ensure that the Detailed Solutions being offered by the Participants were sufficiently advanced to enable the selection of the two strongest bids to proceed to the Final Solution stage (ISFT Stage). A thorough process of Competitive Dialogue was used so that all material technical, financial and contractual matters were either resolved or significantly progressed to the Partnerships satisfaction in accordance with the ISDS requirements.

As part of the ISDS stage eight formal rounds of dialogue meetings were held between February and July 2011 with each Participant that remained within the process. Additional issue or stream-specific meetings were held. This allowed the Partnership to facilitate the preparation and submission of each Participants Detailed Solution in order to meet the Partnership's requirements. Draft submissions of the Participant's Project Agreements, legal schedules and detailed commentary tables on any proposed deviations from the main Project Agreement were received on 21st January 2011. This enabled the Partnership and Participants to meaningfully progress detailed dialogue.

Three (3) Participants submitted Detailed Solutions by the published deadline.

Table 4.7 - ISDS Summary of Detailed Solutions (in alphabetical order):

Company Name	Covanta Energy Ltd	Veolia ES Aurora Ltd	Viridor Waste Management Ltd
Technology	Energy from Waste CHP Enabled	Energy from Waste & CHP	Energy from Waste CHP Enabled
Location	Brig-y-Cwm, Merthyr	Llanwern Steel Works, Newport	Trident Park, Cardiff
Capacity (Tonnes)	750,000	256,000	350,000

Waste Recycling Group Ltd (WRG) advised the Partnership of their intention to move their proposed solution from the Solutia Site in Traston Road, Newport to the Dow Corning site in the Vale of Glamorgan, which was agreed by the Partnership. Subsequently, due to commercial difficulties beyond their control, WRG formally withdrew from the procurement process.

Covanta Energy Ltd formally withdrew from the procurement process after submitting its Detailed Solution. Covanta stated commercial circumstances and the need for the company to concentrate on other UK projects.

Table 4.8 - Summary of Stage 2b - Invitation to Submit Detailed Solutions (ISDS)

No.	Competitive Dialogue	Procurement Summary	Organisation Names		Governance
			Participants Selected for ISFT	Participants Withdrew at ISDS	
2b	<p>Invitation to Submit Detailed Solution (ISDS)</p> <p>Period of Stage: 7 Dec 2010 to 12 Dec 2011</p>	<p>7 December 2010 ISDS suite of documentation was issued to the Four (4) Participants</p> <p>21 January 2011 Draft submission of legal documentation</p> <p>February and July 2011 Eight rounds of dialogue meetings</p> <p>8 August 2011 ISDS Submission Deadline Three (3) Participants submitted Detailed Solutions</p> <p>9 August 2011 Compliance Checks, Commencement of Evaluation Process & Quality Assurance</p>	<p>Veolia ES Aurora Ltd</p> <p>Viridor Waste Management Ltd</p>	<p>Covanta Energy Ltd (Withdrew – 24 October 2011)</p> <p>Waste Recycling Group Ltd (Withdrew – 29 March 2011)</p>	<p>Project Board – 24 Nov 2010</p> <p>Joint Committee – 6 Dec 2010</p> <p>Approval of ISOS Evaluation & Invitation to Submit Detailed Solution (ISDS) suite of Documentation & Commencement of ISDS Stage.</p> <p>Project Board – 23 Nov 2011</p> <p>Joint Committee – 12 Dec 2011</p> <p>Approval of ISDS Evaluation & Invitation to Submit Final Tenders (ISFT) suite of Documentation & Commencement of ISFT Stage.</p>

4.2.4 Stage 2c Competitive Dialogue – Invitation to Submit Final Tenders (ISFT)

The Partnership issued the formal ISFT to the Two (2) remaining Participants in December 2011. The aim of this stage was to finalise all elements of the proposed solutions and to close out any significant outstanding issues. It is important to note that the Partnership was inviting Participants to submit Final Tenders based upon their proposal at the ISDS stage of the procurement process.

Critically, once the Competitive Dialogue stages have been formally closed, further “dialogue” (in the sense of negotiating changes to agreed positions or introducing new issues) is not permitted and any further changes must be limited to ‘fine tuning’. The purpose of this requirement is to prevent negotiations during the Preferred Bidder Stage, allowing previously agreed positions to be reopened when the Partnerships’ main lever of competitive tension (two bidders competing) will have been lost.

During the course of the ISFT, Twelve (12) rounds of dialogue meetings were held with both Participants. The Dialogue Team sought, received and dialogued on a significant amount of issues and documentation (commercial, legal, financial and technical). The Partnership concluded the process by requesting a complete set of agreed documentation (in accordance with the ISFT documents) as part of the Call for Final Tenders to ensure a clear and transparent evaluation process.

Given the implications of formally closing dialogue and calling for Final Tenders, it was important that the Partnership was provided with sufficient comfort that each Participant’s solution was suitably mature, with all key issues agreed. Therefore, WG in conjunction with the Waste Procurement Programme Office (WPPO) undertook a commercial ‘Health Check’ review to ensure the Project had reached a satisfactory position on a number of key commercial positions. In addition the Partnership’s technical, legal, financial and insurance advisors provided Letters of Assurance. These specialists who have a detailed knowledge of the project confirmed that it was appropriate for the Partnership to close dialogue.

Table 4.9 - Summary of the Stage 2c - Invitation to Submit Final Tenders (ISFT)

No.	Competitive Dialogue	Procurement Summary	Organisation Names		Governance
			Participant Selected	Unsuccessful Participants	
2c	<p>Invitation to Submit Final Tender (ISFT)</p> <p>Period of Stage: 20 Dec 2011 to 7 February 2013</p>	<p>20 December 2011 ISFT suite of documentation was issued to the Two (2) remaining Participants</p> <p>January and October 2012 Twelve rounds of dialogue meetings</p> <p>3 July 2012 Draft Final Tender Submission Deadline. Two Participants submitted Draft Final Tenders</p> <p>17 October 2012 Welsh Government & Project Board Approval to Close Dialogue and Call for Final Tenders</p> <p>26 October 2012 Final Tender Submission Deadline. Two Participants submitted Final Tenders</p> <p>28 October 2012 Compliance Checks, Commencement of Evaluation Process & Quality Assurance</p>	Viridor Waste Management Ltd	Veolia ES Aurora Ltd	<p>Project Board – 23 Nov 2011</p> <p>Joint Committee – 12 Dec 2011</p> <p>Approval of ISDS Evaluation & Invitation to Submit Final Tenders (ISFT) suite of Documentation & Commencement of ISFT Stage.</p> <p>Project Board – 30 Jan 2013</p> <p>Joint Committee – 7 Feb 2013</p> <p>Full Councils Approval: Newport – 26 Feb 2013 Caerphilly – 26 Feb 2013 Cardiff – 28 Feb 2013 Monmouth – 28 Feb 2013 Vale of Glamorgan – 6 March 2013</p> <p>Recommendation & Approval of: Final Tender Evaluation Preferred Bidder Appointment Joint Working Agreement 2 Final Business Case</p> <p>Welsh Government: Approval of Final Business Case</p>

4.3 Overall Strategy for Procurement

The procurement strategy remains as set out in the OBC. The Partnership is satisfied that it has maintained competitive tension throughout the procurement, receiving robust and detailed solutions at all stages.

The Competitive Dialogue process has provided value for money as set out within the Financial Case through competition and the process has delivered significant economic benefit while fulfilling the Partnership's requirements.

4.4 A Highly Competitive Process

From early on in the process One (1) of the Participant's took a proactive position by securing land, Planning Permission and Environmental Permit. The Project Team were very aware that this could be perceived by the market as a competitive advantage and worked hard to ensure that sufficient competition was achieved at each stage.

During the ISOS stage Four (4) Participants withdrew from the process sighting the economic climate and a strategic reassessment of projects within the UK. This is not an unusual outcome at this stage of a competitive dialogue process, as Participants consider their bidding priorities as costs increase. The Partnership was content that with Four (4) strong bidders, sufficient competition remained.

During ISDS Two (2) Participants withdrew from the process, the Partnership was confident (following the ISDS evaluation) that the remaining Two (2) bids moving into the ISFT were strong and highly competitive.

At the ISFT stage it was clear that both Participants were keen to improve their offerings. Robust negotiation at this stage resulted in positive movement in both Participants' positions across technical, legal and financial streams. As a result of a competitive and successful dialogue process the Partnership is confident (as reflected in the results of the evaluation process) that the winning submission provides extremely good value for money, meeting the Partnership's requirements.

4.5 Partnership's Requirements for the Project (tonnage change)

The Authority's Requirements remains materially as set out in the OBC. The key change that occurred during the procurement was a reduction in the average projected residual waste tonnage profile of 205,000 tonnes per annum set out in the OBC. This profile was considered at length and, remodelled during the procurement. The Partnership's

anticipated average profile is 172,000 tonnes per annum which has now been agreed by each Partner Authority.

This change demonstrated that there was sufficient flexibility in the procurement process to accommodate changes in circumstances.

4.6 Comparison against the OBC Reference Solution

The OBC Reference Solution was a dedicated 220,000 tonnes per annum, EfW facility on the Partnership's land. The implicit assumption was that the facility would revert to the Partnership on expiry of the contract in line with WG's standard form contract.

Viridor's solution is a 350,000 tonnes per annum, EfW facility, which is high-efficiency and designated as 'recovery' rather than a 'disposal' operation under EU rules.

The key difference between the solutions is that Viridor's facility is being developed as a 'merchant' facility as opposed to being built for the Partnership with the primary aim of managing the Partnership's waste.

The term 'merchant' in this case refers to the following attributes:

- It would have been built whether or not Viridor became Preferred Bidder (and construction commenced during the ISFT stage);
- The facility has a capacity of 350,000 tonnes per annum which is approximately twice the size required to manage the Partnership's average waste;
- The facility is on Viridor's own site and on contract expiry Viridor will continue to operate the plant and the Partnership will make alternative arrangements (rather than the facility reverting to the Partnership).

The merchant approach has led to a number of benefits that would not apply to the Reference Solution. Key among these include:

- Economies of scale resulting from a much larger facility than would be required from a dedicated facility;
- Non-reversion provides a longer time period for Viridor to recover its costs. This has provided a lower than anticipated gate fee, improved value for money and a more affordable solution for the Partnership;
- More risk being transferred to the contractor as the facility will always be in the ownership of Viridor. A 'pro-rata' principle to risk apportionment was developed during dialogue and applied

where appropriate. This ensures that the Partnership has not taken on risks that should be borne by the 'merchant' part of the operation.

4.7 Community Benefits

Community Benefits is an integral part of the procurement process which is captured and aligned within the Authority's Requirements under Corporate Social Responsibility (CSR). Viridor's response to these aspects can be broadly split into the following categories:

a) Communication and education with the local community and the wider audience in South East Wales

- Construction of a visitors centre for the local public to understand the process of incineration and the stringent emission controls they adhere to;
- Setting up of a Community Liaison Group;
- Online information accessible to the public;
- Dedicated Education and Information Officer to facilitate this.

b) Apprenticeships and training opportunities

- Community apprentice opportunities;
- Exploring National Vocational Qualifications for staff.

c) Direct and indirect employment during construction and operation of the facility

- Up to 360 jobs at the peak of the construction activity;
- 36 full time jobs in operation;
- Procuring material from local suppliers in line with the Procurement Policy;
- Incorporating the guidelines provided in the WG Community Benefits Suppliers Guide.

d) Financial benefits (sponsorship)

- Community Sponsorship and Community Benefit fund of £50,000 a year.

4.8 Timeline of Recommendations & Approvals

Recommendation and Approvals of:

- Preferred Bidder Appointment
- Final Business Case
- Joint Working Agreement 2

Project Board	30 Jan 2013
Joint Committee	7 Feb 2013
Full Councils Approval:	
Newport	26 Feb 2013
Caerphilly	26 Feb 2013
Cardiff	28 Feb 2013
Monmouth	28 Feb 2013
Vale of Glamorgan	6 March 2013

4.9 Stage 3 - Preferred Bidder to Contract Award (Financial Close)

The Final Tenders were evaluated in accordance with the agreed and published evaluation methodology and the Public Contract Regulations and Viridor was selected by the Project Board as recommended Preferred Bidder. This decision will be recommended for approval at the Joint Committee on 7th February 2013 and at each Partner Authority during the Full Council meetings held between 26th February 2013 and 6th March 2013.

In accordance with the Public Contract Regulations, only matters of fine-tuning and clarification shall be settled during the Preferred Bidder Stage. A Preferred Bidder Letter confirming the purpose, permitted scope and the matters for fine tuning will be issued to Viridor, and the terms must be accepted by Viridor, as a condition of their appointment as Preferred Bidder. In particular, Viridor will be put on notice that any breach of the terms of the Preferred Bidder Letter will entitle the Partnership to revoke Viridor's status as Preferred Bidder without any liability for costs or losses.

The Partnership shall progress the contractual documentation to the point that they are capable of execution by the Partnership within the stated parameters of the Preferred Bidder Letter. The Contract is anticipated to be signed in July 2013.

Prior to formal award of the Contract, in accordance with the Public Contract Regulations, the Partnership shall discharge its de-briefing and Alcatel obligations to the unsuccessful bidders. The Contract shall only be awarded once the Partnership is satisfied that such obligations have been fully satisfied.

4.10 Timetable

As outlined within this section, the Prosiect Gwyrdd procurement process was delivered through a number of stages and the following table sets out the key milestones of the process:

Stage	Date
OJEU Published	23 November 2009
ITPD & ISOS Issued	25 May 2010
ISOS Returned	6 September 2010
ISDS Issued	7 December 2010
ISDS Returned	8 August 2011
ISFT Issued	20 December 2011
Draft CFT Returned	3 July 2012
Call For Final Tenders	26 October 2012
Preferred Bidder Identified	February 2013
Submission of FBC to WG	February 2013
WG Scrutiny Meeting	March/ April 2013
WG Approval of FBC	March/ April 2013
Member Approval of PB, FBC & JWA2	February & March 2013
Contract Signed/Financial Close	July 2013
Planning application submitted	February 2010
Planning application approved	June 2010
Environmental permit submitted	April 2009
Environmental permit approved	November 2010
Construction Commencement	July 2012
Start of Hot Commissioning <i>Facility</i>	Sept 2014
Start of Hot Commissioning Prosiect Gwyrdd Waste	October 2015
Operational Commencement <i>Facility</i>	January 2015
Operational Commencement	April 2016

Prosiect Gwyrdd Waste	
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The procurement timetable of Thirty-nine (39) months from OJEU to Preferred Bidder is Eighteen (18) months longer than anticipated at OBC.

The additional procurement timeline identified in the above table had arisen as a consequence of:

- the extended procurement period which was required to negotiate the significant derogations from the standard form contract as a result of the bids, submitted at ISDS, being non-reverting, merchant solutions with varying capacities;
- being the furthest advanced Welsh residual waste treatment procurements, additional dialogue was required with the bidders to incorporate specific WG requirements. Two (2) key examples are accommodating the implications of the WG's recycling consultation document and the requirement for maintaining the R1 energy efficiency status for the facility. These are key requirements in terms of ensuring that the project continues to satisfy WG funding conditions, and maximises the project's contribution towards WG recycling targets;
- additional dialogue with the bidders in order to secure specific commercial and contractual terms to improve the risk position held by the Partnership. A good example is the protracted negotiations with Viridor to agree the contractor's termination compensation sum. With the Partnership not stepping into the Viridor facility under any circumstances, a profiled compensation cap was negotiated which reflects the potential losses faced by the Partnership.

In addition, the Project Team and Project Board were conscious of the need to ensure that new Council Members, following the May 2012 elections, were adequately briefed on the project. This necessary process contributed approximately Six (6) months to the procurement timetable. Notwithstanding the above, the service commencement date is unchanged from that assumed at OBC.

5. THE COMMERCIAL CASE

5.1 Introduction

This section summarises how the Authority's approach to risk management has developed since OBC submission, and sets out how the risk allocation position reached with the Preferred Bidder has changed since that envisaged at OBC.

This section also records the outcome of the derogations review conducted with the Welsh Government prior to close of dialogue and an updated position as necessary.

5.2 Risk Management

The Partnership's overall approach to procurement risk management is consistent with that outlined in the OBC. Proactive risk management and reporting through the maintenance of the risk register and monthly highlight reports to the Project Board was strictly adhered to.

5.3 Risk Allocation Matrix

There are no risks that the Partnership intended to transfer at the OBC stage that it has not transferred under the Contract.

5.4 Project Agreement and Other Contractual Documents - Proposed Derogations

Viridor's solution has been structured as a genuine 'merchant' solution that provides approximately Fifty percent (50%) of its available capacity to the Partnership and shall not revert to the Partnership on expiry or early termination. Viridor has also opted to commence the construction of its facility at risk approximately Eight (8) months prior to the date of the Final Tender Submissions for Prosiect Gwyrd.

These issues have necessitated a number of changes to the Standard Form Contract, and have been accepted by the Partnership as, overall, placing the Partnership in no worse position and, wherever possible, in an enhanced risk allocation position. In summary, these include:

- Planning and Permitting – this is one of the greatest risks for waste projects of this type. However, as Viridor already has its Planning Permission, Environmental Permit and has commenced construction; this risk is no longer applicable;

The paragraphs below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 5.

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

[Redacted]

-

[Redacted]

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[Redacted]

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[Redacted]

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The implication of this is that the Partnership shall be liable to pay compensation to the Contractor based on costs/losses relating to the entire Facility and not simply its interest in the Facility (i.e. liable for 100% rather than c.50%).

- Third Party Waste Contracts – The Partnership have limited visibility and rights of due diligence over Third Party Waste Contracts to be entered into by the Partnership to provide Viridor with the necessary flexibility to manage its merchant operations. In return, Viridor cannot claim loss of profit in relation to the sub-contractors on termination for Authority Default/Authority Voluntary Termination.
- Uninsurability – The detailed standard form provisions have been amended to recognise that the Partnership should not be obliged to stand as the insurer of last resort for a merchant facility.

Other bespoke areas of the contract that have been included are as follows:

- Option to extend – in the event of a contract extension, the contractor has the ability to reconsider and renegotiate (within the parameters of the EU procurement rules) the contractual terms for any extension where the Partnership's forecast tonnage falls below the current minimum threshold. This is intended to provide the Authority with the flexibility to continue with the Project beyond the original expiry even where one or more Partners decide to withdraw whilst not exposing Viridor to potentially disproportionate and onerous contractual terms.
- R1 – A mechanic has been included, at the request of the WG to ensure that the risks associated with the facility attaining and continually operating above the Environment Agency's R1 standard, are borne by the Contractor.

Reports summarising the position reached through dialogue on such commercial issues have been prepared and considered by the Project Board and the Joint Committee.

5.5 Project Agreement and Other Contractual Documents - Proposed Derogations

The derogations requested from Viridor in respect of required drafting provisions is attached at Appendix C.

This is in all material terms consistent with that considered by the WG during the WPPO Pre-CFT Commercial Healthcheck.

5.6 WPPO Pre-CFT Commercial Healthcheck

The project has satisfied the requirements of the WPPO Pre-CFT Commercial Healthcheck and the WPPO's approval letter is attached at Appendix D.

5.7 Markets for Process Outputs

The following table (Table 5.7) summarises the destination/market for the main process outputs with a commentary on the risk allocation.

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Table 5.7 – Markets for Process Outputs

Process Output	Market	Risk Allocation	% of Contract Waste
IBA	Recycled Aggregate	<p>Viridor's Unitary Charge includes the cost of processing this product into a recycled product. This charge is guaranteed for the life of the contract with the Partnership as it is not subject to market testing or benchmarking.</p> <p><i>The paragraphs below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 6, 7 & 8.</i></p> <p>Deductions are applied through the Payment Mechanism if this product is diverted to Landfill of [REDACTED]</p> <p>These deductions will not apply if no market for IBA products exists. Viridor receives no payment for the cost it incurs should this product be sent to landfill.</p>	Viridor has Guaranteed to recycle 100% of IBA produced at the facility. This is anticipated to be in excess of 15.9% of Contract Waste, but will vary dependant on composition.
Metals	Recycled	Income of [REDACTED] has been guaranteed by Viridor for metals extracted from contract waste prior to IBA being sent to their IBA processor. A 50:50 gain share mechanism exists if income from this product	Viridor has Guaranteed to recycle 100% of metals produced at the facility.

		exceeds Base Case performance.	
Electricity	National Grid	Viridor are currently proposing to enter into relatively short term (Six (6) or Twelve (12) months) Power Purchase Agreements (PPAs) with leading energy off-takers as they believe this approach leaves them best placed to manage the volatility of the UK electricity market. The energy off-taker they will supply has not been identified at this stage but Viridor have guaranteed the Partnership's benchmarked electricity income of [REDACTED]. A 50:50 gain share mechanism exists if income exceeds Base Case performance.	N/A

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5.8 Budgetary Treatment & Balance Sheet Treatment

The Partnerships view is that Viridor's Asset should not be on the Public Sector Balance Sheet. This is because:-

- Prosiect Gwyrdd's expected tonnage would fill just under half of the facility's capacity. Viridor is retaining all risks in connecting with the non-contract element of capacity both in terms of securing this waste and at the price it can secure this waste;
- The construction and operation of the facility is being funded entirely by Viridor with no guarantees in respect of this funding being provided by the Partnership; and
- The asset remains with Viridor at the expiry of the Prosiect Gwyrdd contract. It has a useful economic life in excess of the contract term.

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6. THE MANAGEMENT CASE

6.1 Project Team and Governance

6.1.1 Introduction

The approach to project management and project governance has been consistent with that outlined in the OBC over the procurement period. In the Four (4) years since the OBC, there have inevitably been a number of changes in personnel at the various levels of the governance structure.

Preparation has commenced for the management of the transition from the end of procurement to successful operation. Suitably qualified individuals with key experience on the Project have been identified. This will help ensure that project knowledge will be retained and transferred to the operational phase. Specialist training has been organised and financial provision has been made. A detailed Transition Plan is in development.

6.1.2 Legal Context

There have been no changes since OBC submission to the legal basis and context under which the procurement is concluded.

It is envisaged that TUPE will not apply.

6.1.3 Project Governance

There have been no changes since OBC submission to the arrangements governing decision-making on the procurement including project governance arrangements and the duties of the Project Board, Joint Committee and Joint Scrutiny Panel.

The only changes relating to project governance has been to the project's Senior Responsible Officer (SRO) and changes to the membership of the Joint Committee as the project has advanced.

The process to approve the Preferred Bidder appointment to award the contract and to enter into the JWA2 is as follows:

- On the 30th January 2013 - Project Board meeting to review the tender evaluation and to recommend the Preferred Bidder to the Joint Committee.
- On the 7th February 2013 - Joint Committee meeting to recommend the Preferred Bidder to the Partner Authorities.
- On the 13th February 2013 - Joint Scrutiny panel meeting to scrutinise the Joint Committee decision.

- Between the 26th February 2013 and 6th March 2013 - Full Council meeting for each Partner Authority to appoint the Preferred Bidder and approve it to enter into the Project Agreement (subject to any minor amendments).

The process for the approval and sign off of the FBC and the second Joint Working Agreement (JWA2) is dealt with under the same procedure and timeline as above.

Delegated authority will be given to the SRO to award the contract and each Partner Authority Board member will be given delegated authority to enter into the JWA2, subject to minor amendments.

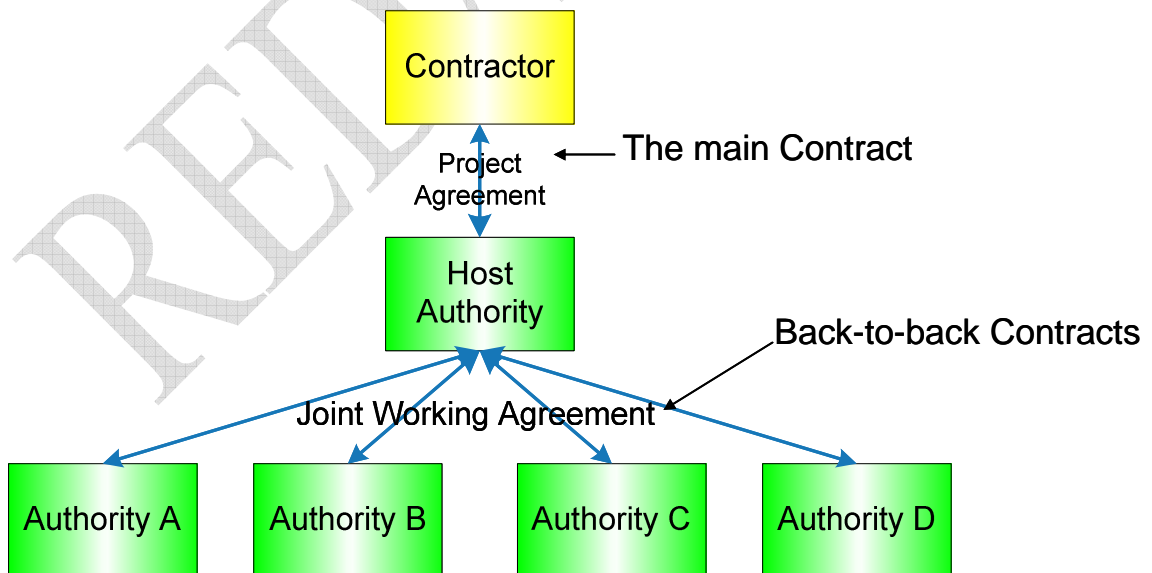
Governance arrangements for the Post Close period

The Project Board will continue to oversee the project until the facilities are operational.

The anticipated contract structure that will be in place post financial close as set out in Figure 6.1.3 below.

The roles and responsibilities will be managed in line with the JWA2 and the Project Agreement.

Fig 6.1.3 Operational Phase Contract Structure



Contract Manager terms of reference:

A Contract Manager will oversee and manage the Contract and JWA2 at an operational level. They will be the main interface with the Contractor and the main interface with the Partner Authority Representatives with a direct line into the Host Authority.

Contract Management Board terms of reference:

The Contract Management Board will oversee and manage the Contract and JWA2 on behalf of the Joint Committee in the interests of the Partner Authorities at the directorate strategy and Senior Officer level.

During the transitional period it is envisaged that the officers who formed the Project Board will form the Contract Management Board in line with the JWA2.

Joint Committee terms of reference:

The Joint Committee will oversee the Contract and JWA2 in the interests of the Partner Authorities and electorate at a strategic corporate and member level and carry out those functions allocated to the Joint Committee in the JWA2 as "Joint Committee Matters".

6.1.4 Contract Management

The Project is currently in the process of preparing a Transition plan with support and guidance from WPPO. This plan will cover succession/contingency planning in the eventuality of key staff movement in line with best practice. The plan will set out how knowledge will be retained and shared if key members of staff move on.

It is envisaged that as the Project moves from the procurement stage to a transitional phase post financial close, the Project Team will evolve into a small transition management team lead by a Transition Manager with administrative and legal and finance support from the Host Authority.

It is envisaged that the Technical Manager at the procurement stage will assume the role of the transition manager for the transition period and during this period they will undertake planning for the operational phase. It is also envisaged that the transition manager will undertake any identified transitional duties with administrative and legal and finance support from the Host Authority.

As part of the technical submission a method statement for service mobilisation identifying key interlinks between the Host Authority and the Contractor was submitted by Viridor. This method statement sets out how the Host Authority and Contractor will work together during the mobilisation stage.

6.1.5 Advisers

There have been no changes since OBC submission to the scope and duration of the services procured from the legal and financial advisers. In relation to technical advisers since OBC submission Parsons Brinckerhoff were replaced by Jacobs UK Ltd in September 2010.

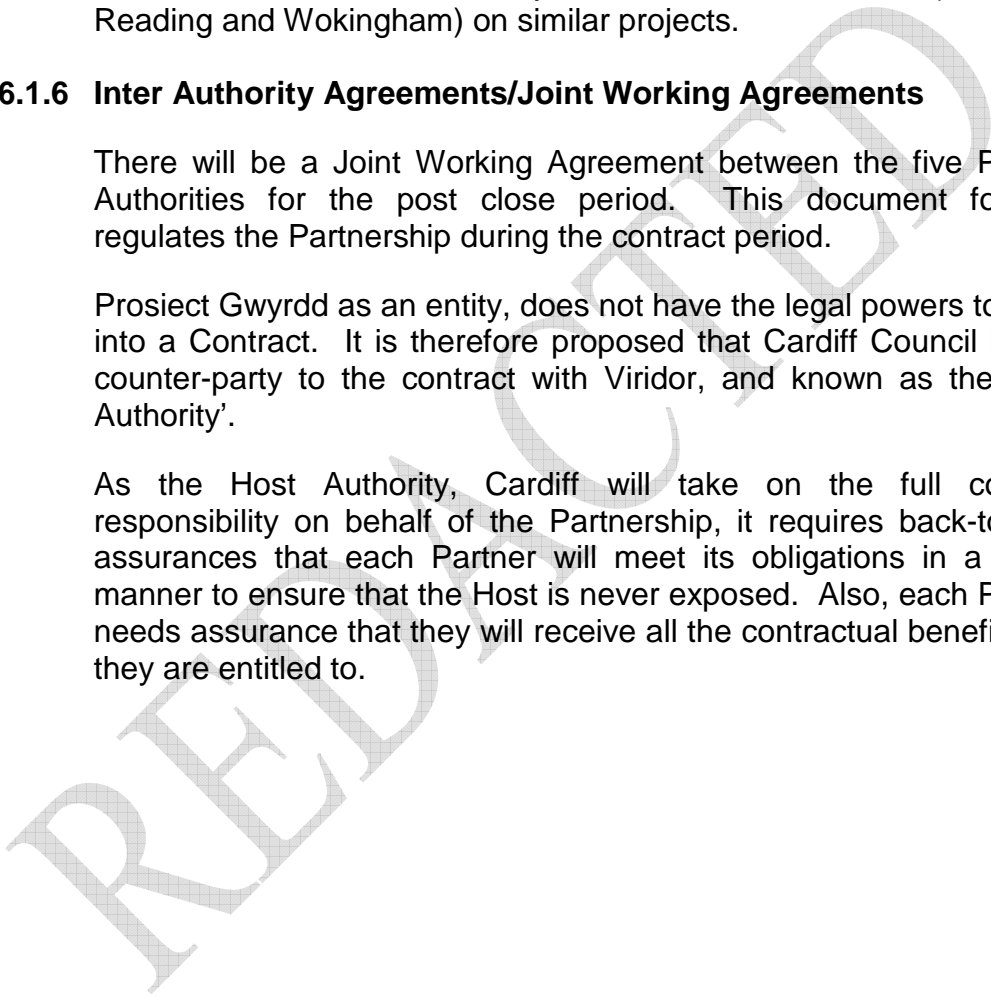
Jacobs UK Ltd has a significant track record in the procurement of residual waste management services for Local Authority clients (singly and in Partnership) and as an example have acted for the East London Waste Authority and Central Berkshire (Bracknell, Reading and Wokingham) on similar projects.

6.1.6 Inter Authority Agreements/Joint Working Agreements

There will be a Joint Working Agreement between the five Partner Authorities for the post close period. This document formally regulates the Partnership during the contract period.

Prosiect Gwyrdd as an entity, does not have the legal powers to enter into a Contract. It is therefore proposed that Cardiff Council be the counter-party to the contract with Viridor, and known as the 'Host Authority'.

As the Host Authority, Cardiff will take on the full contract responsibility on behalf of the Partnership, it requires back-to-back assurances that each Partner will meet its obligations in a timely manner to ensure that the Host is never exposed. Also, each Partner needs assurance that they will receive all the contractual benefits that they are entitled to.



6.2 Sites, Planning and Statutory Processes

6.2.1 Site identification

The proposed site is a third party site. The Site is located at Glass Avenue, Trident Park, Cardiff, CF24 5HF, OS grid reference ST 19705 75780. It is a brown field site, situated in an established industrial area and lies entirely within the administrative area of Cardiff City Council. The Site is located within an area of high density industrial and commercial uses.

6.2.2 Securing the Site(s)

Viridor Waste Management Limited has a 999 year lease on the Site, and has granted a 50 year sub-lease to the Contractor (Viridor Trident Park Limited) with effect from 28th March 2012.

6.2.3 Planning Health Framework

Planning permission for the Facility (ref: 10/00149/E) was granted on 29th June 2010. Completion of the Planning Health Framework is therefore not required.

6.2.4 Design issues

The Facility is anticipated to achieve the BREEAM Industrial Excellent Standard and the Visitors Centre is anticipated to achieve BREEAM Bespoke Excellent Standard.

Viridor have provided a copy of the implemented Site Waste Management Plan for the Facility. The plan confirms the measurement and reporting of the quantity of construction waste sent to landfill.

Viridor have confirmed that they will:

- recover a minimum of Seventy Five percent (75%) of construction and demolition materials;
- make best efforts to use recycled materials on the project as far as possible without compromising performance, durability or cost. The structural steelwork target for the Facility shall have a minimum recycled content of Sixty percent (60%). For other civil and structural materials a minimum target for the content of recycled materials shall be Ten percent (10%), with concrete, cement replacements such as Ground Granulated Blast furnace Slag (GGBS) and Pulverised Fly Ash (pfa) shall be considered. For bulk fill and sub-base materials, the Contractor will target a recycled content of Ninety percent (90%) or greater.

- The EPC contract for the Trident Park facility has been signed and construction of the facility has commenced in July 2012. The minimum design requirements are captured with in the agreed Authority's Requirements for the Facility. The Key Design of the facility has been captured within Schedule 9 Reviewable Design Data and Schedule 29 Design Proposals of the Project Agreement, which require consultation with the Authority prior to any change to the design of the Facility. Areas of design such as; Materials and Components, External Design Drawings, Tipping Hall and Bunker are included.

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6.3 Stakeholder Communications

6.3.1 Introduction

The project has an overarching Stakeholder Engagement Strategy, which was written and approved by the Project Board and the Joint Committee. At each stage of the procurement process, a Communications Plan was devised which applied the communication objectives set out in the strategy to best effect for that particular stage. A Monitoring Report was written after each plan was implemented to report the key findings and evaluate each activity's effectiveness. As a separate document, a Stakeholder Database was devised to ensure that the Project was able to target key stakeholders proactively through the various stages of the procurement.

It should be noted that, along with other similar projects in the UK, anti incineration groups have been established to oppose Prosiect Gwyrdd. The Project has attempted to accommodate such groups and individuals by responding to their requests, through the provision of balanced information, within the limits of commercial confidentiality, such that the general public have a balanced view of the future challenges of waste management.

6.3.2 Communications Strategy

The Communications Strategy for the project sets out the planned objectives, communication processes and monitoring techniques to be applied for the procurement.

Whilst it was the project's initial intention to have a Regional Focus Group, despite the best efforts of the Project to recruit members of the public who were impartial, it became apparent that the majority recruited were biased against energy from waste and became frustrated that they did not get the opportunity to influence the solutions proposed, as all bidders proposed incineration from the ISOS stage.

Consequently, attendances dropped and the project adapted to this by providing relevant project, solution, planning and regulatory information via email.

6.3.3 Other Relevant Authorities

Through the various stages of the procurement, the Project has proactively developed good working relationships with external agencies, so that balanced and accurate information could be given to members of the public and stakeholders. This included:

- *The Environment Agency* - to explain their role in planning and permitting of EfW facilities;

- *The Health Protection Agency* - and their independent role to advise National Government and Local Health Trusts on substantiated evidence relating to the effect on human health from incinerator emissions;
- *The Welsh Government* - to explain the national policy context and how residual waste management facilities fit into a waste reduction and recycling driven policy;
- *Waste Awareness Wales* - at each stage of the procurement process, to ensure they liaised with the Welsh Government on Prosiect Gwyrdd's planned activity and were able to share this information with other residual waste projects in Wales;
- *The Joint Scrutiny Panel* - working with politicians from the Five (5) local authorities to ensure they are able to scrutinise key aspects of the project, which included a call for evidence inquiry, concerning any validated scientific evidence that EfW facilities operating under the UK Statutory Framework posed a threat to human health or the environment.

6.3.4 Community Groups and Non Government Organisations

This Stakeholder Group comprises:

- *Regional Focus Group* - Through the recruitment of the members of the group, every attempt was made to get representatives from within the Five (5) local authority areas, so that residents in each of the Partner Authorities were represented;
- *Nash Community Council* - As this was the community group located close to our optional site, a public meeting was held at the beginning of the procurement to make them aware that the site would be put forward for possible utilisation by bidders and to ensure that they could receive information as the procurement evolved;
- *Communities First* - The relevant Communities First representatives were identified when the stakeholder database was set up and these individuals received proactive information on the Project through E-Newsletters at each procurement stage;
- *Cardiff Against the Incinerator (CATI)* - Cardiff Against the Incinerator is a campaign group against Viridor's planned EFW facility at Trident Park and all known contacts receive proactive information released by the Project. A number of these individuals have requested information through each stage of the procurement in writing and responses have been given in line with Freedom of Information (FOI) and Environmental Information

regulations (EIR). Members of the CATI have been active at public events and have planned protests against the Project at each procurement stage. The Project has actively countered the views expressed by this group, giving balanced information to the public;

- *Stop Newport Incinerator Campaign (SNIC)* - The Stop Newport Incinerator Campaign is a community group made up of residents who live in villages in close proximity to Llanwern. This community group was set up late into the procurement, when residents became aware that Veolia's proposal south of the existing Llanwern Steelworks was a credible proposal for the procurement. The Project has responded to a number of requests for information both in writing and at public events relating to concerns about the procurement, alternative technologies, Veolia's proposal, impact on house prices and academics' claims on the health impact of incineration;
- *Friends of the Earth (Cardiff, Monmouthshire and Barry)* - The make up of the local Friends of the Earth Groups is linked with the two campaign groups listed above. Key individuals receive all proactive information on the Project. The Project has received regular correspondence from these individuals at each stage of the procurement process and all requests for information have been given in line with FOI and EIR regulations. Members of Friends of the Earth were active at public events and the Project actively countered the views expressed, so that balanced information could be given to the public. Two (2) members of Friends of the Earth were invited to the Regional Focus Group events.

6.3.5 Public and Member Engagement

By the end of the procurement, the project will have held over Fifty (50) public events across the Five (5) local authority areas. When sites for proposed facilities became known, these events focussed on these areas so that residents living in close proximity could ask questions and receive information on the Project and the proposed solution. The greatest levels of concern regarding the project were voiced at such events. A high level overview of public engagement for each stage is shown below:

(a) Pre OJEU

Production of www.prosiectgwyrdd.co.uk, stakeholder database, consultation with residents, local councillors and AM's representing areas with potential sites.

(b) OJEU to PQQ (Nov 2009 to Apr 2010)

Public Events: Ten (10) events held in areas of high footfall giving information on all the possible technology options.

Location	Number of people	Attendance by campaigners
Abergavenny	61	Yes
Cowbridge	30	No
Cardiff City Centre	110	Yes
Newport	195	No
Caerphilly Town Centre	130	No
Barry	74	No
Caldicot	59	No
Newport	27	Yes
Cardiff City Centre	89	Yes
Blackwood	87	No

Website:

Average number of visits each month	Average number of people visiting each month	Average percentage of new visits each month
384	253	49

Regional Focus Group:

Twenty Eight (28) people attended the introduction meeting

Staff Roadshows:

Location	Number of staff attending
Cardiff	20
Newport	15
Monmouthshire	14
Caerphilly	8
Barry	4

Key Issues Arising:

- Technology neutral stance in the procurement;
- Lobbying for specific technologies from campaigners;
- Scrutiny on the outline business case;

- Concern over air pollution from incineration;
- Concern over the optional site;
- Information on public private partnership approach;
- Project scrutiny.

(c) Announcement of the Select List (May 2010)

Public Events: Six (6) events held in areas of high footfall giving information all the possible technology options.

Location	Number of people	Attendance by campaigners
Risca	51	No
Barry Island	49	No
Cardiff City Centre	79	No
Newport City Centre	9	No
Tredegar Park, Newport	35	No
Chepstow	63	Yes

Regional Focus Group:

Sixteen (16) people attended.

The event explained the technologies available for the treatment of residual waste.

Key Issues Arising:

- Planning and permitting process for Viridor's Trident Park facility;
- Public visibility of the draft contract;
- Tonnage profiles for the partnership, how the project will fit with Towards Zero Waste strategy;
- Name of the companies that were unsuccessful at PQQ and the reasons for the failures.

(d) Outline Solution Stage (Jun 2010 to Nov 2010)

Website: June 2010 till November 2010

Average number of visits each month	Average number of people visiting each month	Average percentage of new visits each month
347	N/A	48

Public Events: Ten (10) events held in areas of high footfall giving information all the possible technology options.

Location	Number of people	Attendance by campaigners	Protest
Cardiff City Centre	101	Yes	Yes
Penarth	34	Yes	Yes
Monmouth	38	No	No
Caerphilly Town Centre	71	Yes	No
Newport	28	Yes	Yes
Barry	31	No	No
Abergavenny	81	No	No
Cardiff City Centre	54	Yes	Yes
Newport City Centre	52	No	No
Rhymney	23	No	No

Key Issues Arising:

- Requests for details on the bidders' proposed solutions;
- Claims that smaller companies have been disadvantaged by financial evaluation criteria;
- Concern that the project is using out of date information relating to emissions from incinerator facilities;
- Concern regarding the health effects from incinerator emissions;
- Requests for cost of consultants;
- Concern over the technical evaluation criteria applied.

(e) Announcement of the Shortlist (Dec 2010 to Apr 2011)

Public Events: Nine (9) events held in areas close to the 4 remaining bidders' proposed sites. New publicity material was produced which was specific to energy from waste with combined heat and power.

Location	Number in attendance
Fochriw	22
Rhymney	4
Barry	8
Newport	4
Newport	0
Cardiff Bay	12
Tremorfa	17
Barry	13
Abergavenny	40

A roadshow was held in Abergavenny, where no site was proposed.

Key Issues Arising:

- Full list of companies that expressed an interest in the contract;
- Weightings in the evaluation for changes in waste composition;
- The need for a Twenty Five (25) year contract;
- Only energy from waste being proposed by the market;
- Project affordability and concerns over funding costs;
- Classification of IBA;
- The impact of any future carbon levies;
- The partnership's waste growth projections;
- Possibility of re-introducing a reserve bidder into the procurement.

Regional Focus Group: Event cancelled due to low level of interest expressed.

(f) Invitation to Submit Detailed Solutions (May 2011 to Dec 2011)

Website:

Average number of visits each month	Average number of people visiting each month	Average percentage of new visits each month
304	N/A	48

Staff Exhibitions: Six (6) exhibitions held across the Partner Authority.

Members Seminars: Held at each Partner Authority.

Local authority	Numbers of Members attending
Caerphilly County Borough Council	30
Monmouthshire County Council	25
Newport City Council	30
Vale of Glamorgan County Council	9
Cardiff City Council	9

Public Events: Eight (8) events held in areas close to proposed sites of the remaining Three (3) bidders.

Location	Number of people	Attendance by campaigners	Protest
Llanwern	13	Yes	No
Llanwern	42	Yes	Yes
Fochriw	15	Yes	No
Rhymney	9	No	No
Barry	150	Yes	Yes
Cardiff Bay	27	Yes	Yes
Cardiff Bay	20	Yes	Yes
Magor	45	Yes	Yes

A roadshow was held in Barry and Magor where no site was proposed.

Key Issues Arising:

- How the evaluation criteria evaluates job creation;
- Communications between the Welsh Government and Covanta;
- The Petitions Committee Call for Evidence;
- Response to claims that the Project is 'fast unravelling';
- Claims that due to Two (2) bidder withdrawals the procurement is no longer competitive;
- Claims regarding MBT & Gasification representing better solutions;
- Statements from residents that they oppose the incinerator at Llanwern;
- Cost of the procurement and request for Prosiect Gwyrdd's statement of accounts;
- Request for a response on Professor Howard's claims regarding particulates;

- The HPA have commissioned Imperial College London to undertake a study following claims that birth defects are higher than expected in areas with a proximity to EfW/ErF's.

(g) Invitation to Submit Final Tenders (Jan 2012 to Dec 2012)

Website:

Average number of visits each month	Average number of people visiting each month	Average percentage of new visits each month
299	217	56

Public Events: Five (5) events held in close proximity to the remaining Two (2) bidders' sites.

Location	Number of people	Attendance by campaigners	Protest
Penarth	18	Yes	Yes
Cardiff Bay	25	Yes	Yes
Llanwern	35	Yes	No
Caldicot	6	No	No
Risca	55	No	No

A roadshow was held in each Partner Authority, at a location as close as possible to the nearest proposed site. A roadshow was held in Penarth, Caldicot and Risca where no site was proposed.

Key Issues Arising:

- Questions concerning whether Veolia's bid is compliant if they do not have a heat user;
- R1 efficiency status of energy from waste facilities;
- Questioning the assumptions that have been made behind the waste flow figures for the Project;
- Information on the recycling/recovery markets of IBA and APC residues.

Members Seminars: Seminars were held at each of the five authorities with participation from the Project Team, Welsh Government, Health Protection Agency and the Chartered Institute of Public Health.

Local authority	Numbers of Members attending
Caerphilly County Borough Council	32
Monmouthshire County Council	22
Newport City Council	24
Vale of Glamorgan County Council	14
Cardiff City Council	21

Members Surgeries: In addition, Member surgeries were held at each authority.

Local authority	Numbers of Members attending
Caerphilly County Borough Council	13
Monmouthshire County Council	Chose not to have an event
Newport City Council	4
Vale of Glamorgan County Council	11
Cardiff City Council	10

(h) Preferred Bidder (ongoing)

The communications plan for the Preferred Bidder stage has been written, and approved by the Project Board. The media announcement will take place on February 1st with proactive media briefings with regional media organisations. Four (4) drop in sessions will take place around the Preferred Bidders' site and a roadshow will be held in each Partner Authority area, in an area of high footfall as close to the site as possible. The first public event which will take place on March 4th after the majority of Full Council decisions have taken place. As the Vale of Glamorgan Full Council is taking place on 6 March, the public event in the Vale to support this decision will be held on March 6th.

The advertising for these events will take place through direct mail to residents' properties. A bilingual A5 booklet has been produced, which along with a cover a letter will be sent to residents in an agreed radius to the site. Along with the direct mail, posters will be put up in areas of high footfall in the communities living in close proximity to the site.

The transition plan will include new content for the Prosiect Gwyrdd website and the continuation of a reactive service to answer any questions or concerns from the public.

(i) Contract Award

From contract award, communications requirements are set out in the Authority's Requirements, and incorporate:

- a Visitors Centre, so that members of the public can come and visit the facility, on request, if they wish;
- a Community Liaison Group, which will include a variety of stakeholders including members of the general public;
- a Correspondence Protocol outlining a specific timeframe to respond to inquiries from the public;
- a Complaints Protocol, so that any complaint made is dealt with in a timely and appropriate manner.

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7. THE FINANCIAL CASE

7.1 Introduction

This section provides a detailed cost analysis of Viridor's solution and compares this against the financial projections set out within the OBC. The detailed affordability analysis demonstrates that the Preferred Bidders solution is well within the project's Upper Affordability Threshold (UAT) as approved at OBC, and that the sensitivity analyses undertaken do not alter this position.

It also provides a summary of the Partnership's procurement cost. Whilst these are higher than projected at OBC, this must be considered in the context of the significant reduction in tendered prices secured through competitive dialogue between the submission of detailed solutions and final tenders – a reduction of £90m in cash terms for Viridor.

7.2 Procurement Costs

At the outset of the project, the Five (5) Partner Authorities agreed and approved a shared budget to fund the OBC preparation and procurement phase. This budget and its apportionment into internal costs and specialist external advisory support is shown in the following Table.

As well as the actual procurement expenditure incurred to date the FBC column includes remaining estimated costs to be incurred up to the projected Financial Close date of 31st July 2013. This budget was approved by the Joint Committee at its meeting on 17th December 2012 and will be recommended for inclusion in the 2013-14 revenue budgets of the Partner Authorities to be considered at their budget setting meetings at the end of February/beginning of March 2013.

Line Item	OBC Nominal	FBC Nominal	Variance	Variance
	£'000	£'000	£'000	%
Authority In house costs	1,946	2,428	482	25
External Advisers	1,043		1,251	120
Financial Advisers		602		
Legal Advisers		1,134		
Technical Advisers		522		
Insurance Advisers		12		
Other Advisers		24		
Other procurement costs	258	301	43	17
Total Gross Expenditure	3,247	5,023	1,776	55
WG Procurement Funding	-837	-1,611	-774	93
Third Party Funding	0	-15	-15	
Partner Funding	2,410	3,396	986	41

The additional procurement costs identified in the above table had arisen as a consequence of:

- the extended procurement period which was required to negotiate the significant derogations from the standard form contract as a result of the bids, submitted at ISDS, being non-reverting, merchant solutions with varying capacities;
- being the furthest advanced Welsh residual waste treatment procurements, additional dialogue was required with the bidders to incorporate specific WG requirements. Two (2) key examples are accommodating the implications of the WG's recycling consultation document and the requirement for maintaining the R1 energy efficiency status for the facility. These are key requirements in terms of ensuring that the project continues to satisfy WG funding conditions, and maximises the project's contribution towards WG recycling targets;
- additional dialogue with the bidders in order to secure specific commercial and contractual terms to improve the risk position held by the Partnership. A good example is the protracted negotiations with Viridor to agree the contractor's termination compensation sum. With the Partnership not stepping into the Viridor facility under any circumstances, a profiled compensation cap was negotiated which reflects the potential losses faced by the Partnership.

7.3 The Cost of the Preferred Bidder's Solution

There have been a number of changes from the submission of the OBC to the FBC which impact on the validity of any direct comparison between the two sets of figures. These include:

- The OBC was prepared at April 2008 prices whereas the FBC is at a April 2012 price base;
- There has been a significant fall in projected Partnership tonnage. Average tonnage per annum at the OBC stage was projected to be 205,000 tonnes per annum whereas, pursuant to each Partner Authority revising its future waste arising projections during the course of the procurement, the final tenders were based on average tonnage of 172,000 tonnes per annum;
- The OBC was based on a reference project for a Design, Build, Finance, Operate and Maintain (DBFO&M) facility with a capacity of 220,000 tonnes per annum, dedicated to treating the partnership's waste and which would revert to the Partnership on expiry of the contract. Viridor's solution is a non-reverting

facility of 350,000 tonnes per annum, with capacity to treat third-party waste.

Whilst the contractor's total costs and income at FBC are therefore higher than those projected at OBC, for the reasons stated above, the gate fee payable by the Partnership reflects its proportionate use of the facility.

Critically, the figures in the table below show that whilst there has been a Sixteen per cent (16%) drop in the projected Contract Waste tonnages since OBC, Viridor's projected Unitary Charge payments are less than Fifty percent (50%) those projected at the OBC, and is significantly below the affordability position approved by Members in 2009. This is because Viridor's solution has passed on to the Partnership through a lower gate fee the financial benefit of the economies of scale of its solution, the benefit of a significant residual value, the benefit of relatively high guaranteed third party waste income and electricity income.

The table below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 9

Line Item	As per OBC		As per FBC	
	Nominal	Percentage		
	£m	%		
Unitary Charge	944.0	78.5		
Electricity Income				
Third Party Waste Income	258.1	21.5		
Total Contractor Income	1,202.2	100.0		
Capex	-175.9	14.6		
Bid development costs	-8.3	0.7		
Lifecycle Costs	-179.2	14.9		
Operating Costs	-394.0	32.8		
Funding Costs	-379.4	31.6		
Taxation	-54.4	4.5		
Other (specify)				
Interest Received	20.1	-1.7		
Capitalised Interest	-31.0	2.6		
NNDR				
Disposal Costs				
Total Contractor Costs	1,202.2	100.0		

The paragraph below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 10

Viridor's banded per tonne gate fee is shown in the table below:-

Band	Tonnage Bandings (tpa)		Gate Fee per tonne (at April 2012 price base)
	From	To	
Band 0 - up to GMT	0	135,000	██████████
Band 1 - GMT to Base Case	135,000	172,191	██████████
Band 2 - Base Case to Maximum Tonnage	172,192	220,000	██████████

The paragraphs below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 11 & 12

The above represents a blended gate fee payable by the Partner Authorities of ██████████ at base case tonnages, at April 2012 prices.

During commissioning of the facility with Prosiect Gwyrdd waste, assumed to be a 7 month period commencing 1st September 2015, a gate fee of ██████████, at April 2012 prices will apply.

Viridor's annual indexation proposals offer the Partnership a high level of protection from inflation risk. A basket of indices will apply, with RPIx as the primary measure supplemented by Average Weekly Earnings for labour costs and a specific BCIS Gas Oil Fuel index for transportation costs. A significant proportion of the Gate Fee is fixed and not subject to annual indexation. This provides the Partnership with a relatively smooth year-on-year cost profile. The indexation arrangements are illustrated in the following table:

The table below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 13

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Viridor has guaranteed Third Party Income in setting the Partnership's Gate Fee with Viridor taking all "downside" risk if these guaranteed levels of income are not reached. A sharing mechanism exists to enable the Partnership to benefit from any higher levels of Third Party income such as commercial waste gate fees and electricity price. However as Viridor is providing an oversized, merchant facility any such gain sharing does not extend to the entire facility, but is limited to additional income derived from Contract Waste.

The table below shows the prices (as at April 2012) guaranteed by the Preferred Bidder for the Third Party income streams:

The table below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 14

Revenue stream	[REDACTED]
MSW - Third Party Waste	[REDACTED]
Commercial Waste	[REDACTED]
Electricity price (Contract Waste)	[REDACTED]
Electricity price (TPW)	[REDACTED]
LECs revenue	[REDACTED]

The paragraph below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 15

Viridor's target Project IRR is a Real Post SPV Tax Project IRR of [REDACTED] per annum which equates to [REDACTED] nominal per annum. The IRR

calculation in the financial model is based on the post corporation tax, pre financing cashflows for the entire Facility. This target IRR is considered 'on market' and competitive in light of the level of risk Viridor is assuming in its Base Case by passing on to the Partnership the financial benefit of the economies of scale of their Solution, the benefit of a significant post contract term Residual Value and by guaranteeing a relatively high level of Third Party Waste income.

7.4 Funding

This facility will be funded through corporate funding sources with an inter-company loan being provided to the Trident Park SPV by Viridor Limited to provide the senior debt. The key details are as follows:-

The bullet points below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 16

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Viridor Limited is also providing a Parent Company Guarantee to the Partnership under which it is guaranteeing both funding to the project and the on-going performance of the Trident Park SPV. Although corporately funded the structure mirrors a project finance facility and details of reserve accounts, cover ratios, commitment fees, etc. are included in Appendix B.

The paragraph below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 17

[REDACTED]

The investor in both cases is Viridor Waste Management Limited, a subsidiary of Viridor Limited whose obligations to provide funding to the project are being guaranteed by Viridor Limited under the Parent Company Guarantee.

7.5 Affordability Analysis

An analysis of the Project's costs and funding at the FBC stage for the contract term, covering the financial years 2016-17 to 2040-41, is provided in the table below.

At the OBC stage additional budget of £424m from the Partners was envisaged to ensure that the Project was fully funded. The table below shows that at the FBC stage no additional budget contributions are required from the Partners. The Partners existing budgets over the life of the contract are more than adequate to fund the FBC with a budget saving i.e. excess budget of £85m projected. The reduction in the Unitary Charge secured by the Partnership at the FBC stage over the life of the contract has also resulted in a significant decrease, compared to the OBC, of the WG Revenue Contribution.

Another significant change between OBC and FBC is the removal of Landfill Tax and Landfill Gate Fee costs. This is a reflection of Viridor's commitment to include all such costs within their gate fee and as a consequence the Partnership will not incur any Landfill Tax or Landfill Gate fee costs from the 1st September 2015 when the Viridor facility accepts commissioning waste from the Partnership.

The table below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 18

Line Item	Per FBC	
	Nominal	Percentage
	£m	%
Authority Budgets - Existing WG Revenue Contribution	[REDACTED]	[REDACTED]
Total Authority Funding	[REDACTED]	[REDACTED]
Unitary Charge	[REDACTED]	[REDACTED]
Transport/Transfer Costs	[REDACTED]	[REDACTED]
Landfill Tax & Gate Fee	[REDACTED]	[REDACTED]
Pass Through Cost(s) - NNDR	[REDACTED]	[REDACTED]
Contract Monitoring Costs	[REDACTED]	[REDACTED]
Total Authority Costs	[REDACTED]	[REDACTED]
Total Authority Saving	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

The Partner Authorities approved their Upper Affordability Thresholds (UAT) during the summer of 2009. The table below compares the projected Whole System Cost of Viridor's solution with the UAT for the Partner Authorities in Net Present Value (NPV) terms. The Whole

System Cost includes expenditure incurred by the Partners which is outside the payments made to Viridor such as the cost of transporting waste to the Viridor's facility and contract management costs.

Partner	Cost of Preferred Bidder solution (NPV)	UAT	Affordability Head Room
	£m	£m	£m
Caerphilly	43	89	46
Cardiff	82	189	107
Monmouthshire	29	49	20
Newport	34	51	17
Vale of Glamorgan	34	65	31
Total: Prosiect Gwyrdd	222	443	221

7.6 Welsh Government Revenue Contribution

The paragraph below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 19

The annual revenue contribution sought from [REDACTED], which equates to [REDACTED] over the 25 year contract period. WG funding will commence at the Service Commencement Date, planned to be 1st April 2016 and end at the expiry of the contract 25 years later at 31st March 2041.

7.7 Landfill Tax

Viridor is absorbing all Landfill Tax risk in their Unitary Charge. There will be no cost pass through to the Partnership - which is a very advantageous position for the Partner Authorities.

7.8 Contract Monitoring Costs

The affordability analysis presented in each of the individual Partner Authorities Preferred Bidder approval report includes their allocation of on-going contract monitoring costs. These costs are based on established best practice and have been estimated at £275,000 per annum, at current prices, which equates to £55,000 per annum per partner over the contract period. The Budget report approved by the Joint Committee at its meeting on 17th December 2012 included details of indicative budgets for the post-procurement, transitional monitoring period projected to last from August 2013 to June 2015 and contract management projected to commence in July 2015.

7.9 Sensitivity Analysis

A number of the cost sensitivities are not relevant for the Viridor's solution as the construction and funding of their facility has already commenced. Specifically, the following sensitivities will have no impact on the Unitary Charge payable by the Partnership:-

- As a fixed price is being paid for the construction of the facility sensitivities related to capital expenditure overruns are not relevant,
- As Viridor has secured its funding at fixed interest rates the Partnership will be protected from interest rate fluctuations;
- Viridor has also entered into an agreement to forward buy its foreign exchange at a pre-agreed price when construction commenced. The Partnership's Gate Fee is therefore also protected from any change due to foreign exchange rate fluctuations;
- Viridor is absorbing all Landfill Tax risk so the Partnership is sheltered from the implications of any increase in the future rate of Landfill Tax over 25 years.

The Project Team has run sensitivities relating to variations in Contract Waste tonnage levels and in relation to changes in future inflation rates. The impact upon the total Unitary Charge in nominal terms are as follows:

The table below contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972 – See exempt Appendix E - FBC 20

Sensitivity	Nominal Unitary Charge £m	Change £m
Base Case		
Inflation +1.5%		
Inflation -1.0%		
Waste = 220,000tpa (i.e. at Max. Tonnage)		
Waste = 135,000 tpa (i.e at GMT Tonnage)		

7.10 Member Approval of Affordability

The reports to each of the individual Partners Authorities Full Council supporting the appointment of the recommended Preferred Bidder will include a demonstration that Viridor's solution is significantly within the

Upper Affordability Threshold (UAT) set and approved at OBC as outlined above in paragraph 7.5. In addition the reports to the Councils will demonstrate the significant nominal cost savings the Preferred Bidder solution provides compared to the projected costs of continuing to landfill residual waste. This is demonstrated in the following table.

	Preferred Bidder Whole System Costs (PB)	Landfill (Do Min)	Budget	Affordability Savings (PB vs Do Min)
	£m	£m	£m	£m
Caerphilly	86	183	95	-97
Cardiff	157	400	186	-243
Monmouthshire	60	107	87	-47
Newport	68	128	60	-60
Vale of Glamorgan	69	131	86	-62
Prosiect Gwyrdd	440	949	514	-509