



Coventry City Council

7.5.1

Public report

Report to

Scrutiny Board 3
Cabinet
Council

20 October 2008
21 October 2008
28 October 2008

Joint Report of

Director of Finance and Legal Services and Director of City Services.

Title

Project Transform - Submission of an Outline Business Case for PFI Credits

1 Purpose of the Report

- 1.1 To seek approval for the submission of an Outline Business Case (OBC) with Solihull Metropolitan Borough Council and Warwickshire County Council to the Department of Environment, Food and Rural Affairs (DEFRA) for Private Finance Initiative (PFI) Credits for a sub-regional residual waste treatment facility. It should be noted that the OBC submission approval is also being considered by Solihull's Council at its meeting on the 14th October and Warwickshire's Council at its meeting on the 21st October 2008.

2 Recommendations

That Scrutiny Board 3:

- 2.1 Considers the report and its associated recommendations and forwards any comments to both Cabinet and Council for consideration.

That Cabinet:

- 2.2 Considers this report and any comments from Scrutiny Board 3.
- 2.3 Recommends to Council the approval of recommendations 2.4 to 2.11

That Council:

- 2.4 Approve the submission of the Outline Business Case for the award of PFI Credits for a residual waste treatment facility to DEFRA by the 31st October 2008.
- 2.5 Approve the funding of the predicted affordability gap of £4.5m for 2015/16 (£152m over the 25 years) for Coventry City Council to deliver the residual waste treatment facility under PFI, on the basis that the project achieves financial close.
- 2.6 Approve the creation of a Joint Executive Committee of the three authorities (Coventry City Council, Solihull Metropolitan Borough Council and Warwickshire County Council), with Coventry City Council acting as the Lead Authority and the contracting vehicle for implementing the project through the completion of a Joint Working Agreement with Solihull Metropolitan Borough Council and Warwickshire County Council.
- 2.7 Approve that the Council proceed with the PFI procurement on the basis of an affordability gap range of £6.3m for 2015/16 (£184m over the 25 years) to £9.0m for 2015/16 (£267m over the 25 years) for the Whole System Cost¹ (see section 9.9) and confirm it is committed to meet this affordability gap on the basis that the project achieves financial close. This affordability range is for the for the whole system costs, which includes some activities that would need to be funded to achieve the wider waste objectives of the Council regardless of proceeding with the PFI project.
- 2.8 Endorse the recommendations of the Member Advisory Panel of Project Transform to require Officers to investigate possible alternative solutions to ensure that the PFI project represents best value.
- 2.9 Delegate authority to the Director of City Services and the Director of Finance and Legal Services, in consultation with the Cabinet Member (City Services) and Deputy Leader, to make any necessary amendments to the Outline Business Case prior to its submission to DEFRA on the 31st October 2008.
- 2.10 Approve Coventry City Council's contribution of £0.8m to the total procurement costs of £2.1 million.
- 2.11 Approve the sub-regional waste framework as appended to this report.

¹ Whole System Cost (WSC) is the cost of the residual waste treatment facility, landfill and wider waste activities to meet our waste strategy.

3. Background

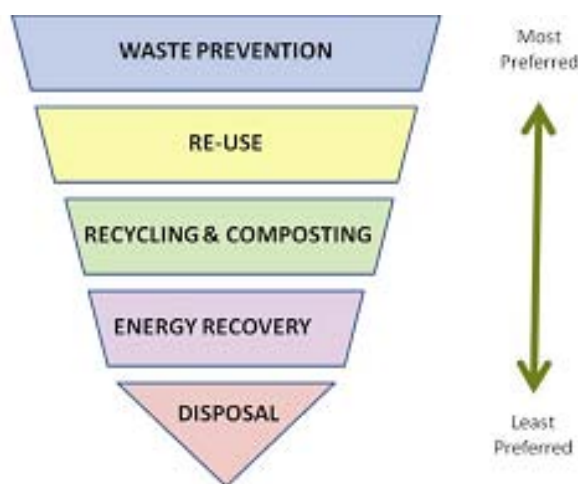
- 3.1 The City Council is both a Waste Collection Authority and a Waste Disposal Authority. The Council is therefore legally obliged to manage the city's entire municipal waste stream.
- 3.2 In the early 1970's a far-sighted decision was taken to build the existing Energy from Waste (EfW) plant on London Road. The plant was then known as a Waste Reduction Unit. The plant was subsequently managed by West Midlands County Council before transferring back to the City Council in the 1980's. In 1992, Coventry entered into a joint venture with Solihull Metropolitan Borough Council to operate the plant and created the Coventry and Solihull Waste Disposal Company (CSWDC). The design life of the original plant was 25 years.
- 3.3 In years subsequent to the plants commissioning in 1975, enhancements were made to the plant and it was converted to become an Energy from Waste (EfW) facility. There is little doubt that this EfW facility has been a significant asset to the City Council and Coventry enjoys one of the lowest levels of landfill in the UK
- 3.4 Coventry and Solihull Waste Disposal Company Ltd (CSWDC) operate the plant. CSWDC is owned jointly by Coventry City Council and Solihull Metropolitan Borough Council. This arrangement has been extremely beneficial over many years with both Coventry and Solihull Councils benefiting from some of the lowest waste disposal costs in the country.
- 3.5 The EfW plant now processes around 240,000 tonnes of waste. This broadly comprises of 120,000 tonnes from Coventry and 60,000 tonnes from Solihull. Some 60,000 tonnes of waste is then processed at the plant from elsewhere in the West Midlands. Warwickshire County Council is the largest commercial customer of CSWDC given its geographical location.
- 3.6 Collectively, the plant generates sufficient green electricity to power approximately 21,000 homes and in addition, the EfW plant also generates heat. The commercial outlet for heat has historically been Peugeot; however CSWDC is now engaged in negotiations to identify another suitable commercial user.
- 3.7 Given the age of the plant, Coventry City Council and Solihull Metropolitan Borough Council as both responsible waste disposal authorities and as shareholders, are duty-bound to consider options for its eventual replacement.
- 3.8 In view of the plant's age, CSWDC commissioned a condition survey from independent engineering consultants in 2005. This condition survey concluded that, "in general, providing that good operations and maintenance procedures continue to be implemented and the issues detailed in the report are addressed, then the plant should be capable of maintaining its current operation for the next 15-20 years".
- 3.9 A further report was commissioned by the three partner authorities as part of the work leading up to the submission of an Expression of Interest for PFI credits. This report balanced the engineering findings of the earlier condition survey against the economic model for replacement of the plant and concluded that the optimum date for replacing the plant was 2017.

3.10 Government policy is targeted at diverting waste from expensive and environmentally damaging landfill sites. It has introduced a landfill tax, which gets larger over time to incentivise alternatives to landfill. It is the introduction of this tax which makes it essential for all authorities to design long term alternatives to landfill.

4. Coventry's Draft Municipal Waste Management Strategy

4.1 Members will be aware that on the 12th August, Cabinet considered Coventry's Draft Municipal Waste Management Strategy: 2008 - 2020. This draft strategy is now part-way through an extensive 12 week consultation period. It is anticipated that a post-consultation version of the strategy will be considered by members early in 2009.

4.2 This draft strategy maps out a holistic approach to the management of the city's municipal waste and follows the guiding principles of the waste management hierarchy. This hierarchy is replicated below:



4.3 The draft strategy sets out an approach to meet the Council's obligations under the Waste Strategy for England 2007, especially with regards to recycling performance targets.

4.4 This report does not seek to repeat the content of the draft strategy, merely to place this report, which is primarily concerned with energy recovery and waste treatment, within this broader strategic context. Whilst energy recovery is undoubtedly an important element of the Council's proposed approach to waste management, it represents merely one component of a more integrated approach.

5. Sub-Regional Approach to Sustainable Management of Wastes (Sub-Regional Framework)

- 5.1 The reasons for Coventry and Solihull Councils needing to consider options to replace the existing waste treatment facility are set out in section three. Whilst energy recovery will remain an integral part of the city's approach to sustainable waste management for the foreseeable future, it is also recognised that the EfW plant is beyond its original design life and will inevitably become increasingly unreliable over time. If the EfW plant experiences greater 'engineering down-time', the city will become increasingly reliant on landfill as a 'fall-back' means of disposal with consequent increases in waste disposal costs.
- 5.2 The position for Warwickshire County Council is somewhat different. At the moment, Warwickshire County Council is the Waste Disposal Authority serving a population of around 526,800. Approximately 180,000 tonnes (59%) of Warwickshire's municipal waste is landfilled. This compares to around 12% of Coventry's municipal waste.
- 5.3 Warwickshire already brings some of their residual waste to the London Road EfW plant for energy recovery, but this remains a relatively modest proportion of their total waste arising.
- 5.4 Not only does this position present environmental challenges for Warwickshire County Council and indeed, the sub-region, but given changes in waste legislation, it also presents significant financial challenges too.
- 5.5 It is for these reasons that in December 2007, the respective Cabinets of the three Councils approved a Memorandum of Understanding (MOU). This MOU establishes a framework, within which the three Councils can work collaboratively at a sub-regional level in connection with the sustainable management of waste. There are clear environmental, business and financial advantages for all three Councils in working in such a way.
- 5.6 The MOU established a sub-regional Members Advisory Panel to steer the sub-regional waste partnership. Three Members were nominated to represent each Council. Coventry's representatives are Councillor Hazel Noonan, Councillor, Nigel Lee and Councillor Phillip Townshend. The Members Advisory Panel has met on six occasions since the MOU was approved in December 2007.
- 5.7 The sub-regional waste partnership has since been named 'Project Transform'. The aim of Project Transform is to turn waste into resources.
- 5.8 This sub-regional partnership is underpinned by the proposed sub-regional waste framework, which guides the overall strategic approach towards sustainable waste management within the sub-region. This is attached as appendix A.

6. PFI – Round 4

- 6.1 In October 2007, Government announced that £2 billion of PFI credits would be made available to address the need for enhanced diversion of municipal waste from landfill. The national driver for this was to ensure that the UK meets its obligations under the European Landfill Directive. Government has indicated that this is the last round of centrally funded investment in waste infrastructure and therefore, the final opportunity for Councils to obtain financial support to deliver their waste strategies and diversion of waste from landfill.
- 6.2 The PFI timeline is extremely tight and challenging. Interested councils were required to submit an Expression of Interest (EOI) to DEFRA by 31st March 2008.
- 6.3 The sub-regional waste partnership considered this position in light of the challenges described above. Given the position with Coventry and Solihull's ageing EfW plant, Warwickshire's landfill performance and DEFRA's drivers surrounding landfill diversion; it was deemed appropriate that the sub-regional waste partnership submitted an Expression of Interest for PFI credits.
- 6.4 Coventry's Cabinet considered a report on the 11th March 2008, seeking approval to submit an EOI and this was subsequently submitted on the 31st March 2008.
- 6.5 On the 30th May 2008, DEFRA confirmed that the Coventry, Solihull and Warwickshire sub-regional Expression of Interest had been accepted and that partner authorities were invited to proceed to the next stage. This next stage is to submit an Outline Business Case (OBC) by the 31st October 2008.
- 6.6 The main components of this OBC are summarised later in this report.
- 6.7 It should be expressly noted that the submission of an OBC does not legally bind the Council to this particular course of action.

7 Options Appraisal

- 7.1 Members will be mindful of the very tight timeline for submission of this OBC as described above. It is estimated that the PFI credits for the project will be £128 million, and work has been targeted in getting the OBC submitted to ensure that the partners can potentially access this funding
- 7.2 Government has indicated that this will be the final round of PFI Credits for Waste Infrastructure, underlining the need to submit the OBC.
- 7.3 At its meeting on the 10th September 2008, the Members Advisory Panel recommended and agreed that officers examine all alternative solutions to the PFI in order to demonstrate that the PFI continues to represent best value for money.

8 Outline Business Case

8.1 The Outline Business Case follows DEFRA's prescribed format. The key components of the OBC are set out below.

8.2 It should be noted that the OBC requires the partnership to agree a 'reference project' to allow modelling assumptions to be undertaken. This does not mean that this 'reference project' will necessarily be the ultimate solution that is chosen.

Executive Summary

8.3 The draft Executive Summary, attached to this report as appendix B, sets out the key issues within the OBC.

8.4 The key issues have been highlighted as:

- The reference project technology is Energy from Waste (EfW) with Combined Heat and Power. Bidders will be able to offer alternative technology solutions as part of the procurement process
- The reference project EfW plant is proposed to have capacity of 305,000 tonnes per annum, with design, construction and operation being complete by 2015.
- 25 year contract starting from 2015.
- The forecast plant size has been derived from a model based on a number of assumptions, including levels of recycling, population and housing growth and waste minimisation impact. For modelling purposes, achievement of the Waste Strategy for England 2007 targets have been assumed throughout the sub-region (50% recycling by 2020). This is a DEFRA requirement.
- A reference site has been identified at a site adjacent to the existing EfW plant in Coventry.
- An Outline Planning Application is scheduled to be submitted during 2009/10.
- The Governance model builds upon the MOU, with Coventry City Council acting as the Lead Authority.
- There is a predicted affordability gap for the residual waste treatment facility. The difference between the estimated costs of the residual waste treatment facility (after allowing for PFI Credits) and existing budgets for Coventry City Council is an affordability gap of £4.5 million per annum (for 2015/16) and onwards.
- Total cost of the project over the 25 year contract life is £1bn, of which Coventry's share is £391M. This is payable as a monthly charge to the PFI contractor funded from revenue budgets.

9. Finance

9.1 In summarising the key financial elements within this report, it is important to note the assumptions made that underpin the financial estimates. These assumptions are critical to the predicted cost and elements of the financial model are especially sensitive to variations. These assumptions include:

- Predicted waste volumes. This includes planning for the combined impacts of housing growth, increased recycling and changes in volumes of waste per household.
- Capital cost of the plant
- Operating costs of the plant
- Electricity generation and sale price
- Inflation
- Interest rates
- EfW remains the best technology for residual waste treatment.
- Legislation

9.2 The annual costs of the project have been taken from a financial model prepared by the project's financial advisors which estimated the costs that the private sector would charge for providing the required service (i.e. design, build, finance and operate a 305,000 tonne EfW waste treatment facility). The estimated costs have been provided by the project's technical advisors based on their experience of the construction and operation of similar plants. For the purposes of deriving the size of the plant (305,000 tonnes) it has been assumed that the Councils reach and exceed the 50% target for recycling by 2020. The total costs of the project are shared between the three authorities on the basis of tonnage input to the plant.

9.3 Table 1 below shows the total unitary charge cost and PFI credits over the life of the contract and in the first year of operation. The total unitary charge costs for the project are £1 billion and the total costs for Coventry City Council are £391 million over the 25 years for the Residual Waste project. The project will receive £238m in PFI grant, of which £92m will be allocated to Coventry City Council over the 25 years. The benefit to Coventry of the PFI credit is to reduce the cost by approximately £35 per tonne. Without the PFI credits, the annual affordability gap (2015\16) based on this model would be much higher by approximately £3.6m.

9.4 In addition to the unitary charge National Non Domestic Rates (NNDR) will also be a cost to the project. This will be a cost of £24m for the whole project and a £9m cost for Coventry City Council over the 25 years. This will equate to an additional £270k in 2015/16.

Table 1 - Allocation of Unitary Charge (including Hazardous Waste Pass Through Cost) and PFI Credits

£million	Unitary Charge (including Hazardous Waste Pass Through Costs but excluding NNDR)		PFI Credits	
	Total	2015/16	Total	2015/16
Coventry City Council	391.2	12.3	(92.1)	(3.6)
Solihull District Council	185.1	5.7	(43.6)	(1.7)
Warwickshire County Council	436.5	13.4	(102.5)	(3.9)
Total	1,012.80	31.40	(238.2)	(9.2)

9.5 The net costs for the residual waste facility in the first year of operation (2015/16) and corresponding gate fee are shown in table 2 below).

Table 2 - The unitary charge for the whole project for 2015/16 and the equivalent gate fee for 2015/16

£million	2015/16 Total	2015/16 Gate fee
Unitary Charge (including pass through costs)	31.4	125
PFI credit	(9.2)	(35)
Total	22.2	90

The net unitary charge of £22.2m in 2015/16 equates to a gate fee of £90 per tonne.

Table 3 below shows the affordability position for Coventry City Council. The total unitary charge in 2015/16 for Coventry would be £9m, the budget available is £4.5m leaving an affordability gap of £4.5m in 2015/16

Table 3 - The affordability position for Coventry City Council for 2015/16

£million	2015/16 Total
Unitary Charge (including pass through costs)	12.3
NNDR	0.3
PFI credit	(3.6)
Total net cost	9.0
Budget available	(4.5)
Affordability Gap	4.5

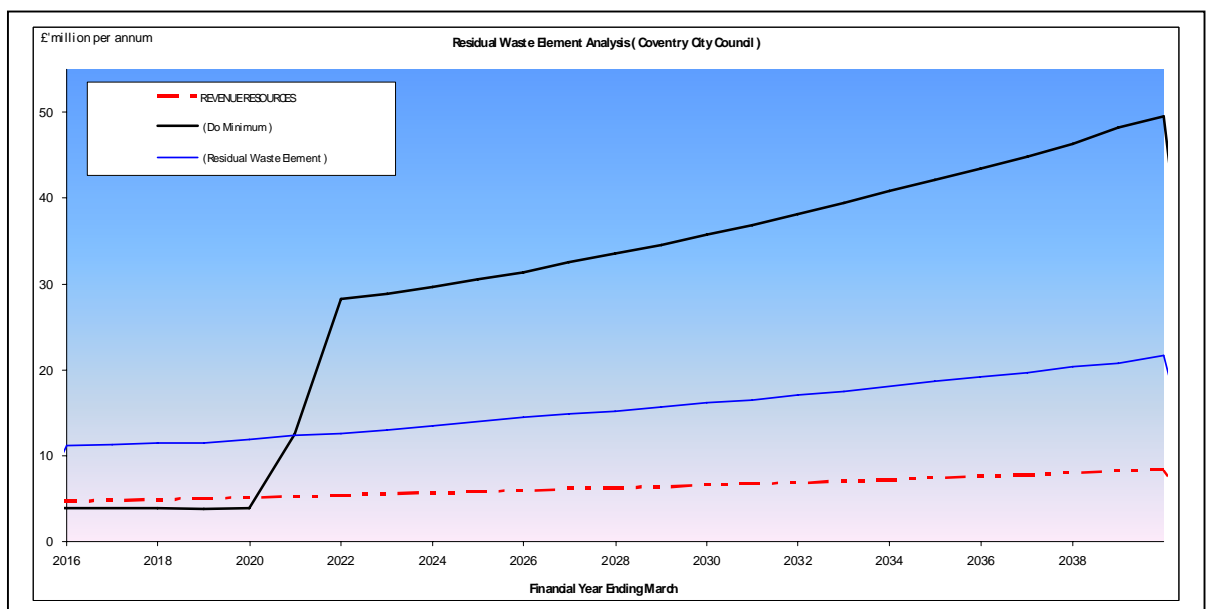
- 9.6 The financial assumptions that have been made in the OBC, need to be considered as best forecast, especially given the time period between the OBC submission and any eventual procurement decision. The modelled planning assumption is an expected annual affordability gap of £4.5 million from 2015/16 for Coventry for the residual waste treatment facility. Sensitivity analysis has been undertaken on a range of possibilities, including an increase in capital and operating costs and varying waste volumes. Whilst the outcome could be a mix of any of the sensitivities tested, the worst case scenario² would result in a maximum affordability gap of £7.1m in 2015/16 (£257m over the 25 years), for Coventry, for the Residual Waste Treatment Facility.
- 9.7 Any sensitivity modelling is based on assumed outcomes, and the modelling that has been undertaken does not take account of the likely probability of any outcome, so for example, the probability of capital costs increasing has not been given any greater or less weighting than achieving income from spare capacity. So, whilst some of the sensitivities could reduce the affordability gap the most likely outcome would be a mix of positive and adverse situations. On balance an affordability gap of £4.5m is thought to be a prudent estimate of the likely affordability gap.
- 9.8 The base budget used for comparison purposes is the current budget for waste disposal through the existing plant (2008\09) inflated by 2.5% per annum to 2015\16. The budget does not take into account any increases associated with the population growth which has been built into the waste flow projections. The Council's resources through Government grant will increase in line with this population growth and it is envisaged, subject to Council budget decisions, that some of these extra resources could be allocated to fund the affordability gap and the increased costs of recycling, etc.(see paragraph below) linked to the project.
- 9.9 In addition to the costs associated with the operation of the residual waste treatment facility, the Council will need to invest further in waste minimisation, re-use and recycling activities to ensure that it meets the 50% figure required by the Waste Strategy for England 2007 and also fund the costs of landfilling the waste that does not go to the new treatment plant. These costs will be incurred regardless of whether the Council

² Assuming all negative scenarios and no positive scenarios occurred in the same year.

proceeds with the PFI project. It is forecast that these costs will add an extra amount of £32m (for recycling initiatives) in total over the 25 years to the affordability gap for the PFI project stated above. Some of these costs will need to be met from 2009/10 and will continue over the life of the project. In 2015/16 there would add an additional cost of £1.8m for the waste strategy re-use, recycling Initiatives and other costs. These additional resources will need to be bid for in the relevant years as part of the Council's budget setting process.

9.10 In terms of financial comparisons, the Council is required to compare the estimated costs of the project with the do minimum scenario which is assumed to be that we use the existing EfW until it ceases to operate (assumed to be 2020) and then to landfill after this date. The results of this comparison are shown in the graph below. This demonstrates that the proposed project represents value for money when compared to this alternative.

Graph 1 - Residual waste budget compared to do minimum and residual waste project



9.11 This graph shows that Coventry currently enjoys low waste disposal costs because of the effectiveness of the London Road plant. However, when the plant ceases to operate (assumed as 2020 on the graph), it would be necessary for this waste to go to landfill. This is extremely costly and environmentally undesirable. The PFI would allow Coventry's waste to be disposed of at a lower cost than landfill, but at a significantly higher cost than the Council currently pays. This, in essence, is why there is an affordability gap in the model.

9.12 The alternative illustrated above is not the only alternative to the proposed project and, as stated above, Officers will examine other alternatives to ensure that the project continues to represent best value.

9.13 Given the financial magnitude of this decision, it is reiterated that your Officers will, simultaneously to this PFI process, consider all other financing options and delivery vehicles for the new waste treatment facility.

9.14 In addition to the financial estimates of the reference project, there are also the costs of procurement. Across the sub-region, based on the experience of similar projects, these have been estimated to be £2.1 million over the next two years, covering the costs of the project team and advisors. Coventry's contribution is £0.8m and this will be included in the Medium Term Financial Strategy (MTFS). These costs will be incurred regardless of the eventual procurement route chosen.

10 Next Steps

10.1 The attached OBC Executive Summary sets out the detail of the Council's submission for PFI credits.

10.2 The deadline for OBC submission is fixed by DEFRA as the 31st October 2008.

10.3 Subject to Council approval, it is anticipated that between the 31st October 2008 and the end of March 2009 - the likely date for any decision on the OBC submission – the Council and its partners will explore other suitable alternatives. It is furthermore stressed that the submission of the OBC does not legally bind the Council to any particular course of action.

11 Other specific implications

	Implications (See below)	No Implications
Neighbourhood Management		✓
Best Value	✓	
Children and Young People		✓
Comparable Benchmark Data	✓	
Corporate Parenting		✓
Coventry Community Plan	✓	
Crime and Disorder		✓
Equal Opportunities		✓
Finance	✓	
Health and Safety		✓
Human Resources	✓	
Human Rights Act		✓
Impact on Partner Organisations	✓	
Information and Communications Technology		✓
Legal Implications	✓	
Property Implications	✓	
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development	✓	
Trade Union Consultation		✓
Voluntary Sector – The Coventry Compact		✓

Best Value

- 11.1 Officers will continue to explore other financial and technological solutions to ensure that the residual waste treatment facility that is ultimately procured and the financing vehicle that is ultimately utilised achieves best value.

Comparable Benchmark Data

- 11.2 The existing EfW facility has made a significant contribution towards the city's excellent landfill diversion performance and the city's comparable costs of waste disposal. Project Transform seeks to build upon this legacy.

Coventry Community Plan

- 11.3 Sustainability and tackling climate change is a key theme identified within the Sustainable Community Strategy. Sustainable Waste Management is a key component of the city's overarching approach to tackling climate change.

Finance

- 11.4 Details of the main financial implications of the project are set-out in section 9 in this report.

Human Resources

- 11.5 To progress the project beyond the OBC stage requires dedicated project management and technical capacity. A dedicated sub-regional team is presently being identified.

Impact on Partner Organisations

- 11.6 This is a significant sub-regional waste project, which has demonstrated the ability of three councils and waste disposal authorities to work collaboratively to deliver a waste disposal solution for the sub-region.
- 11.7 The PFI process will necessitate partnering / contracting with a private sector partner at the appropriate time. .

Legal Implications

- 11.8 The submission of the OBC does not legally bind the Council to entering into a PFI contract for the residual waste treatment facility
- 11.9 CSWDC was established as a local authority waste disposal company in 1992 known as a LAWDC. It has issued share capital of £99 owned in the ratio 2:1 by the City Council ("**Coventry**") and Solihull MBC ("**Solihull**"). The LAWDC had transferred to it waste disposal assets of Coventry and Solihull by a Transfer Order made under Section 32 of the Environmental Protection Act 1990. The LAWDC provides waste disposal services to Coventry and Solihull under a contract originally made on 31 March 1994 for a period of 15 years. The contract was subsequently extended so that it terminates on 31 March 2011. There are a number of options to consider and these will be the subject of a further report to Members.
- 11.10 The legislative regime for the project is contained in the Environmental Protection Act 1990 and the Local Government Act 2000. The intended structure for the project is for Coventry to act as the lead authority working under the Joint Working Agreement (JWA) with the other two authorities. This structure is known to DEFRA and to the market place of contractors.
- 11.11 The JWA provides protection for Coventry in its role as lead authority so that there is no additional financial exposure in acting in that role.

This chart provides a summary of the advantages and disadvantages of the lead authority structure. The two disadvantages will be covered by the obligations of the two authorities to Coventry and if the project proceeds to ensure that the Authorities give the same delegations to their Members

Advantages	Disadvantages
<ul style="list-style-type: none"> • the structure is known to the market and is prevalent on similar projects • legal advisors to the 3 authorities have recommended this model • the PFI contractor is happy with the structure as it has an identified body to contract with • shares a single procurement cost between 3 authorities • single member decision making body • scheme risks are shared between 3 authorities • less expensive to put in place as there are no tax implications or statutory company compliance hurdles to overcome • terms of reference can be flexible with majority voting and/or unanimity • can be implemented without delay • flexibility and working in genuine partnership with local authority partners 	<ul style="list-style-type: none"> • concern that the lead authority will not be supported by the other authorities • delegation of decisions to Joint Executive/Committee because all 3 authorities need to ensure that the same delegation of decision making is given to members and officers

Property Implications

- 11.12 The land upon which the reference project plant is proposed is within the City Council's ownership.

Risk Management

- 11.13 There are significant financial, political and partnership based risks. There is a section within the OBC dedicated to effective risk management.

Sustainable Development

- 11.14 Sustainable Waste Management is an integral part of a sustainable Coventry and a sustainable sub-region.

12 Monitoring

- 12.1 Further reports will be considered by both Cabinet and Council as this project progresses. These reports will not only surround the key milestones associated with this PFI procurement process but also include consideration of the alternative options that may be available to the Council and its partners.

13 Appendices

- Appendix A Proposed Sub-Regional Waste Framework
Appendix B Executive Summary – Outline Business Case
Appendix C CD-Rom of the Draft Outline Business Case and associated appendices

	Yes	No
Key Decision	✓	
Scrutiny Consideration (if yes, which Scrutiny meeting and date)	✓ Scrutiny Board 3, 20 th October 2008	
Council Consideration (if yes, date of Council meeting)	✓ 28 th October 2008	

List of background papers

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Papers open to Public Inspection

Description of paper

Location

Decision letter from Department for Environment Food and Rural Affairs 30th May 2008

Expression of Interest for Project Transform

www.projecttransform.com

APPENDIX A

SUB-REGIONAL WASTE FRAMEWORK

The following Appendix provides the Sub-regional Waste Framework for Project Transform.

Project Transform
Sub-regional Waste Framework

2008-2020

SUB-REGIONAL FRAMEWORK FOR PROJECT TRANSFORM

1. Introduction / Background

Project Transform is a sub-regional partnership formed between Coventry City Council (CCC), Solihull Metropolitan Borough Council (SMBC) and Warwickshire County Council (WCC) to provide a joint approach to future sustainable management of waste within the three authorities.

The partnership was formalised in December 2007 when the individual authorities signed a Memorandum of Understanding (MoU). The first work stream for Project Transform is the provision of suitable residual waste treatment capacity for the sub-region.

Each authority has developed its own Municipal Waste Management Strategy¹ and this framework seeks draw these three documents together. This sub-regional framework also provides overarching strategic direction for the sub-regional partnership to maximise the efficiencies and benefits of joint working.

The three individual municipal waste management strategies have different durations. In order to maintain a common approach this sub-regional framework follows both Waste Strategy for England 2007 and Coventry's Draft Municipal Waste Management strategy by running until 2020. This will provide all partners with a suitable level of strategic direction for future waste management planning, whilst recognising the current uncertainty in the future delivery methods for sustainable waste management. This sub-regional framework will not, however, supersede the refreshing of all three strategies at the appropriate juncture.

Given the different levels of future recycling in each individual authority's waste strategy this sub-regional waste strategy commits the partners to achieving a minimum of 50% recycling by 2020. The framework seeks to do this by drawing on the common themes from all three waste strategies and projecting this work forward to 2020 in line with the targets set in Waste Strategy for England 2007.

The individual strategies on the partner authorities currently prescribe the following recycling / composting targets:

¹ Coventry's Draft Municipal Waste Management Strategy is currently being consulted upon (consultation ends 10th November 200).

Table 1 Recycling / composting targets

	2009/10	2014/15	2019/2020
Coventry City Council	32%	40%	50%
Solihull Metropolitan Borough Council	30% ²	33% ³	No Target Set
Warwickshire County Council	40-45%	No Target Set	No Target Set

2. Future review of the Sub-Regional framework

Both Solihull and Warwickshire's municipal waste management strategies were adopted before the publication of Waste Strategy for England 2007 and are due for review / refresh in 2009. In addition to updating both of these strategies to reflect the targets prescribed in Waste Strategy for England 2007, both authorities will include the shared aims and objectives of this sub-regional framework.

Coventry's Draft Municipal Waste Management Strategy has a review / refresh built in every five years and so far is the only strategy that reflects the targets prescribed in Waste Strategy for England 2007

It is therefore the partners intention that following the review of Solihull's and Warwickshire's individual strategies that this framework should also be subject to regular reviews as outlined below:

- 2009 (Re-view following the refresh of SMBC & WCC strategies)
- 2013 (all three partner authorities)
- 2018 (all three partner authorities)
- 2020 (all three partner authorities)

The 2009 review will also include the setting of sub-regional performance indicators for the future sustainable management of wastes, that reflect all three Municipal Waste Management Strategies. Key performance indicators for this framework will include:

² Target from Waste Strategy 2000 adopted by Solihull Metropolitan Borough Council

³ Target from Waste Strategy 2000 adopted by Solihull Metropolitan Borough Council

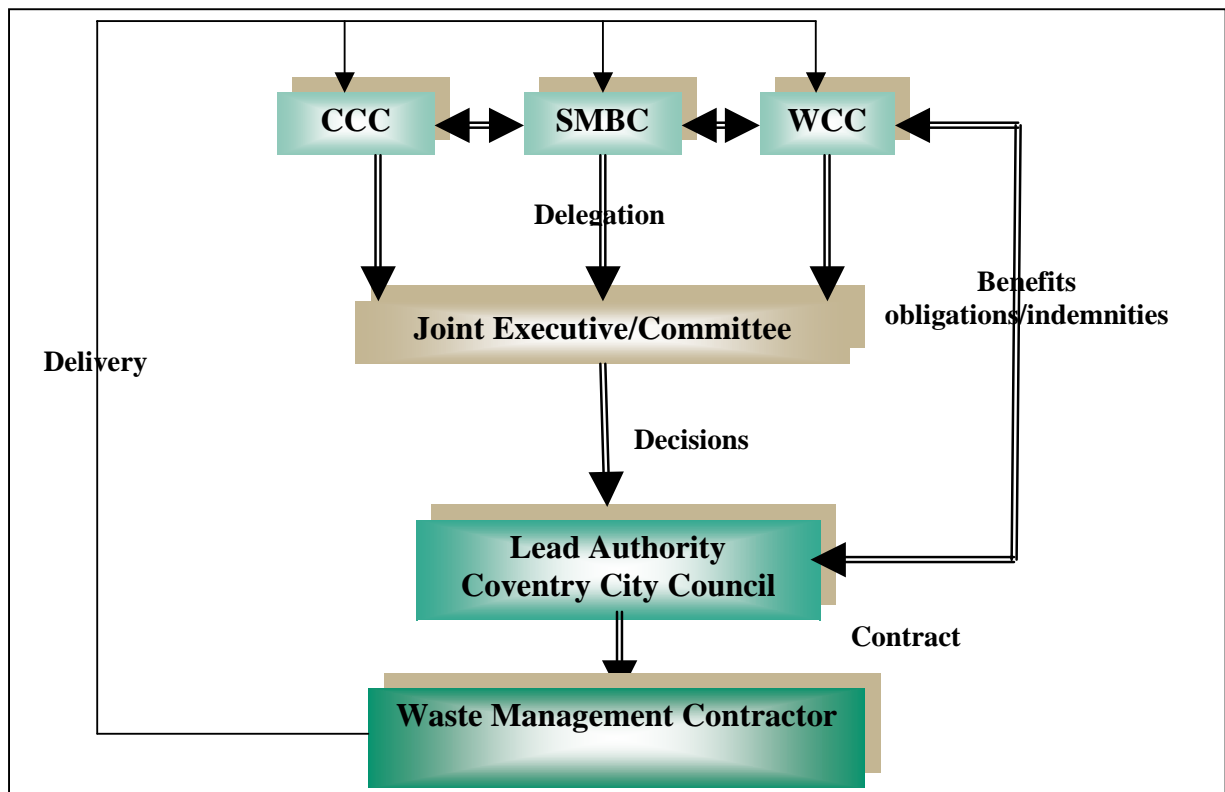
- percentage change in municipal waste arising
- (NI 191) – amount of residual waste per household
- (NI 192) – amount of household waste reused / recycled / composted
- (NI 193) – amount of municipal waste landfilled

It is likely that the 2013 review of all three strategies will consider the setting of binding sub-regional targets as well as authority specific targets as the authorities become increasingly strategically aligned.

3. Project Transform – Governance

As part of Project Transform's first work stream (future residual waste management capacity) a governance structure based upon a joint committee with a lead contracting authority has been agreed. This governance structure is shown in diagram 1 below.

Figure 1 Project Transform governance



4. Methodology used for producing a Sub-regional Waste Framework.

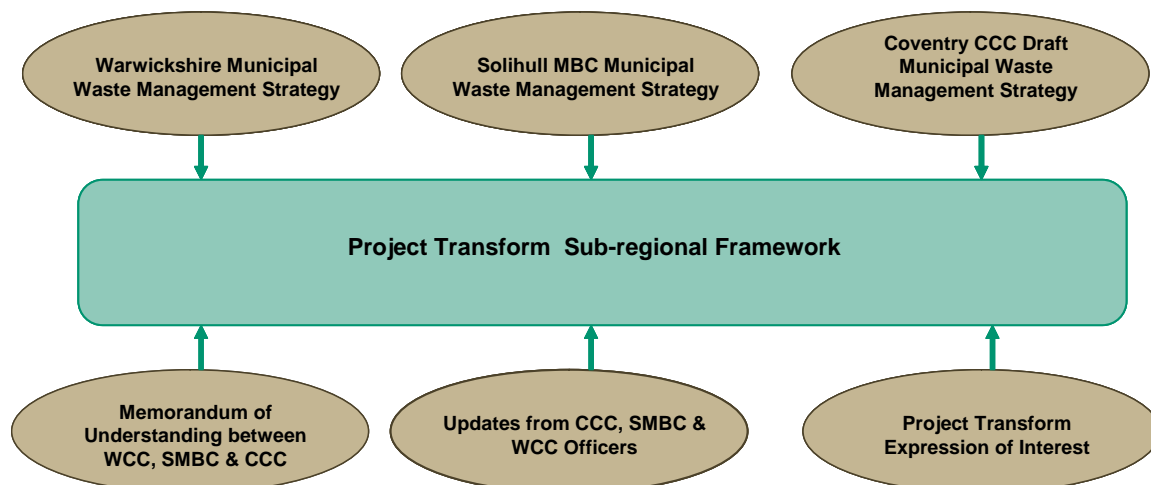
The aim of the framework is to define areas of common objectives, targets, policies and operational practice across the partner authorities. These areas of commonality have been derived from the Municipal Waste Management Strategies published by Coventry (draft), Solihull and, Warwickshire. Additional information has been obtained through interviews with the Waste Management Officers of each authority to inform this sub-regional framework.

Common guiding themes emerge from this study and this provides a framework to inform the direction that the sub-region is moving forward the management of its municipal waste.

Tables 1 – 5 (in Appendix 1) presents the key policy statements and operational decisions relating to municipal waste management for each of the authorities. Appendix 1 also sets these against the fundamental targets prescribed in Waste Strategy for England 2007.

Further analysis of Appendix 1 illustrates the commitment from all partners to deliver on the key priorities in Waste Strategy for England 2007 such as: improving performance in waste prevention, reuse, recycling and landfill diversion. Figure 1 below illustrates the sources of information used for the Framework.

Figure 2 Information used to establish common



Key common themes arising from the Project Transform partners are highlighted in section 5.

5. Common Themes & Direction of the Partners

There is a strong commitment from all partners to deliver the key requirements and ambitions of the Waste Strategy for England 2007 as identified in tables 1-5 in the appendix.

In terms of the fundamental and challenging deliverables of waste prevention & reuse, recycling, energy recovery and landfill diversion, each of the authorities has agreed targets⁴ and/ or actions to substantially improve performance.

The agreed common themes arising from this study of the project partners are as follows:-

- Raise awareness of waste and resource management issues through improved education and communications activities and initiatives.
- Act to tackle the amount of waste arising per head of population through a suite of operational measures and initiatives.
- Strengthen and further develop re-use activity through available outlets and by enabling and encouraging partnerships with the third sector.
- Support both prevention & reuse activities with promotional campaigns and seek funding where available to enhance the performance of services and initiatives.
- Develop and expand collection systems for the recycling of household waste, including a greater range of materials collected and higher tonnages to deliver improved recycling rates.
- Support recycling systems with campaigns to promote participation and reduce contamination (improve quality).
- Individually (and collectively) to deliver 50% household waste recycling rate by 2020. Progress toward the 50% will be regularly reviewed. The collective aim of the Partners is to exceed this target, while acknowledging the challenges that this may pose.
- Expand Biowaste collections in the form of green waste and/or food waste collections for biological treatment and to extract value from the resource.
- Seek to contribute to the recovery of energy from waste.

⁴ For Coventry City Council the targets and commitments from the MWMS are draft targets as the Strategy is currently out to public consultation (consultation ends on 10th November 2008).

- Reduce the occurrence of residual household waste through measures designed to prevent waste arising and where waste does arise to recycle or compost / digest the resource through dedicated collection and treatment systems, thereby substantially reducing the amount of residual waste arising per head.
- Reduce the amount of waste going to landfill through the provision and use of appropriate waste treatment systems for municipal waste.
- Deliver LATS obligations of all three authorities.

6. Conclusion

This framework along the attached appendix, summarises the targets that have been set for the sub-region and how each partner authority will contribute towards these.

This framework will be a key guiding document for the sub-region and will be further developed as the three individual waste strategies are refreshed.

Appendix 1 Identification of Sub Regional policies, targets and activities related to key WS2007 themes

Table 1	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
Raising Awareness	<p><u>JMWMS M&E Strategic Objective:</u> Encourage public participation in the implementation and review of the Waste Strategy</p> <p><u>Actions to deliver waste awareness performance improvement:</u> Long running Recycle for Warwickshire campaign actively seeking funds and undertaking initiatives to promote waste prevention and participation and proper usage of recycling systems</p>	<p><u>MWMS Objective:</u> None relevant</p> <p><u>Actions to deliver waste awareness performance improvement:</u> Campaigns team to undertake at least 20 school visits / year to promote sustainable waste management practices Variety of schools initiatives including competitions and recycling schemes in place Roadshows to explain recycling change, encourage participation and promote waste prevention initiatives</p>	<p><u>Draft MWMS Objective:</u> Develop and support through proactive education, engagement and enforcement, higher levels of waste prevention, reuse, recycling and composting, which is consistent with national standards of good practice for an urban environment</p> <p><u>Actions to deliver waste awareness performance improvement:</u> extensive promotional and awareness raising activity, including commitment to support at least thirty events per year promoting sustainable waste management practices including prevention, reuse, recycling and composting</p>	<p><u>Policy:</u> Helping to change the behaviour of business and the public through information, advice and awareness raising, including extending the campaign for recycling to awareness and action on reducing waste and demonstrating the benefits of greater resource efficiency</p>

Table 2	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
Prevention & Reuse	<p><u>JMWMS Objective:</u> To minimise the amount of waste generated in Warwickshire</p> <p><u>JMWMS Target:</u> household waste arisings target of 544kg / person / year</p> <p><u>Actions to deliver waste prevention / reuse performance improvement:</u> numerous actions cited as part of the waste minimisation strategy (2007) including targets on junk mail, reusable nappies, home composting, community composting, smart shopping and work in schools. Reuse activity and third sector partnering, whilst already prominent to be strengthened.</p>	<p><u>MWMS Objective:</u> None relevant</p> <p><u>Actions to deliver waste prevention / reuse performance improvement:</u> numerous actions currently being delivered including campaign for reusable shopping bags, giving away ~10,000 bags in the borough by the end of 08/09, promotion of Real Nappies, plus starter packs, support of WRAP Home Composting scheme etc.</p> <p>In 2009 review of HWRC, it is intended to introduce a charity reuse scheme at the site</p>	<p><u>Draft MWMS Objective:</u> Develop and support through proactive education, engagement and enforcement, higher levels of waste prevention, reuse, recycling and composting, which is consistent with national standards of good practice for an urban environment</p> <p><u>Draft MWMS Objective:</u> Manage wastes arising in Coventry in a sustainable manner to reduce both its quantity and impact on climate change, and to maximise the benefits of saving energy and materials</p> <p><u>Draft MWMS Target:</u> Coventry City Council to seek to stabilise household waste arisings per head of population by 2010 and reduce household waste arisings per head to 2000 levels (454kg / person / year) by 2015</p>	<p><u>Government WS2007 Key objective:</u> decouple waste growth (in all sectors) from economic growth and put more emphasis on prevention and reuse</p> <p><u>Waste Prevention Target for residual h.h. waste:</u> 2010: 29% reduction from 2000 levels 2015: 35% reduction from 2000 levels 2020: 45% reduction from 2000 levels</p>

Table 2	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
			Actions to deliver waste prevention / reuse performance improvement: Wide range of actions involving third sector re-use initiatives, Junk mail initiatives, home composting promotion, freecycle promotion.	

Table 3	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
Recycling & Biowaste treatment	<p><u>JMWMS Objective:</u> To maximise the amount of material recycled and composted in Warwickshire</p> <p><u>JMWMS target:</u> 40-45% Recycling Target for Warwickshire by 2009/10. This is on course for delivery.</p> <p><u>JMWMS Target:</u> 60% recycling and composting target for HWRCs. This is on course for delivery.</p> <p><u>LAA Target:</u> Warwickshire to achieve 43.5% recycling by 2009/10, 46% by 2010/11.</p> <p><u>Project Transform:</u> 50% Recycling & Composting target by 2020</p> <p><u>Actions to deliver recycling performance improvement:</u> all Districts improving recycling collections. One District already collecting food waste from kerbside, with two to follow in Spring 2009. Currently one In-Vessel Composter has been awarded planning at Ufton site (Biffa) and a second biowaste treatment plant is in procurement.</p> <p>WCC has ~53% recycling rate for HWRCs and improving.</p>	<p><u>MWMS Objective:</u> None relevant</p> <p><u>MWMS Target:</u> superceded by events (see below)</p> <p><u>Changes since the MWMS, 2004:</u> Increasing emphasis on recycling. Elected members have agreed a series of service improvements in this area and enhanced recycling performance, leading to:-</p> <ul style="list-style-type: none"> • Whole borough on fortnightly green waste collection by Sept 08 • Addition of glass to kerbside collection Sept 08 • 140l wheeled bins for refuse and no side waste policy Sept 09 • Full kerbside sort dry recyclable policy introduced at Sept 09 • Investigation and trials of full recycling at multi-occupancy dwellings <p>Bickenhill Public Waste Disposal & Recycling site has a target of 50% recycling by 2008, rising over a four year period. Financial incentives for over-performance, penalties for under-performance</p> <p><u>LAA Targets:</u></p>	<p><u>Draft MWMS Objective:</u> Develop and support through proactive education, engagement and enforcement, higher levels of waste prevention, reuse, recycling and composting, which is consistent with national standards of good practice for an urban environment</p> <p><u>Draft MWMS Objective:</u> Manage wastes arising in Coventry in a sustainable manner to reduce both its quantity and impact on climate change, and to maximise the benefits of saving energy and materials</p> <p><u>Draft MWMS target:</u> 32% recycling rate by 2009/10, 40% by 2012/13 & 50% by 2019/20. This has been modelled as achievable (2008).</p> <p><u>Draft MWMS target:</u> 40% recycling & composting at HWRC by 2010, 60% by 2013, 70% by 2020.</p> <p><u>Draft MWMS target:</u> 40% recycling and composting of trade waste by 2015, 50% by 2020</p> <p><u>Draft MWMS commitment:</u> implement a full comingled dry recycling collection system across the City. A review to consider implementing a separate food waste collection system in 2013. Modelling shows 50% recycling would be met with food waste collection</p> <p>Project Transform: 50% Recycling &</p>	<p><u>Government WS2007 Key objective:</u> get the most environmental benefit from [that] investment, through increased recycling of resources and recovery of energy from residual waste using a mix of technologies</p> <p><u>Recycling & Composting Target for h.h. waste:</u> 2010: 40% 2015: 45% 2020: 50%</p> <p><u>Waste Prevention Target for residual h.h. waste:</u> 2010: 29% reduction from 2000 levels 2015: 35% reduction from 2000 levels 2020: 45% reduction from 2000 levels</p> <p><u>Policy:</u> Increasing the (environmental and financial) value obtained from recycle material collected by local authorities (including a focus on food waste collection)</p>

Table 3	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
		<p>26.7% recycling rate 2009/10 6.7% recycling rate of non biodegradable municipal waste 2009/10</p> <p><u>Project Transform: 50% Recycling & Composting target by 2020. Modelling shows currently committed systems should deliver ~45% by 2011.</u></p> <p><u>Waste Minimisation, Recycling & Recovery Plan (2003): modelled 50% recycling rate by 2013</u></p>	<p>Composting target by 2020</p> <p><u>Actions to deliver recycling performance improvement: HWRC contractor provided with targets to deliver in improvement of the recycling performance, new kerbside recycling collection system due to be implemented and subsequently rolled out to Trade waste customers.</u></p>	

Table 4	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
Energy Recovery	<p><u>JMWMS Objective: To contribute to the generation of energy from a non fossil source</u></p> <p><u>JMWMS Objective: To make use of existing waste treatment infrastructure in Warwickshire</u></p> <p><u>Actions to deliver energy recovery performance: Some residual waste currently goes to Coventry & Solihull EfW facility. Project Transform procurement, some residual waste from North Warwickshire will go to Staffordshire facility when operational</u></p>	<p><u>MWMS Objective: None relevant</u></p> <p><u>Actions to deliver landfill diversion performance: Continued use of the EfW facility. In 06/07 the recovery performance was 57%.</u></p> <p><u>Strategic Plan: To continue Council commitment to Energy from Waste</u></p>	<p><u>Draft MWMS Objective: To treat and recover optimum value from residual municipal waste</u></p> <p><u>Draft MWMS Objective: Manage wastes arising in Coventry in a sustainable manner to reduce both its quantity and impact on climate change, and to maximise the benefits of saving energy and materials</u></p> <p><u>Actions to deliver energy recovery performance: Continued use of the EfW plant. Preference for both materials and energy recovery from any replacement facility. Preference for CHP where practicable for any energy recovery from replacement for current waste recovery facility.</u></p>	<p><u>Government WS2007 Key objective: get the most environmental benefit from [that] investment, through increased recycling of resources and recovery of energy from residual waste using a mix of technologies</u></p> <p><u>Recovery Target for MSW:</u> 2010: 53%</p> <p>2015: 67%</p> <p>2020: 75%</p> <p><u>Policy: Using PFI, Enhanced Capital Allowances and, where appropriate, the proposed banding system for Renewable Obligation Certificates to encourage a variety of technologies of energy recovery (including anaerobic digestion)</u></p>

Table 5	Warwickshire County Council	Solihull Metropolitan Borough Council	Coventry City Council	National Drivers: Relevant WS 2007 targets / themes for municipal waste
Landfill Diversion	<p><u>JMWMS Objective:</u> To limit the amount of waste disposed of to landfill and to ensure that we meet our landfill diversion targets</p> <p><u>JMWMS Objective:</u> To make use of existing waste treatment infrastructure in Warwickshire</p> <p><u>Actions to deliver landfill diversion performance:</u> Improving recycling performance as noted previously & Project Transform procurement, some residual waste from North Warwickshire will go to Staffordshire facility when operational</p>	<p><u>MWMS Objective:</u> None relevant</p> <p><u>LAA Target:</u> reduce the amount of municipal waste to landfill from 19.9% to 17% by 2009/10</p> <p><u>Actions to deliver landfill diversion performance:</u> Improving recycling performance as noted previously, combined with the EfW plant / replacement facility. In 06/07 the recovery performance was 57%.</p> <p>Less than 18% landfilled in 07/08. Long term aim to get below 10% of MSW to landfill by 2020</p>	<p><u>Draft MWMS Objective:</u> Seek to consolidate and improve the high performance of landfill diversion, to ensure that the current status of Coventry as one of the leading authorities in the UK, for landfilling only a small proportion of our wastes, is maintained</p> <p><u>Draft MWMS Objective:</u> To treat and recover optimum value from residual municipal waste</p> <p><u>LAA target:</u> Reduction of residual household waste per household to 800 kg / year in 2008/9, 770 kg / year in 09/10 & 735 kg/ year in 10/11</p> <p><u>Actions to deliver landfill diversion performance:</u> Improving recycling performance as noted previously, combined with the EfW plant / replacement facility. ~6% of household waste landfilled in 06/07</p>	<p><u>Government WS2007 Key objective:</u> meet and exceed the Landfill Directive diversion targets for biodegradable municipal waste in 2010, 2013 & 2020</p> <p><u>Waste Prevention Target for residual hh. waste</u> 2010: 29% reduction from 2000 levels 2015: 35% reduction from 2000 levels 2020: 45% reduction from 2000 levels</p> <p><u>Recovery Target for MSW:</u> 2010: 53% 2015: 67% 2020: 75%</p> <p><u>Recycling & Composting Target for h.h. waste:</u> 2010: 40% 2015: 45% 2020: 50%</p> <p><u>Policy:</u> Using PFI, Enhanced Capital Allowances and, where appropriate, the proposed banding system for Renewable Obligation Certificates to encourage a variety of technologies of energy recovery (including anaerobic digestion)</p>

APPENDIX B

Executive Summary

draft

Executive Summary

1.1 Foreword

Project Transform, a partnership between Coventry City Council (Coventry), Solihull Metropolitan Borough Council (Solihull) and Warwickshire County Council (Warwickshire) submits this Outline Business Case (OBC) as a key contribution to its plans to improve the management of waste within the sub-region. The Project has also been endorsed by the Warwickshire Districts (Warwickshire's Waste Collection Authorities) one of our key objectives is to minimise Landfill. The three authorities (The Partners) have also developed a Sub-regional Waste Framework which all The Partners have signed up to as part of the development of this OBC

The Residual Project for Project Transform constitutes the design, construction and operation, by 2015, of a 305,000 tonne capacity, Energy from Waste Plant (EfW) with Combined Heat and Power (CHP) which will convert residual waste primarily into an electricity and heat supply to the local market.

The Partners have undertaken extensive work to identify a site suitable for the development of an EfW facility. This reference site is located in Coventry, adjacent to an existing EFW facility which has been operated successfully by Coventry City Council and Solihull Metropolitan Borough Council for several years,

The site is currently owned by Coventry City Council and Project Transform is currently in the process of developing an outline planning application. It is anticipated that the planning application will be submitted during 2009.

The project has been developed to be both affordable and to deliver best value for money for Project Transform

To avoid significant Landfill Allowance Trading Scheme (LATS) liabilities the Project Transform facility needs to be fully operational before 2015. Therefore, the Project has been designed to maximise its deliverability

Through the implementation of the Sub-regional waste framework the three authorities, collectively as Project Transform, will work to exceed the targets set in the Waste Strategy for England 2007. The Partners are confident that they will exceed the target to recycle and compost 50% of household waste by 2020.

1.2 Background

This OBC presents the joint proposals of Coventry, Solihull and Warwickshire. The Partnership is collectively referred to as 'Project Transform' and its aim is to deliver The Partnership's objectives through joint working and provision of waste management infrastructure are to :-

- Promote the reduction and re-use of waste.
- Increase recycling and composting performance to maximise diversion from landfill and contribute towards compliance with Landfill Directive targets.
- Develop waste treatment facilities across the sub-region to receive, store and treat municipal waste arisings and manage recyclables.

1.2.1 Coventry, Solihull and Warwickshire Authorities

Coventry and Solihull are Metropolitan Authorities with responsibility for both collection and disposal of waste and the operation of Household Waste Recycling Centres (HWRCs). Warwickshire is a shire county operating in a two-tier local government system. Warwickshire is responsible for disposing of waste and the operation of HWRCs, whereas the five District Councils (the Warwickshire Districts) are responsible for the collection of waste and recyclable materials and the provision of bring recycling facilities. The Warwickshire Districts are:

- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Rugby Borough Council
- Stratford-on-Avon District Council
- Warwick District Council

In 2008/09 it is estimated that The Partners will manage, treat and dispose of 625,802 tonnes of Municipal Solid Waste (MSW). Collectively, The Partnership should reach a combined recycling and composting rate of 35% in 2008/09. The contribution that each partner will make to the 35% is shown below.

- | | |
|----------------|--------|
| • Coventry | 26.5% |
| • Solihull | 38.9% |
| • Warwickshire | 37.13% |

The Partners recognise the need to improve their performance and are committed to doing this in order collectively to achieve and exceed the target set out in the Waste Strategy for England 2007 of 50% recycling and composting by 2020.

The demographics of the different partner authorities will influence the levels of recycling and composting attainable. However The Partners are confident that by working together and with the five Warwickshire Districts, performance can be significantly improved across the sub-region.

1.2.2 Historical Waste Arisings

Throughout the late 1980's and into the early 1990's the national trend for waste arisings was upwards with an estimated growth of 2% per annum. We have forecasted waste arisings recognising that the generation of waste is affected by many different variables, such as the economic climate, weather and even trends in DIY.

The following tables show the historical waste arisings for the Partners. They show that waste arisings have been subject to variations over the past five years

Table 0-1 Historic Waste Arisings for Coventry

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Percentage change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2003/4	137,000	-	24,700	-	-	-
2004/5	140,800	21,200	28,000	0	190,000	-
2005/6	140,000	15,750	25,750	0	181,500	-4.5
2006/7	141,500	15,000	23,500	0	180,000	-0.8

Table 0-2 Historic Waste Arisings for Solihull

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Percentage change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2003/4	70,436	0	22,566	2,991	95,993	
2004/5	71,291	0	20,397	12,402	104,090	7.8
2005/6	68,487	0	19,556	13,368	101,411	-2.6
2006/7	66,314	0	18,987	18,547	103,848	2.4

Table 0-3 Historic Waste Arisings for Warwickshire

Year	WCA Household Collected Waste	WCA Collected Trade Waste	HWRC Collected Household Waste	Other MSW	Total MSW Arising	Percentage change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2003/4	214,025	12,281	54,150	16,358	296,814	
2004/5	232,480	12,051	56,404	14,231	315,166	5.8
2005/6	241,040	11,774	55,182	5,698	313,694	-0.5
2006/7	237,456	10,906	54,461	13,576	316,399	0.9

1.2.3 Waste Growth Assumptions

For the purpose of this OBC the Partners have assumed an overall waste growth of 0.75% for the duration of the PFI contract. This is based on extensive work by consultants and takes into account housing growth and the impact of waste minimisation. The following table shows a summary of the forecast waste growth in the sub- region for the duration of the PFI contract.

Table 0-4 Predicted Waste Growth for the estimated PFI Contract Period – Combined tonnages

Year	HH Collected	HWRC Collected	Trade Waste	Other MSW	TOTAL MUNICIPAL WASTE	% change
2006	418,862	99,861	38,935	45,877	603,535	
2007	424,567	101,241	39,324	46,336	611,468	1.31%
2008	429,927	102,540	39,678	46,753	618,898	1.22%
2009	434,927	103,753	39,995	47,127	625,802	1.12%
2010	439,612	104,889	40,295	47,480	632,277	1.03%
2011	444,029	105,958	40,597	47,836	638,421	0.97%
2012	448,168	106,956	40,902	48,195	644,221	0.91%
2013	452,019	107,882	41,209	48,556	649,666	0.85%
2014	455,574	108,732	41,518	48,921	654,745	0.78%
2015	458,991	109,548	41,829	49,288	659,656	0.75%
2040	553,262	132,047	50,420	59,411	795,140	0.75%

1.2.4 Performance of existing recycling and composting schemes

The following tables show the recycling & composting performance of The Partners. It shows that recycling & composting rates have increased dramatically over the past four years;

Table 0-5 Recycling and Composting Performance for Coventry

Year	Recycling	Recycling (BVPI)	Composting	Composting (BVPI)
	Tonnage	% of HHW	Tonnage	% of HHW
2004/5	14,100	10.05	9,200	6.55
2005/6	16,700	11.92	8,700	6.17
2006/7	18,600	13.16	16,300	11.51

Table 0-3 Recycling and Composting Performance for Solihull

Year	Recycling	Recycling (BVPI)	Composting	Composting (BVPI)
	Tonnage	% of HHW	Tonnage	% of HHW
2004/5	19,199	17.82%	4,929	4.73%
2005/6	17,837	17.90%	5,849	5.73%
2006/7	14,538	15.28%	7,901	8.10%

Table 0-4 Recycling and Composting Performance for Warwickshire

Year	Recycling	Recycling (BVPI)	Composting	Composting (BVPI)
	Tonnage	% of HHW	Tonnage	% of HHW
2004/5	40,539	14.00	39,858	13.77
2005/6	41,872	14.50	44,469	15.40
2006/7	46,553	15.93	49,067	16.79

1.2.5 Local Authority Waste Disposal Company – CSWDC

Coventry and Solihull Councils currently operate a Local Authority Waste Disposal Company (LAWDC). This LAWDC, known as The Coventry and Solihull Waste Disposal Company (CSWDC), is an EfW facility situated in Coventry and is wholly owned and operated by Coventry and Solihull Councils. The Partners recognise the need for clarity regarding the role of the Local Authority Waste Disposal Company (LAWDC) in the procurement process. Therefore, the shareholders of CSWDC have agreed that should The Partners pursue a PFI deal to financial closure that the existing LAWDC will not be able to bid or partner with any specific companies for the purposes of submitting a bid for the Project Transform PFI.

1.3 Strategic Waste Management Objectives

1.3.1 Introduction

The Partners are committed to ‘transforming waste into resources’ while following the waste hierarchy and actively promoting waste reduction and reuse. The Partners are investing in recycling and composting schemes to reduce the amount of residual waste that will ultimately require treatment.

1.3.2 Municipal Waste Management Strategies

The Partners have each developed Municipal Waste Management Strategies. The Strategies show how each of The Partners intend to manage waste by moving up the waste hierarchy.

1.3.3 Sub-regional Waste Framework

The Partners have developed a Sub-regional Waste Framework, which brings together their shared objectives regarding the management of waste. The Framework considers The Partners approach to sustainable waste management. The agreed common themes of the sub-regional waste framework are:

- Raise awareness of waste and resource management issues through improved education and communications activities and initiatives.

- Act to tackle the amount of waste arising per head of population through a suite of operational measures & initiatives.
- Strengthen and further develop re-use activity through available outlets and by enabling and encouraging partnerships with the third sector.
- Support both prevention & reuse activities with promotional campaigns and seek funding where available to enhance the performance of services and initiatives.
- Develop and expand collection systems for the recycling of household waste, including a greater range of materials collected and higher tonnages to deliver improved recycling rates.
- Support recycling systems with campaigns to promote participation and reduce contamination (improve quality).
- Individually (and collectively) to deliver at least 50% household waste recycling rate by 2020.
- Expand Biowaste collections in the form of green waste and/or food waste collections for biological treatment and to extract value from the resource.
- Seek to contribute to the recovery of energy from waste to include a CHP capability.
- Reduce the occurrence of residual household waste through measures designed to prevent waste arising and where waste does arise to recycle or compost / digest the resource through dedicated collection and treatment systems, thereby substantially reducing the amount of residual waste arising per head.
- Reduce the amount of waste going to landfill through the use of appropriate waste treatment systems for municipal waste.
- Deliver LATS obligations.

1.3.4 Raising Awareness

The Partners recognise the importance of education in increasing participation in schemes and initiatives and each have dedicated promotion and education teams.

The Partners are working collectively to promote waste minimisation and reuse; however they also have authority specific schemes and strategies which have been developed to tackle these issues.

1.3.5 Recycling and Composting

The Partners are committed to increasing their levels of recycling and composting and in conjunction with the Warwickshire districts; The Partners are investing in schemes to increase the diversion of biodegradable waste from landfill.

These schemes complement the waste minimisation and reuse initiatives. The types of schemes, both in operation and planned, all differ slightly between The Partners. However, they all seek to achieve the same aim which is to increase recycling and composting, aiming to exceed the targets established in Waste Strategy for England 2007, which are:

- 40% recycling and composting by 2010
- 45% recycling and composting by 2015
- 50% recycling and composting by 2020

The Partners are committed to achieving these as a minimum and will strive to exceed these targets wherever possible.

1.3.6 Landfill Objectives

The Partners have differing starting positions with respect to the amount of waste that is sent to landfill. Coventry and Solihull both send the majority of their residual waste to the existing EfW facility in Coventry, whereas Warwickshire sends over half of its residual waste to landfill for disposal.

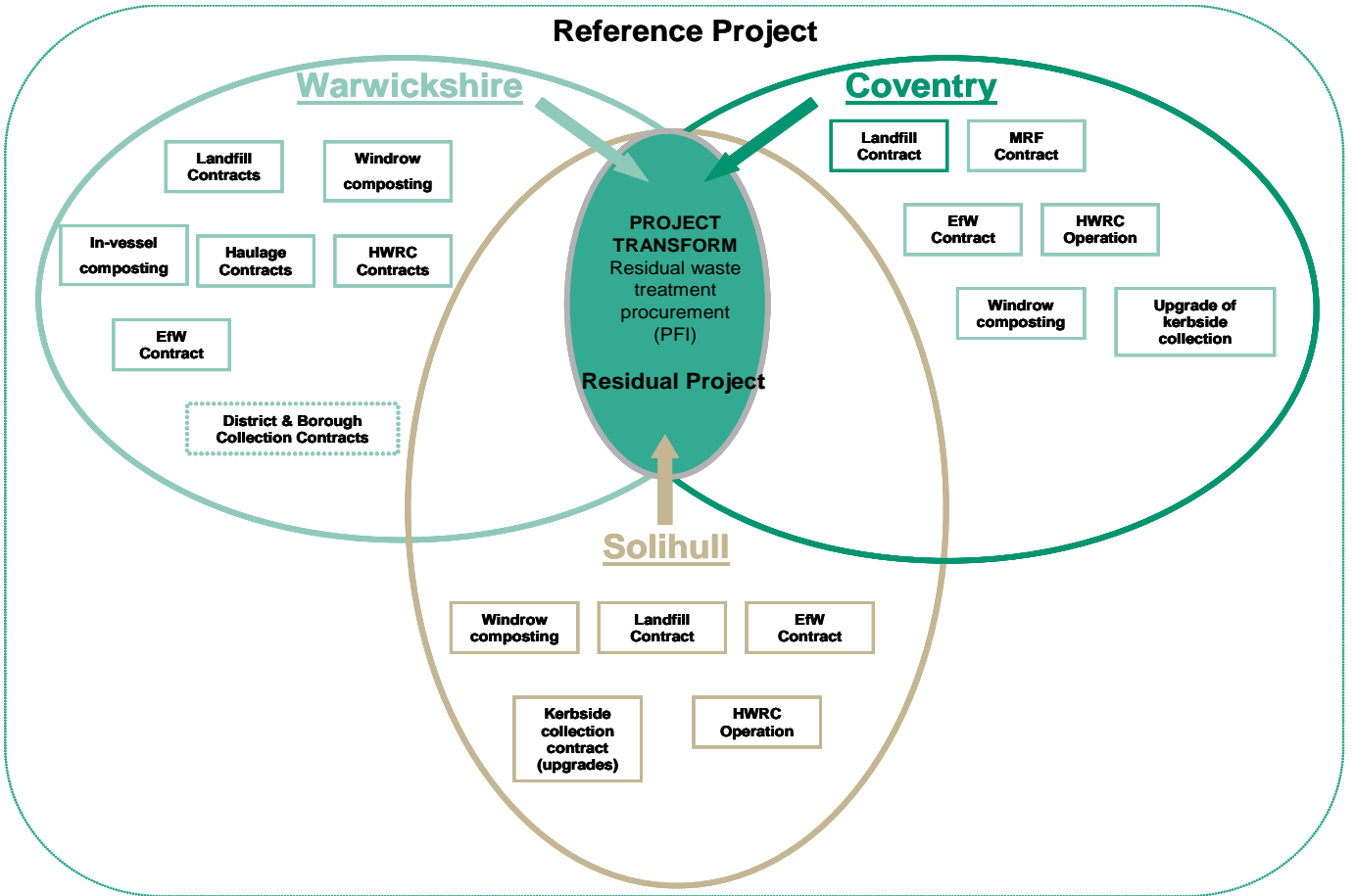
Both Coventry and Solihull will continue to send the majority of their waste to the existing EfW for treatment until the new facility is operational.

1.4 Procurement Strategy and Reference Project

The Partners are working together to procure a shared residual waste treatment facility; The Residual Project. This is defined as the infrastructure and services to be provided by the contractor as part of the PFI Contract. For Project Transform this will include the development and operation of a residual waste treatment facility. Therefore the costs referred to in Section 8 of the OBC relating to the reference case refer to the costs of developing, operating and maintaining the treatment facility developed through the PFI project.

The following diagram shows the Reference Project and Residual Project for Project Transform. The diagram summarises the key contracts that will be included in the reference project but excluded from the PFI Residual Project .

Figure 0-1 Project Transform Residual Project and Reference Project



1.4.1 Summary of procurement activities

Funding has been allocated in the respective Partners Medium Term Financial Strategies (MTFS) to cover the future procurement costs required to underpin the development of Project Transform and meet the shared objectives of The Partners Sub-regional Waste Framework.

1.4.2 Output Specification for the Project

The service that will be provided by the successful bidder will receive and treat all the residual waste delivered by The Partners. This will include residual waste from household kerbside collections, residual waste arising from HWRCs and authority trade waste collections.

1.4.3 Determination of the Residual Project and Reference Project

The Partners have undertaken a detailed and comprehensive options appraisal to develop the reference case for residual waste treatment for Project Transform.

Taking into account the outputs from the options appraisal and waste flow modelling, it is proposed that the Residual Project for Project Transform consists of the following:

Energy from Waste facility with Combined Heat and Power

- The contract will be for the provision and operation of the residual waste infrastructure only.
- It will include the development of a single facility
- The facility will be developed with CHP potential
- The facility will have a process capacity in the region of 305,000 tonnes of residual waste (based on the final contract year tonnage of 2039/40)
- Capital expenditure estimated at £152,500,000 (nominal)
- It is anticipated that the facility will be operational from April 2015 and will be operated and maintained by the contractor for a period of 25 years

The Reference Project encompasses The Partners' ambitions to attain recycling and composting levels in excess of 50%. The EfW with CHP will maximise the diversion of waste from landfill. This includes The Partners commitments to:

- Maximise levels of recycling and composting – attaining or exceeding 50% by 2020.
- Invest in enhance kerbside collections, including food waste collections.
- Pro-actively encourage waste reduction in the sub-region

1.5 Risk Management, Risk Allocation and Contractual Structures

1.5.1 Introduction and Risk Management Framework

A Risk Management Strategy has been approved by the Project Transform Project Board and sets out the risk management methodology, risk management responsibilities and the risk management hierarchy adopted for the project. The Project Director and the Project Team have responsibility for monitoring and ensuring that the Project Risk Register is updated and delivered.

1.5.2 Risk Management

Operational, corporate and strategic risks have been actively identified, assessed and continually reviewed for all aspects of the project. These risks are, as a minimum, presented to the Project Board at monthly meetings. It is intended that the Risk Register will be fully reviewed and updated at the procurement stage of the process to ensure that all risks are incorporated.

1.5.3 Project Agreement and other contractual documents

Coventry City Council, acting as the lead authority for and on behalf of itself and Solihull Metropolitan Borough Council and Warwickshire County Council, intends to propose a contract based on HM Treasury's Standardisation of PFI Contracts guidance and drafting (version 4 dated March 2007) (SoPC4) as amended by the Defra Standardisation of Waste Management PFI Contracts.

1.5.4 Payment Mechanism

The Payment Mechanism will be based on the principles and core areas of the guidance issued by Defra (July 2008) and any subsequent modifications. Built into the guidance are a number of core principles which should apply to the Payment Mechanism and which the Council will adopt.

1.6 Project Team and Governance

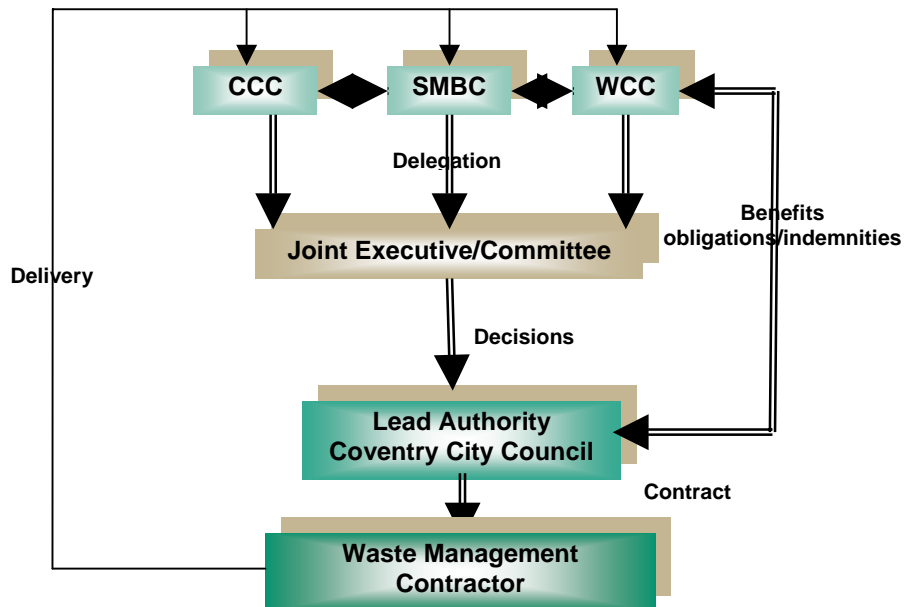
The Partners fully recognise that an effective Project Team and a robust cohesive governance model will be critical to the successful delivery of this Project.

The Partners have adopted a Joint Executive/Committee with a Lead Authority governance model with Coventry City Council acting as the Lead Authority. To support and facilitate this model, The Partners have entered into a Joint Working Agreement to regulate their internal relationship and to manage the procurement of the PFI contract. The Partners have established a Project

Board, comprising of equal representation from each Partner, which will be the main decision-making body for the Project and will report back to their respective Cabinets as appropriate.

The diagram below illustrates the structure:

Figure 0-2 Governance Structure
1.6.1



Partners recognise the importance of constant Member involvement and, following on from their proactive involvement through the Member Advisory Panel, Members will continue to scrutinise developments within the Project and provide support for the main objectives through the Steering Group.

The Project Team is supported by external advisors in all key areas where it needs the additional expertise and resource.

1.6.2 Decision Making

The Partners have identified the key decisions and actions to be taken to facilitate the procurement of the Project and have agreed the decision making mechanism set out in the Joint Working Agreement. In summary, decision have been categorised as follows:

- "Project Director Matters" – being a matter which the Project Director shall have the authority to carry out on behalf of The Partners;
- "Project Board Matter" – being a matter which the board officers of the Project Board (including equal representation from each Partner)

shall have the power to bind The Partner it represents in doing so;
and

- "Matters Reserved to the Councils" – being a matter which will have to be referred to each Partner and the matter shall not be dealt with by Project Director or the Project Board until the unanimous decision shall have been agreed by all The Partners.

1.6.3 Project Management

To ensure that the correct level of expertise has been assigned to the Project a project management structure has been adopted following the principles of Prince2. Overall the Project has been managed at a strategic level by the Project Board, a group of senior officers from each of the authorities including technical and financial. This group of officers has provided support to the Project Team who will be responsible for the procurement of the Project. The Project Team has been headed by a Project Director who has been the key individual to ensure that the strategic ambitions of Project Transform are incorporated in this OBC.

1.6.4 District Involvement and Support

Warwickshire is a two tier administration, therefore the waste management function is split between Warwickshire County Council (the Waste Disposal Authority) and the five District and Borough Councils (the Waste Collection Authorities).

The six authorities work collectively as the Warwickshire Waste Partnership to primarily deliver Warwickshire's Municipal Waste Management and Waste Minimisation Strategies.

To support the overall residual waste treatment strategy of working in partnership, Warwickshire (County Council) is developing a Memorandum of Understanding (MoU). Each of the waste collection authorities will be delivering residual waste to the treatment facility.

1.7 Sites, Planning and Design

1.7.1 The Planning Process

The planning process associated with this OBC has included;

- the completion of a Planning Health Framework.
- an outline of the site selection process;
- proposals to strengthen the planning environment by dealing with policy conflicts;
- proposals for integrating design into the procurement process ,

- a programme setting out the parallel procurement and planning processes.

The site selection exercise initially identified over 80 areas or sites of potential interest within the Project Transform area. These were screened resulting in an initial shortlist of 21 sites that were then evaluated in terms of their suitability and availability. A further analysis resulted in further reductions, which left 2 sites for consideration. These two remaining sites comprised the land adjacent to the existing Coventry EfW and the former Arden Brickworks at Bickenhill, Solihull. Both sites are situated in the Green Belt. We recognise this will present a challenge, however, we are non the less confident that our twin track approach, will facilitate advancement of the proposed site

The Coventry site has the advantage of an established EfW use and has significant potential to utilise CHP in view of the proximity of potential customers and the existing infrastructure that is in place. Advanced discussions with one potential customer are ongoing. The City Council is in the process of reviewing Green Belt boundaries and has about the option of removing the site from the Green Belt in the future. Conversely, Solihull currently has no plans to review Green Belt boundaries in the Bickenhill area. The land adjacent to the existing EfW facility was therefore the preferred site.

Project Transform recognises that the normal route is for the bidder to seek detailed planning permission. Following careful consideration of the advantages and disadvantages attached to each possible planning application approach, The Partners have decided to adopt the following strategy:

- The Partners to make an outline application for planning permission to Coventry City Council as the Local Planning Authority (LPA).
- At the same time, The Partners will pursue the allocation of the site for an EfW facility through Coventry's Local Development Framework (LDF)1 and the removal of the Green Belt designation at this location.
- If outline planning permission is granted, the preferred bidder then submits the reserved matters / detailed application to the LPA once appointed.
- As a fallback position if the outline application does not succeed, the preferred bidder to submit a detailed application once appointed by which time the site should have a favourable policy context: the site allocated for EfW purposes and the land consequently removed from the Green Belt.

Feedback from potential bidders, received at a bidder's day on 8th September in Coventry and through questionnaires circulated in advance, has also supported the proposed approach.

The outline planning application is scheduled to be submitted in August 2009, with a determination expected in 2010. The preferred bidder is expected to be appointed in September 2011, Should the application not proceed then the fall back and parallel route would be through seeking removal of the land from the Green Belt as part of Coventry's Core Strategy and Site Allocations DPD. The outcome of a Green Belt review is expected by the end of 2008. This will form part of the Evidence Base for the Core Strategy which is expected to be adopted in October 2010.

1.7.2 Design

Project Transform consider that good design, layout and aesthetic treatment are essential when delivering waste infrastructure projects and that this not only facilitates community acceptance of potentially contentious projects, it can also maximise the sustainability credentials and waste management opportunities for the site. The highest standards will be achieved in the procurement, design and delivery of the facility which means that design and sustainability considerations will be integrated throughout the procurement process.

A Design Champion will be appointed, as recommended by CABE, who will develop the design vision and objectives for the project and ensure that design quality is maintained at all stages.

Finally, there have been extensive consultations with planners at each of The Partner authorities, primarily in terms of the site search but also surrounding the planning strategy. A dedicated officer has been allocated by the City Council to provide advice and Project Transform will seek to enter into a Planning Performance Agreement with the LPA which will provide greater certainty with regard to the speed and quality of the decision-making process.

1.8 Costs and Budgets

Each Authority within Project Transform has prepared financially for meeting its obligations to undertake procurement of long term waste infrastructure through a PFI contract.

1.8.1 The Costs of Procurement

Each of The Partners has established budgets in their respective Medium Term Financial Strategy (MTFS) to support the implementation of Project Transform. This amounts to a total procurement budget over the 2 years, for all three authorities of £2.1m for the whole project. This primarily covers the cost of external advisors and a Project Director, as internal Council staff resources are budgeted for within existing departmental staff budgets

1.8.2 Value for Money (VfM)

HM Treasury's Value for Money Assessment Guidance has been used to perform a qualitative VfM assessment, which produced a clear indication in terms of viability, desirability and achievability, that PFI is an appropriate procurement route for this project.

A quantitative assessment of the procurement was also undertaken, using HM Treasury guidelines and VfM model. The assessment has produced a high indicative PFI VfM percentage of 10.3%. The robustness of the base case has also been demonstrated through sensitivity analysis. The sensitivity analysis conducted has provided indifference points within comfortable distance of the benchmarks as outlined in the Guidance.

Taking these two assessments together provides a clear indication that PFI can deliver value for money for the Residual Project.

1.8.3 Affordability

Financial models have been developed to assess the affordability implications of the Residual Project delivered through a PFI procurement. The costs derived have been compared to the 'Do Minimum' option, and each of The Partner's baseline budgets projected forward. The modeling has been expanded to cover the total cost of waste management for The Partners, so that the impact of implementing the wider waste strategy can be seen. In each case the impact of the Project has been considered on a whole project basis, and the implication for each of The Partner authorities (assuming that the costs are shared based on each of their tonnage input).

Sensitivity analysis has been undertaken which looks at a range of factors that could impact on the costs of each of the options, and to create an affordability range for Members to be aware of.

PFI Credits have been calculated using the guidance set out by Defra and the standard Communities and Local Government (CLG) annuity calculator. This derives PFI Credits for an EfW with CHP plant with a value of £128m, which derives a total revenue stream of £238m receivable in an annuity of £9.56m per annum (adjusted in the first & last year) over the life of the contract.

The results of the affordability analysis shows that the Residual Project has a lower expected cost than the Do Minimum for residual waste management over the life of the project. The profile of the Do Minimum for each of The Partners varies, as in the early years of the project Coventry and Solihull assume continued usage of their existing EfW contract, whereas Warwickshire are always assumed to be reliant on increasingly expensive landfill.

There is an affordability gap for each of The Partners. A summary of the affordability analysis is set out in the table below:

Table 0-6 Affordability analysis

£ millions	Total Nominal Costs	
Residual Project	391	
Budgets	239	
Gap	-152	

Solihull District Council		
Residual Project	210	
Budgets	102	
Gap	-108	

Warwickshire County Council		
Residual Project	455	
Budgets	377	
Gap	-78	

Total		
Residual Project	1,056	
Budgets	718	
Gap	-338	

1.8.4 Members Approval of Affordability Implications

Full Council approval has been received from each of The Partners at their respective meetings. The approval was given based on a robust range of sensitivities and in the knowledge that the financial position could change during the procurement process, due to factors outside of the Project's control and that any requirement for additional funding will be met by The Partners.

1.8.5 LATS Strategy

One of the key drivers for the formation of Project Transform has been the recognition of the benefits of a Sub-regional working. Warwickshire currently faces a deficit LATS position with effect from 2010/11. This is one of the key drivers for the long term management of residual waste in the region and is also an important justification for the project.

The Partners are keen to work within the LATS scheme rules to trade allowances and to optimise value for money if an opportunity arises to sell surplus allowances held. However, The Partners have agreed, for the best interests of Project Transform, any LATS shortfalls will be met by one or both of the Authorities that have a LATS surplus at a 10% discounted market price.

The success of future sales will depend on the prevailing market conditions at the time. Project Transform have been prudent about income from sale of surplus LATS, and have assumed no income beyond that traded between partners to fulfil Warwickshire short to medium term LATS deficit position.

1.9 Stakeholder communications

1.9.1 Identification and Analysis of Stakeholder Issues

The procurement of long-term residual waste management infrastructure in the sub-region will involve and affect a large number of stakeholders. The Partners appreciate the importance of engaging fully with stakeholders.

1.9.2 Communications Strategy

Working and managing communications across three authorities is a challenge that The Partners recognise needs effective monitoring and management. The Partners have developed a communications strategy. This will focus on identifying key groups specific to the sub-region.

Key features of The Strategy are:

- The development of a dedicated website;
- Members information packs;
- Key stakeholder information packs; and
- Members awareness sessions.

Key aims of The Strategy are:

- To raise the profile of the Project Transform programme and highlight its successes;

- To improve understanding of the way Solihull, Warwickshire and Coventry Councils are working together to develop a realistic and sustainable solution to the challenge of tackling waste;
- To actively engage stakeholders in Project Transform;
- To provide a consistent and united response to any criticisms of the project;
- To provide members and officers from all three councils with timely, accessible information about the progress of the project throughout its life; and
- To promote successful joint sub-regional working to tackle major challenges.

1.9.3 Market Interest

A market sounding event was undertaken in September 2008 to explain Project Transforms current waste strategy to the market and to establish interest and obtain feedback regarding the project.

The event demonstrated significant market interest with over 20 companies attending the event, which included waste management companies, construction companies and technology providers. Feedback was positive with several companies expressing significant interest in the project.

1.10 Timetable

1.10.1 Introduction

The Project Team has given careful consideration to the many factors that may influence the project timetable for delivery of Project Transform, including;

- Our approach in selecting EfW with CHP as our Residual Project, has, we believe, given a strong message to the market;
- It is also our intention to limit to one variant bid so that we can have greater time certainty in evaluating alternatives;
- The ownership of the site by Coventry City Council for the development of a 305,000 tonne capacity EfW with CHP will provide a 'level playing field' for bidders.
- Early submission of an Outline Planning Application, which the Project Team believes will be successful may reduce planning risk, or identify planning delay early enough in the process to allow suitable mitigation concurrent with the procurement process;
- The response by the market to the advertising of Project Transform, which is discussed in Section 9, has demonstrated that the project is well received, and deemed to be well developed and organised thereby making it an attractive bid proposition;

- The responses from the bidder's day suggest that the market will apply appropriate resource to achieve an efficient procurement; and
- Project Transform has procured early involvement from experienced advisors, who between them have been involved in the last eight waste projects to achieve financial close.

The indicative timetable for the procurement process is as set out below:

Figure 0-3 Procurement Timetable

Procurement Stages	Indicative Date
OJEU Posted	March 2009
Issue ISOS	July 2009
Issue ISDS	December 2009
Dialogue with Bidders on proposed solutions	December 2009 to August 2010
Bidders submit Final Tenders	August 2010
Financial Close	March 2011

1.10.2 OBC APPROVAL

The OBC and key supporting documents have been approved by the Councils democratic process for all The Partners.

Table 0-7 Timetable of Council Meetings

	Warwickshire County Council	Coventry City Council	Solihull Metropolitan Borough Council
Scrutiny Panels	25 th September 14 th October	8 th October 20 th October	2 nd September 1 st October
Full Cabinet	16 th October	21 st October	2 nd October
Full Council	21 st October	28 th October	14 th October