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<th>Description</th>
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<tr>
<td>AD</td>
<td>Anaerobic Digestion</td>
</tr>
<tr>
<td>AWE</td>
<td>Average Weekly Earnings</td>
</tr>
<tr>
<td>BMW</td>
<td>Biodegradable Municipal Waste</td>
</tr>
<tr>
<td>BREEAM</td>
<td>Building Research Establishment Environmental Assessment Method</td>
</tr>
<tr>
<td>CABE</td>
<td>Commission for Architecture and the Built Environment</td>
</tr>
<tr>
<td>CHP</td>
<td>Combined Heat and Power</td>
</tr>
<tr>
<td>CD</td>
<td>Competitive Dialogue</td>
</tr>
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<td>DCLG</td>
<td>Department for Communities and Local Government</td>
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<td>FoI</td>
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<td>Household Waste and Recycling Centres</td>
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<td>IAA</td>
<td>Inter Authority Agreement</td>
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<td>Invitation to Submit Detailed Solutions</td>
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<td>ISOS</td>
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<tr>
<td>ISRS</td>
<td>Invitation to Submit Refined Solutions</td>
</tr>
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<td>JEC</td>
<td>Joint Executive Committee</td>
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<td>JMWMS</td>
<td>Joint Municipal Waste Management Strategy</td>
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<td>NAO</td>
<td>National Audit Office</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisations</td>
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<tr>
<td>NPC</td>
<td>Net Present Cost</td>
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<td>NPV</td>
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<td>SoPC4</td>
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<td>STWWMP</td>
<td>South Tyne and Wear Waste Management Partnership</td>
</tr>
<tr>
<td>WANE</td>
<td>Waste Aware North East</td>
</tr>
<tr>
<td>WIDP</td>
<td>Waste Infrastructure Delivery Programme</td>
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<td>WRATE</td>
<td>Waste and Resources Assessment Tool for the Environment</td>
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1.1 INTRODUCTION
This is the Preferred Bidder version of the Final Business Case for the South Tyne and Wear Waste Management Partnership (the Partnership).

The Partnership is requesting the full £73.525m PFI credits approved by Project Review Group (PRG) on 15 July 2008. For the Preferred Bidder, this results in total payments of £137.990m from the planned hot commissioning date. (As detailed in Section 8).

The project is for the procurement of a contract for the treatment and disposal of residual municipal waste arising from the administrative areas of Gateshead, South Tyneside and Sunderland for a period of 25 years.

The Preferred Bidder is the ‘SITA Consortium’ which comprises SITA UK, ITOCHU and Catalyst Lend Lease.

The Consortium’s proposed technological solution is Energy from Waste (EfW). The main treatment will be a state-of-the-art energy recovery facility (the Key Facility) located at Haverton Hill in Tees Valley. This CHP enabled facility will be supported by three waste sorting and transfer facilities located within the Partnership Area. A Visitor and Education Centre, also located in the Partnership area, will raise environmental awareness and support waste minimisation and increased recycling.

The Partnership noted ten strategic risks at OBC and the current position in relation to the same is reflected in the risk section of this FBC.

(Note that within this FBC all footnotes in the WIDP guidance document have been complied with)

1.2 BACKGROUND
The Partnership comprises three metropolitan councils, Gateshead, South Tyneside and Sunderland. For the purposes of the procurement, Gateshead acts as Lead Authority. The Partnership was established to enable the three partner authorities to jointly procure solutions for the treatment and disposal of residual municipal waste.

The OBC for the project was approved by DEFRA in May 2008 and endorsed by the PRG on 15 July 2008. PRG indicated that central Government revenue support would be given based on PFI credits of £73.525 million.

These credits were allocated subject to three conditions to which the Partnership subsequently responded. On 27 August 2008, HM Treasury confirmed that the project had satisfied the conditions imposed.

A Joint Executive Committee (JEC) has been established for the Partnership which comprises two (2) members from each Authority. Each member is empowered to
have the delegated authority of their respective Authority to make binding decisions in relation to the Project.

Following a period of year on year increases from the mid 1990’s to 2002/03, the amount of municipal waste handled by the Partnership has reduced from 377,279 tonnes in 2004/05 to 327,281 tonnes in 2009/10.

The Partnership’s forecast Municipal Solid Waste Arisings over the contract period will reach a maximum of 404,308 tonnes per annum (tpa) in 2037/38. This is an increase of 12,823 tpa on the maximum tonnage of 391,458 tpa identified in the OBC refresh of May 2008.

The Partnership’s waste flow model is predicated on waste growth per household of:
- 0% growth up to and including 2014/15;
- 0.5% growth from 2015/16 until 2021/22 (7 years);
- 0% growth from 2022/23 until 2028/29 (7 years);
- 0.5% growth from 2029/30 until 2035/36 (7 years); and
- 0% growth from 2036/37 until 2038/39.

The Partner Authorities have similar waste collection arrangements.

Since the OBC, the Partners have invested in significant service improvements and infrastructure to enable their respective recycling and composting rates to continue to improve.

Service improvements have included:
- the implementation of recycling schemes in traditionally hard to reach areas, such as high rise housing and other high density areas;
- the introduction of on-street recycling ('recycling on the go’) in public places such as shopping centres to allow residents, people travelling to work and visitors to recycle rather than dispose of waste in litter bins;
- an increase in the materials that can be accepted at Bring sites and Household Waste and Recycling Centres.

In April 2010 the Partner Authorities commenced the implementation of a new Blue Bin kerbside recycling service. This was based on a successful pilot scheme that had been introduced in South Tyneside in 2009.

The Blue Bin Recycling Scheme provides residents with a 240 litre blue, wheeled bin for the containment of glass bottles and jars, steel and aluminium cans and aerosols as well as cardboard and plastic bottles with an inner caddy for segregated paper. The new system is expected to address many of the issues previously raised by householders, in respect of the previous black box scheme, as potential barriers to recycling e.g. manoeuvrability, absence of a lid, weather affecting the contents of the box.

The overall Landfill Diversion rate has increased from 26.7% in 2007/08 to 29.3% in 2009/10. This represents a reduction of 30,286 tpa of Municipal Solid Waste being sent to landfill.
1.3 STRATEGIC WASTE MANAGEMENT OBJECTIVES

There has been no change to the Joint Municipal Waste Management Strategy (JMWMS) that was agreed by the Partner Authorities in October 2007.

The Partnership has ensured that throughout the Competitive Dialogue process the requirements set out for Bidders and the evaluation criteria used to assess the bids are consistent in supporting the aims of the JMWMS.

The Partnership continues to acknowledge the importance of waste minimisation initiatives and will continue to strive to reduce the amount of waste generated within South Tyne and Wear. The Partnership Authorities have jointly run a ‘Love Food Hate Waste’ campaign and have progressed with waste minimisation activities set out in the Outline Business Case.

Details of the Recycling initiatives introduced by the Partner Authorities since submission of the OBC are given in Section 2, Performance of Existing Services.

The Partner Authorities have ensured additional funding has been made available to improve the recycling and composting services and infrastructure and as a result significant increases in performance are expected to continue.

Set out in Table 1.1 below is the Partnership’s overall recycling and composting projections which includes the recycling performance from the Preferred Bidder’s waste flow model. As can be seen from the tables, the Partnership is predicting to exceed the Recycling and Composting Targets set out in the OBC by achieving a combined recycling and composting rate of 46.9% by 2014/15 and 51.7% by 2019/20.

Table 1.1 - Recycling and Composting Targets in the Partnership

<table>
<thead>
<tr>
<th>Year</th>
<th>National Waste Strategy</th>
<th>OBC Reference Project</th>
<th>FBC Preferred Bidder</th>
<th>FBC Final Version</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>2014/15</td>
<td>40</td>
<td>30</td>
<td>46.6</td>
<td>46.9</td>
</tr>
<tr>
<td>2019/20</td>
<td>50</td>
<td>50</td>
<td>51.6</td>
<td>51.7</td>
</tr>
</tbody>
</table>

The Partnership’s LATS Strategy is to:
- Procure residual waste treatment facilities to deliver all the Partnership’s LATS targets.
- Undertake a cost benefit view on the method of achieving targets pending the availability of the residual waste treatment facility.

Once the infrastructure provided by the PFI contract is operational this will completely meet the Partnership’s and each individual authority’s LATS obligations and provide a surplus for sale.
From Service Commencement, each Partner Authority’s LATS surplus will be calculated on the basis of tonnage treated at the Key Facility. The Partner Authorities will then offer surplus permits for sale. It should be noted that no account of potential income from the sale of LATS permits has been made in the Partnership’s financial modelling.

In the Outline Business Case the Partnership advised that it wished to be technology neutral and explore what the market could provide as the Options Appraisal had identified several contender technologies in the local area.

There has been no change to this approach and at the Candidates Conference and throughout the procurement documentation this has been reiterated to all Bidders.

The Output Specification which developed into Schedule 2 of the Contract was based upon WIDP guidance and developed on the basis of primary outputs as opposed to specific technology options.

The key area within the Evaluation Criteria (Ref Appendix 4.2) where bidder’s technical proposals were evaluated was under “Suitability of the Proposed Solution and Operating Performance”. The Partnership’s approach clearly demonstrated that while the fundamental requirement of the procurement was to secure “Contract Waste Diversion and Recovery Performance”, Bidders’ proposals which included “Recycling and Composting Performance” would be considered favourably thereby confirming to Bidders that the criteria used were technology neutral.

Carbon Reduction
The proposed solution for the treatment and disposal of residual municipal waste is consistent with the need to reduce our carbon pollution and protect our communities from the detrimental effects of climate change.

Each of the three Partner Authorities are actively seeking to reduce carbon production and the proposals for waste treatment complement these actions. Since the OBC was approved each of the partner authorities have published their Sustainable Community Strategy which identify priority areas for improvement. Each of these policy documents – ‘The Sunderland Local Area Agreement’, Gateshead’s ‘Vision 2030’ and the ‘Spirit of South Tyneside’ highlight the environment as a priority area.

Each Partner Authority has an agreed Carbon Management Plan that represents the Councils’ firm commitment to mitigating Climate Change at a local level.

Each of the Partner Authorities have adopted a Climate Change Strategy:
- Sunderland’s Climate Change Action Plan was adopted in November 2008, and is the framework through which Sunderland will work to reduce carbon emissions from the City as a whole.
- Gateshead adopted its Climate Change Strategy in 2010 updating and replacing the Local Agenda 21 Strategy first agreed in 2000.
• All three authorities committed to the ‘Covenant of Mayors’ in January/February 2009. As a requirement each Partner Authority has developed a Sustainable Energy Action Plan (SEAP) to set out how the reduction in CO2 emissions will be achieved.
• South Tyneside submitted their outline SEAP to the EU Covenant of Mayors office in February 2010. The plan was endorsed at South Tyneside’s Cabinet meeting on 8 September 2010.
• Gateshead have submitted their action plan to Europe. The plan was endorsed at Gateshead’s Cabinet meeting on 19 October 2010.
• Sunderland’s action plan was confirmed by the EU Covenant of Mayors in February 2010.

The positive outcomes these carbon initiatives are achieving is evidenced by the Carbon Trust Standard that is only awarded to organisations that measure, manage and reduce their carbon footprint.
  • In November 2009 South Tyneside Council achieved the Carbon Trust Standard for 100% of its operations.
  • Gateshead Council was also awarded the Carbon Trust Standard in November 2009.

**Combined Heat and Power**
The Partnership’s technology neutral approach left Bidders free to incorporate CHP should they consider it deliverable, and beneficial in terms of evaluation of their Bids.

The Key Facility at Teesside will have the potential to provide a combined heat and power recovery solution. It is well placed to supply the surrounding chemical factories and refineries (high energy users) using the residual waste as fuel to generate electricity and producing waste heat that can be used off-site, displacing energy production from fossil fuels.

The SITA Consortium solution involves a direct connection to the national grid via GDF-Suez and a deal has been finalised in this respect.

**WRATE**
At OBC stage a WRATE evaluation was undertaken to assess the environmental impact of a range of ten options for the treatment and disposal of municipal waste.

Since the OBC modelling was undertaken an updated version of WRATE (V2.0.1.4) has been issued with revised background databases and allocations for various elements within the different standard technologies. This change in the version of WRATE means that the results are not directly comparable, although through maintaining the underlying background assumptions the impacts of this are minimised.

The SITA Consortium solution produces significant environmental benefits against all six environmental indicators within WRATE (Global Warming, Acid Rain, Eutrophication, Aquatic Ecotoxicity, Health and Resource Depletion). The overall reduction in Global Warming Emissions for the project is expected to be in the region of 1.3m – 1.75m tonnes of CO2 equivalent over the duration of the 25 year contract depending on whether or not the heat offtake can be secured.
1.4 PROCUREMENT STRATEGY AND PROCESS

The legal basis under which the procurement has been conducted is the EU public procurement regime pursuant to the Public Contracts Regulations 2006 (SI 2006/5) (as amended) using the competitive dialogue procedure.

A contract notice was placed in the Official Journal of the European Union (OJEU) in September 2008 to invite expressions of interest from potential bidders. Those expressions were streamed by a pre-qualification questionnaire (PQQ) exercise (supported by a Descriptive Document which informed Candidates of the nature of the project).

The twelve Candidates at the Pre-Qualification Stage were:

- Alex Smiles Ltd
- First London Power Ltd
- Graphite Resources/Biffa
- MVV Umwelt GmbH
- Novo Development Company, LLC
- Orchid Environmental Ltd
- Shanks Waste Management Ltd
- SITA UK /CLL
- United Utilities Networks Ltd/ Galliford Try
- Urbaser S.A.
- Veolia Environmental Services (UK) Ltd
- VT Environmental Engineering

Those PQQ submissions submitted by the twelve interested Candidates were evaluated in terms of economic and financial standing and technical capacity etc. to create a longlist of eight prospective bidders.

The longlisted bidders commenced the competitive dialogue phase in parallel discussions with the Partnership by receiving an Invitation to Participate in Dialogue (ITPD) (with an accompanying preliminary draft Output Specification) and their ISOS submissions focussed on their technical solution. Such submissions were evaluated and the three remaining bidders moved to the Invitation to the Invitation to Continue Dialogue (ITCD) stage where they were furnished with a full suite of contractual documents including comprehensive drafts of the Project Agreement, Output Specification and Payment Mechanism.

The three bidders continued in dialogue to explore commercial positions and narrowed down commercial issues as they prepared their ISDS bid submissions. The Partnership elected to deselect one bidder after ISDS bid evaluations. The dialogue continued until the Partnership was content there were no major commercial issues remaining and issued a call for final tenders.

The Call for Final Tenders was issued to SITA/CLL and UU/GT on 21 July 2010 and following an evaluation process, SITA/CLL were selected as Preferred Bidder by the Partnership for approval by the cabinets of the Partnership Authorities (see para. 1.10 (Timetable) below).
The SITA/ CLL solution comprises three waste transfer stations. One will be a refurbished facility located in South Tyneside; one will be a rebuild of a facility at the Sunderland/Gateshead boundary; and one will be the construction of a new transfer station located in Sunderland. In addition SITA will provide an Energy from Waste Facility to be located on Teesside (basic information concerning these facilities is provided in the Table below).

### Table 1.2 - Facilities proposed by the Preferred Bidder

<table>
<thead>
<tr>
<th>Proposed Facility</th>
<th>Number of Proposed Facilities</th>
<th>Capacity of Facility (t/pa)</th>
<th>Operational Commencement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuild Campground Transfer station (Gateshead/Sunderland)</td>
<td>1</td>
<td>90,000</td>
<td>December 2013</td>
</tr>
<tr>
<td>Refurbish Middlefields Transfer Station (South Tyneside)</td>
<td>1</td>
<td>65,000</td>
<td>November 2013</td>
</tr>
<tr>
<td>New Jack Crawford House Transfer Station (Sunderland)</td>
<td>1</td>
<td>85,000</td>
<td>January 2014</td>
</tr>
<tr>
<td>Energy from Waste Facility</td>
<td>1</td>
<td>256,000 (twin stream)</td>
<td>April 2014</td>
</tr>
</tbody>
</table>

SITA CLL will also provide a waste ‘Visitor and Education Centre’ capable of receiving forty visitors to be co-located at the Campground Transfer Station. The Energy from Waste Facility will also provide reception facilities for visitors.

### 1.5 RISK MANAGEMENT, RISK ALLOCATION AND CONTRACTUAL ISSUES

The Partnership’s overall approach to risk management has evolved since the submission of the OBC. The Partnership have worked closely with the Lead Authority’s Internal Audit Service to identify the key Project Risks and the necessary controls. The Internal Audit Service have also audited the Risk Registers on a regular basis and have helped to ensure that Risk Management has remained a key issue throughout the Project.

The original “Sub-Group Risk Registers” have been combined to produce a “Whole Project Risk register”. This approach allows the risks to the Project to be considered in the round, including their potential impact on every discipline, and has ensured that there is an effective and co-ordinated approach to risk management and mitigation.

Within the OBC the Partnership identified 10 strategic risks which are controlled as set out in the risk register at Appendix G. A brief update on these strategic risks was included at the stage of identifying the Preferred Bidder. The full “Whole Project Risk Register”, reviewed following the selection of the Preferred Bidder, is included at Appendix G(i).
1.6 PROJECT TEAM AND GOVERNANCE
The Partnership has continued to have in place project management and governance arrangements which are sufficiently robust to deliver this major infrastructure project.

The OBC concluded that the most suitable governance arrangement is an Administrative Arrangement Joint Executive/Committee with Lead Authority.

The member arrangements consist of a Joint Executive Committee that was established in March 2008 with Gateshead as the Lead Authority. This is the decision-making committee for the Partnership, comprised of two councillors from each of the three Partner Authorities.

Each member is empowered to have the delegated authority of their respective Authority to make binding decisions in relation to the Project. In the event that any member is unable to make a decision the matter is referred to their respective Cabinets and a binding decision is made by the Cabinets.

The officer structure for the Partnership for the procurement phase of the Project was established in November 2008 and consists of the following groups:

- Officer Project Board – Attended by Directors of the Partner Authorities - provides strategic direction and support for the project, progresses issues to the Joint Executive Committee, and ensures arrangements within the councils are in place to support the Partnership’s aims.
- Partnership Project Team – Attended by senior officers from Partner Authorities, the Project Team and Sub-group leads - monitors progress of the project, agrees future action, co-ordinates the work of the sub groups and generally provides support for the project.
- Joint Adviser Group (Negotiating Team) – Attended by senior officers from the Partner Authorities and external Advisers - has the specific function of negotiating “the deal”.
- Sub-Group Teams – Attended by specialist officers from the Partner Authorities - support the Lead Project Manager and other key officers by providing specialist advice and guidance and by carrying out specific pieces of work appropriate to the sub-group.
- Project Management Group – Attended by the Project Team and Sub-group leads as required - plans the overall work of the project and agrees the general approach to issues that arise.

There is a well resourced Project Team that comprises those officers who are working full-time on the project. The Team supports the Lead Project Manager in carrying out the day-to-day activities required of the project.

Team members carry out specific actions required of the Project and have an important role to play in overall action planning and in co-ordinating the work of the sub-groups.
Current posts within the Team are:
- Lead Project Manager
- Project Manager (Policy)
- Project Manager (Technical)
- PR Account Manager (Waste)
- Project Manager (Programme)
- Project Support Officer
- Support Assistant

There is also a post of PFI Procurement Co-ordinator / Legal Sub-Group Lead who works closely with the Project Team.

The Partnership has appointed **External Advisers**, post OBC, in relation to Legal, Technical, Financial, Planning and Risk matters as follows:
- Legal – Pinsent Masons (as OBC)
- Planning – Entec UK (as OBC)
- Technical – Entec UK
- Financial – Deloitte
- Risk - Willis

External Adviser contracts enable future use of those Advisers in respect of any matters directly related to the contract.

Looking to the future the Partnership has agreed the establishment of the Project Team post Financial Close, has appointed people into these posts and, in so doing, has ensured that there is continuity of individuals and experience from the procurement phase.

Appointments have now been made to all posts in the Project Team and budgetary provision has been made by each of the Partner Authorities. Continuity has been ensured by making all appointments from individuals currently employed in the existing Project Team.

The Project Team structure will be reviewed prior to operational commencement.

- In December 2010 the Partnership was subject to a Local Partnerships Health Check to review its readiness for contract management. The Health Check focused specifically on the Partnership’s proposals surrounding the contract management arrangements for the PFI project - post financial close.

The final report concluded that “Overall the project is in a strong position to succeed but it is essential that these high standards are maintained over the next few years and beyond”. The Local Partnerships’ report is attached as Appendix 6.12.

To support and enable the joint working arrangements an Inter Authority Agreement (IAA) has been agreed between the three Partner Authorities to be executed at Financial Close. This is a legally binding joint working agreement, which sets out the corporate governance arrangements and commercial principles between the three participating authorities which shall apply from Financial Close. The Inter Authority Agreement is attached at Appendix 6.5. The IAA will be signed at Financial Close.
1.7 SITES, PLANNING AND DESIGN

Site for the Key Facility
The Preferred Bidder proposes to use land at Haverton Hill Road, Billingham, Tees Valley for development of the key facility. The site is adjacent to an existing Energy from Waste (EfW) Plant and received planning permission in October 2008 for the development of a new stand alone EfW plant on land within the Bidder’s ownership.

Sites for supporting transfer stations, where ownership resides with the Partnership Authorities, were identified in the OBC as:
- Middlefields, South Tynside
- Campground, Sunderland / Gateshead boundary

Since approval of the OBC, a further exercise was undertaken to identify a site suitable for a transfer station in Sunderland. As a result of this work, the Partnership decided to move forward with a site at Jack Crawford House, Hendon, (also in Partnership Authority ownership) as the most deliverable site that is potentially acceptable in environmental and planning terms.

The Preferred Bidder proposes to use the following sites for Waste Transfer Stations:
- Campground, Sunderland / Gateshead boundary
- Jack Crawford House, Sunderland
- Middlefields, South Tynside.

Local Development Frameworks
The Partner Authorities are currently at different stages in the development of their Local Development Frameworks. The current and future positions with each are set out in detail at Section 7.2.2 of the main report.

The Partnership has actively engaged with the two Planning Authorities to ensure that the principle of new waste management facilities, is established; and to secure the allocation of appropriate sites. Initial representations were made to Sunderland City Council to request that the Core Strategy reflects the need for waste management facilities within its area and establish the need to identify a suitable site within the Site Allocations DPD. Representations were made to the South Tyneside Site Allocations DPD to ensure that the DPD reflects the requirements of the Partnership.

Design Issues
The bid proposes a clear and strong vision for design and service delivery. The Key Facility has received planning permission on the basis of a design which echoes the existing EfW plant on the adjacent site. Integration with this existing facility creates substantial potential operational flexibility between neighbouring plants.

The design of the key facility accords with UK legislation and good industry practice. The SITA Consortium propose to apply its significant experience of construction and operations to ensure practical solutions and efficient facilities. The Bidder states that the EfW Centre will be designed to exceed WID requirements offering the operator significant headroom before any regulatory emission limits are exceeded.
The approach to architectural design reflects advice from Local Authority planners, and the following best practice guidance.

- Constructing Excellence (www.constructingexcellence.org.uk);
- OGC (How to achieve Design Quality in PFI Projects);
- CABE (Improving Standards of Design in the Procurement of Public Buildings, October 2002);
- 4P’s (Achieving Quality in Local Authority PFI Building Projects);
- DEFRA in partnership with CABE (Designing Waste Facilities, a key guide to modern design in waste);
- BRE (Green Guide to Specification, 2002); and
- DEFRA (Designing Waste Facilities, 2008).

With respect to BREEAM standards, it is an authority’s’ requirement that the facilities should meet the BREEAM standard Very Good as a minimum requirement.

Planning Health Framework
The planning health assessment has been updated and the answers to the key questions in the Planning Health Framework are attached at Appendix F.

1.8 COSTS, BUDGET AND FINANCE
The Preferred Bidder’s financial model is based upon Financial Close on 20 April 2011. The hot commissioning period begins in November 2013 with a Planned Service Commencement Date of April 2014 for 25 years with the contract ending in March 2039.

The affordability analysis considered the wider waste management system, including the collection systems of each of the Partnership Authorities. As such it recognises the extent to which Councils the Partnership Authorities will need to contribute to the funding of incremental collection system performance in order to attain the 50% recycling target by 2020 and other elements of the Partnership’s agreed Joint Waste Strategy.

The estimated cost saving to the Partnership of implementing the Reference Project rather than continuing with the ‘Do Minimum’ option would be significant before taking into account any revenue support received from Private Finance Initiative credits.

The level of funding available from the combined Partnership budgets compared to the Reference Project and other waste system costs indicates there is an affordability gap resulting primarily from an increase in Landfill Tax and additional costs in meeting increased recycling targets.

The Partnership is committed to funding the affordability gap identified in order to make the project deliverable over the life of the contract.

Work has been carried out to quantify and cost the carbon impact of the Preferred Bidder’s proposals in accordance with WIDP guidance. The carbon impact of the project has been calculated using the 2008 price of £26.50 per tonne, increasing by 2% per year in real terms to account for rising damage costs from higher
concentrations of greenhouse gas emissions. Comparison with subsequent DECC
guidance has also been calculated.

Based upon the updated 2008 price, the impact is approximately £4.1m per annum
in nominal terms. (Refer to Appendix 8.3.)

1.9 STAKEHOLDER COMMUNICATIONS
The communications activity to date has kept each target audience up-to-date with
accurate information and ensured penetration of our key messages. The methods of
communicating and the messages for each audience are bespoke and have been
carefully planned and orchestrated with much success. Key tactics that have served
us well include being very open and transparent about our plans and showing great
courtesy to certain groups of stakeholders who we identified as needing higher levels
of communication.

Communications Strategy
A comprehensive Communications Strategy for the project has ensured the
Partnership effectively communicated with all key stakeholders in order to encourage
‘buy in’ to the project.

The Communications Strategy has seen some minor revisions and amendments
since the OBC. This has included:
- a refinement of the list of key stakeholders as the project has developed.
- the insertion of a Media Protocol, developed to ensure that Bidders for the
  contract adhered to set guidelines for dealing with the media.
- some guidance on what is expected from Bidders in the ‘pre-planning’ and
  ‘planning’ stages of the process was added to the Strategy.

The Partnership also developed detailed Communications Plans for each key
announcement of the project e.g. announcement of shortlist of three bidders and the
announcement of the Gateshead reference site acquisition. These Plans were very
successful, allowing us to manage and minimise any public opposition.

Freedom of information requests
Each Partner Authority has individually received a number of FOI requests regarding
waste and recycling since the submission of the OBC. The process for handling
responses to FOIs has been a centrally coordinated approach so that each individual
Partner Authority’s response took into consideration the Partnership’s position.

Other relevant authorities
The Partnership has been liaising with the Environment Agency; South of Tyne
Primary Care Trust; and the Health Protection Agency to keep them up-to-date with
the project at each key stage.

As well as a series of general stakeholder update meetings, the Partnership has also
undertaken a Health Impact Assessment scoping exercise with the relevant
authorities for each potential waste treatment site and the potential waste transfer
station sites. A note from the Health Impact Assessment Screening Workshop is
attached at Appendix 9.2.
Public Engagement
It hasn’t been necessary to carry out any consultation since the major consultation exercise on waste that we carried out in 2007 to inform the JMWMS. We have, however, carried out some communications work to keep audiences informed of key milestones and create public awareness of the Partnership’s plans to change the way it deals with residual waste and the reasons for this.

The Partnership carried out some low level direct engagement work with the local community in relation to the purchase of a reference site in Gateshead. Gateshead Council acquired the Abbotsford Road site in Felling in January 2009 as an option for Bidders looking to develop the waste treatment facility. The potential use of the site was dependent upon the solution submitted by the Preferred Bidder. However, the SITA Consortium do not propose to use the Abbotsford Road site.

1.10 TIMETABLE
The Partnership have achieved a 24 month procurement from OJEU publication to selection of Preferred Bidder as shown below. The changes to the indicative timetable were driven by the approach following ISDS evaluation to undertake further dialogue to CFT rather than implement a formal ISRS.

Table 1.3 – Project Timetable

<table>
<thead>
<tr>
<th>Stage</th>
<th>Date</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submission of EoI</td>
<td>Mar 07</td>
<td>-18</td>
</tr>
<tr>
<td>Approval of EoI</td>
<td>Sep 07</td>
<td>-12</td>
</tr>
<tr>
<td>OBC Approved by Council</td>
<td>Oct 07</td>
<td>-11</td>
</tr>
<tr>
<td>Submission of OBC</td>
<td>Dec 07</td>
<td>-9</td>
</tr>
<tr>
<td>Defra Approval of OBC</td>
<td>May 08</td>
<td>-4</td>
</tr>
<tr>
<td>PRG Approval of OBC</td>
<td>Jul 08</td>
<td>-2</td>
</tr>
<tr>
<td>OJEU Published</td>
<td>Sep 08</td>
<td>0</td>
</tr>
<tr>
<td>Descriptive Document Issued</td>
<td>Sep 08</td>
<td>+0</td>
</tr>
<tr>
<td>ISOS Issued</td>
<td>Feb 09</td>
<td>+5</td>
</tr>
<tr>
<td>ISOS Returned</td>
<td>Apr 09</td>
<td>+7</td>
</tr>
<tr>
<td>ISDS Issued</td>
<td>Jul 09</td>
<td>+10</td>
</tr>
<tr>
<td>ISDS Returned</td>
<td>Oct 09</td>
<td>+13</td>
</tr>
<tr>
<td>Call For Final Tenders</td>
<td>July 10</td>
<td>+22</td>
</tr>
<tr>
<td>Preferred Bidder Selected</td>
<td>Sept 10</td>
<td>+24</td>
</tr>
</tbody>
</table>

On 15 September 2010 the Preferred Bidder appointment was approved by the Cabinets of the three Partner Authorities, with a recommendation to full Council with regard to the required budget allocations. Cabinet reports are attached as Appendix 6.10.

From announcement of Preferred Bidder, the Partnership has fine tuned, clarified and confirmed commitments with the Preferred Bidder. A report to the Cabinets of each of the three Partner Authorities in November 2010 approved the delegations necessary to facilitate completion of the contract. Cabinet reports are attached as Appendix 6.11.
The Preferred Bidder has now received Credit Committee Approvals with its chosen club of banks in preparation for Financial Close in April 2011.

The planned readiness date and the anticipated full Service Commencement date for each facility is set out in Table 1.4 below and if Planning Permission is not already in place the Planning Permission Longstop date is noted.

Table 1.4 - Key Dates

<table>
<thead>
<tr>
<th>Proposed Facility</th>
<th>Planned Readiness date</th>
<th>Operational Commencement Date</th>
<th>Planning Permission Longstop date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuild Campground Transfer station (Gateshead/Sunderland)</td>
<td>n/a</td>
<td>December 2013</td>
<td>07 February 2012</td>
</tr>
<tr>
<td>Refurbished Middlefields Transfer Station (South Tyneside)</td>
<td>n/a</td>
<td>November 2013</td>
<td>25 February 2013</td>
</tr>
<tr>
<td>New Jack Crawford House Transfer Station (Sunderland)</td>
<td>n/a</td>
<td>January 2014</td>
<td>18 March 2013</td>
</tr>
<tr>
<td>Energy from Waste Facility</td>
<td>Readiness date waived</td>
<td>April 2014</td>
<td>Planning Permission in place</td>
</tr>
</tbody>
</table>
2.1 INTRODUCTION
The South Tyne and Wear Waste Management Partnership (the Partnership) comprises three metropolitan councils, Gateshead, South Tyneside and Sunderland. The Partnership was established to enable the three partner authorities to jointly procure solutions for the treatment and disposal of residual municipal waste.

The PFI Project Outline Business Case (OBC) was approved by the respective Cabinets of the three partner authorities in October 2007.

The OBC was subsequently approved by DEFRA in May 2008 and the project was endorsed by the Project Review Group (PRG) on 15 July 2008 as ready to enter into procurement. The endorsement letter stated that it expected that central Government revenue support will be given based on PFI credits of £73.525 million, subject to the conditions set out below:

- That the project provide evidence that the partner councils have committed to the £643 million affordability gap
- That the project provide revised affordability analysis using the current discount rate and the new PFI credits allocation
- That the project provide evidence that the current advisors have reviewed and are content with the OBC

A full response to these conditions was sent to WIDP on 21 August 2008 which included:

- Minutes from JEC confirming the Councils commitment to the affordability gap
- A revised affordability analysis
- Letters from Deloitte (Financial advisers) and Entec UK (Technical advisers) providing the necessary confirmation.

On 27 August 2008 an email received from James Dunstan, HM Treasury, confirmed that the ST&W Waste PFI project had satisfied the conditions imposed at the PRG meeting of 15th July 2008 and that £73.53 million of PFI credits was therefore approved. The email is attached as Appendix 2.1.

Joint Executive Committee
A Joint Executive Committee (JEC) has been established for the South Tyne and Wear Waste Management Partnership. Terms of Reference for the JEC were agreed at the Committee’s meeting on 28 March 2008. These include the following:

- The Committee is constituted by two (2) members appointed by each Authority.
- Each member is empowered to have the delegated authority of their respective Authority to make binding decisions in relation to the Project. In the event that any member is unable to make a decision the matter is referred to their respective Cabinets and a binding decision will be made by the Cabinets.
- All decisions of the Joint Executive Committee must be unanimous.
Market Dialogue
The OBC highlighted that the Partnership sponsored a waste industry dialogue event in August 2007 which brought together a wide range of local and national prospective companies. This has been followed up by a Candidates Conference was held at The Sage Gateshead on 3 October 2008.

Invitations were sent out, in advance, to those companies who had indicated an interest in the contract. The conference was attended by 25 companies. Company representatives took the opportunity to ask a range of questions about the project and the event was successful in maintaining the profile of the contract.

Sustainable Community Strategies
Since the OBC was approved each of the partner authorities have published their local area agreements which identify priority areas for improvement and key performance indicators to monitor progress over a three year period (to April 2011).

Each of these policy documents – ‘The Sunderland Local Area Agreement’, Gateshead’s ‘Vision 2030’ and the ‘Spirit of South Tyneside’ include the National Indicator NI 192 (Household waste recycled and composted) as a priority indicator for the Council. This demonstrates the importance that all three partner authorities place upon achieving improvements in this service area.

Longer term targets to reduce the amount of waste going to landfill and to increase recycling performance are set out in the Joint Municipal Waste Management Strategy. These targets, adopted by each of the three partner authorities are:

- 30% by 2010
- 45% by 2015
- 50% by 2020

Note that each of the three Local Area Agreements are available on the relevant Council’s website.

Gateway review
In September 2008 the project was subject to a Gateway 2 Review by 4ps. The final report from the review, dated 7 October 2008, stated that “The Review Team believes that this project has an amber/green status. Our overall impression is that this project appears to be well managed, well focussed and well resourced. The clear enthusiasm and commitment at all levels within the Partnership was highly evident”.

The final report from the review is attached at Appendix 6.3. The Partnership’s response to the recommendations was reported to Joint Executive Committee in January 2009 and is attached at Appendix 6.3b.

Joint working
Ancillary procurements:
In addition the main procurement of a waste treatment facility the authorities have continued to work together on a number of ancillary procurements. These joint
procurements aim to deliver efficiencies and to help align services across the three councils in preparation for the operation of the main treatment facility in 2013.

- A joint procurement for Recycling of Dry Recyclables (Materials Recycling Facility) has been completed and awarded.
- The three councils each introduced an improved household recycling service during 2010/11 (the blue bin scheme). An E-Auction took place in November 2009 for the supply of wheeled bins which identified a saving to the Partnership of £532,000 on the costs of the bins.
- The joint procurement of vehicles and vehicle bodies to provide the improved service has now been completed
- A joint procurement for Green Waste Recycling has been undertaken and Gateshead and South Tyneside have selected their Preferred Bidder.

Kerbside recycling:
The new ‘blue bin scheme’ has been introduced on a phased basis by each of the authorities. This commenced in April 2010 and is now complete. This provides residents within the Partnership area with a consistent service for recyclable materials. The service has been extremely well received by residents with increased participation rates and amount of recyclable materials collected. See section 2.5 for more detail.

‘Love Food Hate Waste’ campaign:
The three councils worked in partnership to develop a joint PR campaign to reduce food waste. The campaign was underpinned by extensive research on why people waste food and how to prevent it (from government agency WRAP). This, coupled with local data allowed us to create an informative, engaging campaign. Refer to Section 9 – Communications and to Appendix 3.2 for more information

Future improved joint working:
The Partnership is actively investigating the potential efficiencies that can be achieved by even closer working between the Partner Authorities, particularly in relation to Waste Management.

In conjunction with WIDP, investigations into the potential for improved joint working between Gateshead, South Tyneside and Sunderland in relation to Waste Management are now well underway.

A report, setting out the scope of the work, was approved by OPB in June 2010. This report is attached as Appendix 2.2.

Progress reports, outlining the potential efficiencies have been considered by OPB in October and December 2010. As a result of these reports the Partner Authorities have demonstrated their commitment to progress with the development of improved Joint Working by jointly funding a post to facilitate these investigations.

A report setting out the approach to the next stage of these investigations was approved by OPB in January 2011. This report is attached as Appendix 2.3.
2.2 DETAILS OF KEY CHARACTERISTICS OF AREA AND AUTHORITY
There have been no changes to boundaries or the administrative areas of the Partner Authorities.

Local elections were held in each of the Partner Authorities in 2010 but this has resulted in no change in political control.

Combined population has changed from 626,500 in 2006/07 to 621,800 in 2009/10. This represents a decrease of 4,700 (0.75%)

The number of Households has increased from 284,245 in 2006/07 to 285,172 in 2009/10 – an increase of 927.

Table 2.1 Profile Data and Municipal Waste Arising in the Partnership (2009/10)

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>190,500</td>
<td>151,000</td>
<td>280,300</td>
<td>621,800</td>
</tr>
<tr>
<td>Households</td>
<td>92,109</td>
<td>69,159</td>
<td>123,904</td>
<td>285,172</td>
</tr>
<tr>
<td>Household Waste (t)</td>
<td>87,094</td>
<td>67,402</td>
<td>132,789</td>
<td>287,285</td>
</tr>
<tr>
<td>Non Household Waste (t)</td>
<td>14,562</td>
<td>13,329</td>
<td>12,105</td>
<td>39,996</td>
</tr>
<tr>
<td>Municipal Waste (t)</td>
<td>101,656</td>
<td>80,731</td>
<td>144,894</td>
<td>327,281</td>
</tr>
<tr>
<td>Waste Data Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodegradable MW (t)</td>
<td>69,125</td>
<td>54,897</td>
<td>98,527</td>
<td>222,549</td>
</tr>
</tbody>
</table>

Sources: Gateshead, South Tyneside and Sunderland Councils.

2.3 ANALYSIS OF WASTE ARISINGS

Analysis of Arisings up to 2010
The amount of municipal waste handled by the Partnership has reduced from 377,279 tonnes in 2004/05 to 327,281 tonnes in 2009/10. This has resulted in lower levels of MSW in 2009/10 than forecast in the OBC.

There are many factors which may have resulted in negative waste growth per household including lightweighting of packaging and greater consumer awareness. However, the recent economic downturn is considered to be the most significant factor.

With regard to Residual Household Waste (kg per household) the NI 191 statistics for the North East also indicate a negative trend from 2006/7 (-6.42%), 2007/8 (-5.74%) and 2008/9 (-6.51%). This can be attributed to a combination of increased recycling and waste minimisation efforts (lower, static or negative waste growth per household).
The Partnership Authorities commissioned a series of household waste composition surveys which resulted in a comparative report. The surveys were carried out in March 2007 (pre- economic downturn), November 2008 and June 2009. The results reinforce the point that residual waste arisings have reduced (from 17.03kg/ household/ week in March 2007 to 14.17kg/ household/ week in June 2009). The Comparative Report is attached at Appendix 2.4.

Table 2.2 below sets out the waste arisings over the period 2007 to 2010

Table 2.2 Waste Arisings 2007/8 to 2009/10

<table>
<thead>
<tr>
<th>Year</th>
<th>WCA Household Collected Waste</th>
<th>WCA Collected Trade Waste</th>
<th>HWRC Collected Household Waste</th>
<th>Other MSW</th>
<th>Total MSW Arising</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/8</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Gateshead</td>
<td>87,546</td>
<td>7,664</td>
<td>13,594</td>
<td>1,661</td>
<td>110,465</td>
<td>-0.18</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>59,676</td>
<td>11,725</td>
<td>12,824</td>
<td>4,326</td>
<td>88,551</td>
<td>-3.4</td>
</tr>
<tr>
<td>Sunderland</td>
<td>118,685</td>
<td>4,876</td>
<td>19,637</td>
<td>12,469</td>
<td>155,667</td>
<td>-2.46</td>
</tr>
<tr>
<td>Total</td>
<td>265,907</td>
<td>25,265</td>
<td>46,055</td>
<td>18,456</td>
<td>354,683</td>
<td>-2.00</td>
</tr>
<tr>
<td>2008/9</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Gateshead</td>
<td>79,316</td>
<td>8,839</td>
<td>15,408</td>
<td>1,466</td>
<td>105,029</td>
<td>-4.92</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>57,738</td>
<td>10,875</td>
<td>13,507</td>
<td>4,079</td>
<td>86,109</td>
<td>-2.76</td>
</tr>
<tr>
<td>Sunderland</td>
<td>114,443</td>
<td>3,454</td>
<td>18,419</td>
<td>12,905</td>
<td>149,221</td>
<td>-4.14</td>
</tr>
<tr>
<td>Total</td>
<td>251,497</td>
<td>23,168</td>
<td>47,334</td>
<td>18,450</td>
<td>340,359</td>
<td>-4.04</td>
</tr>
<tr>
<td>2009/10*</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Gateshead</td>
<td>76,625</td>
<td>9,538</td>
<td>13,586</td>
<td>1,907</td>
<td>101,656</td>
<td>-3.21</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>55,280</td>
<td>8,138</td>
<td>11,972</td>
<td>5,341</td>
<td>80,731</td>
<td>-6.25</td>
</tr>
<tr>
<td>Sunderland</td>
<td>114,239</td>
<td>2,726</td>
<td>17,254</td>
<td>10,675</td>
<td>144,894</td>
<td>-6.92</td>
</tr>
<tr>
<td>Total</td>
<td>246,144</td>
<td>20,402</td>
<td>42,812</td>
<td>17,923</td>
<td>327,281</td>
<td>-3.84</td>
</tr>
</tbody>
</table>

Waste Arisings Forecast
The overall waste growth detailed in the Partnership’s waste flow model remains a combination of projected growth in the number of households and estimated waste growth per household as described in the Outline Business Case. These factors have been reviewed and the Partnership’s waste flow model revised at key stages throughout the project in order to provide bidders with the most up to date projections.

The revised household projections, based upon updated ONS figures, having regard to prevailing uncertainties around the housing market, result in 12% more households in 2039 for the Final Business Case than the OBC.

A paper setting out the impact of economic factors on waste forecasts is attached at Appendix 2.5.

There are indications that the downward trend in waste arisings became more pronounced in September/ October 2007 (the commencement of economic
downturn). This trend, its apparent links with economic factors and the influence of those factors over the medium and long-term have resulted in their potential impacts being factored into waste forecasts.

Evidence of reduced consumer spending, the anticipated impact of VAT increases, unemployment forecasts indications that living standards will not return to pre 2008 levels before 2015 are all suggestive of municipal, and particularly household, waste arisings continuing at lower levels than experienced in the last decade. The forecast of waste arisings has, therefore, been adjusted with nil growth anticipated in the period to 2014/15. Indications of waste growth previously following a cyclical pattern (7 years) have then been used to develop forecasts for the years beyond 2015 with the application of alternating 7 year cycles of static and 0.5% waste growth.

The Partnership’s current waste flow model is therefore predicated on a waste growth per household of:

- 0% growth up to and including 2014/15;
- 0.5% growth from 2015/16 until 2021/22 (7 years);
- 0% growth from 2022/23 until 2028/29 (7 years);
- 0.5% growth from 2029/30 until 2035/36 (7 years); and
- 0% growth from 2036/37 until 2038/39.

The waste flow model was amended in February 2010 to take account of actual waste arisings (last 6 months of fiscal year 2008/09 and first 6 months of fiscal year 2009/10 data), waste composition studies undertaken in March 2007, November 2008 and July 2009 and estimated participation/capture rates of materials from the new proposed kerbside collection service. The waste flow model also takes account of updated household statistics from combinations of the latest ONS data and Partner Authorities’ projections.

The Waste Flow Model is attached at Appendices 2.6(a) and 2.6(b).

Table 2.3 below sets out the forecast of waste arisings to 2037/38

<table>
<thead>
<tr>
<th>Year</th>
<th>WCA Household Collected Waste</th>
<th>WCA Collected Trade Waste</th>
<th>HWRC Collected Household Waste</th>
<th>Other MSW</th>
<th>Total MSW Arising</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>2010/11</td>
<td>Gateshead 70,346</td>
<td>8,148</td>
<td>11,732</td>
<td>11,994</td>
<td>102,221</td>
<td></td>
</tr>
<tr>
<td></td>
<td>South Tyneside 55,647</td>
<td>8,838</td>
<td>12,079</td>
<td>7,084</td>
<td>83,648</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sunderland 107,886</td>
<td>2,914</td>
<td>18,658</td>
<td>17,519</td>
<td>146,978</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> 233,880</td>
<td><strong>19,900</strong></td>
<td><strong>42,469</strong></td>
<td><strong>36,598</strong></td>
<td><strong>332,847</strong></td>
<td></td>
</tr>
<tr>
<td>2011/12</td>
<td>Gateshead 70,766</td>
<td>8,148</td>
<td>11,802</td>
<td>12,051</td>
<td>102,767</td>
<td>0.53%</td>
</tr>
<tr>
<td></td>
<td>South Tyneside 56,003</td>
<td>8,838</td>
<td>12,156</td>
<td>7,093</td>
<td>84,090</td>
<td>0.53%</td>
</tr>
<tr>
<td></td>
<td>Sunderland 108,744</td>
<td>2,914</td>
<td>18,807</td>
<td>17,608</td>
<td>148,073</td>
<td>0.75%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong> 235,513</td>
<td><strong>19,900</strong></td>
<td><strong>42,765</strong></td>
<td><strong>36,753</strong></td>
<td><strong>334,930</strong></td>
<td>0.63%</td>
</tr>
<tr>
<td>Year</td>
<td>WCA Household Collected Waste</td>
<td>WCA Collected Trade Waste</td>
<td>HWRC Collected Household Waste</td>
<td>Other MSW</td>
<td>Total MSW Arising</td>
<td>Percentage change</td>
</tr>
<tr>
<td>--------</td>
<td>------------------------------</td>
<td>---------------------------</td>
<td>-------------------------------</td>
<td>----------</td>
<td>------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>2012/13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>70,964</td>
<td>8,148</td>
<td>11,836</td>
<td>12,078</td>
<td>103,026</td>
<td>0.25%</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>56,417</td>
<td>8,838</td>
<td>12,246</td>
<td>7,114</td>
<td>84,615</td>
<td>0.62%</td>
</tr>
<tr>
<td>Sunderland</td>
<td>109,602</td>
<td>2,914</td>
<td>18,955</td>
<td>17,697</td>
<td>149,168</td>
<td>0.74%</td>
</tr>
<tr>
<td>Total</td>
<td>236,983</td>
<td>19,900</td>
<td>43,036</td>
<td>33,889</td>
<td>336,808</td>
<td>0.56%</td>
</tr>
</tbody>
</table>

| 2014/15 |                              |                           |                               |          |                  |                   |
| Gateshead | 71,598                      | 8,148                     | 11,941                        | 12,163   | 103,850          | 0.80%             |
| South Tyneside | 57,220                  | 8,838                     | 12,420                        | 7,156    | 85,634           | 1.20%             |
| Sunderland | 111,466                     | 2,914                     | 19,277                        | 17,890   | 151,548          | 1.60%             |
| Total   | 240,284                     | 19,900                    | 43,639                        | 37,209   | 341,032          | 1.25%             |

| 2019/20 |                              |                           |                               |          |                  |                   |
| Gateshead | 74,817                      | 8,148                     | 12,478                        | 12,595   | 108,039          | 4.03%             |
| South Tyneside | 60,490                  | 8,838                     | 13,130                        | 7,299    | 89,757           | 4.81%             |
| Sunderland | 119,389                     | 2,914                     | 20,648                        | 18,705   | 161,655          | 6.67%             |
| Total   | 254,696                     | 19,900                    | 46,256                        | 38,599   | 359,451          | 5.40%             |

| 2037/38 |                              |                           |                               |          |                  |                   |
| Gateshead | 83,206                      | 8,148                     | 13,877                        | 13,715   | 118,947          | 10.10%            |
| South Tyneside | 66,326                  | 8,838                     | 14,397                        | 7,496    | 97,056           | 8.13%             |
| Sunderland | 140,303                     | 2,914                     | 24,265                        | 20,823   | 188,305          | 16.49%            |
| Total   | 289,834                     | 19,900                    | 52,538                        | 42,035   | 404,308          | 12.48%            |

**Comparison of OBC and FBC Waste Arisings Forecasts**

The OBC model predicts static growth in the number of households from 2026 to 2039 whereas in the FBC households are projected to increase year on year throughout the contract period. This result in a forecast of 12% more households in 2039 for the FBC than the OBC.

Whilst actual waste arisings in 2009/10 are lower than those forecast in the OBC the FBC forecasts a higher overall growth rate going forward.

The FBC forecast growth is a combination of growth in the number of households and a waste growth per household which has a seven year cycle of 0% and 0.5% waste growth rate per household.

Therefore, whilst the FBC MSW tonnage reflects a reduced starting tonnage the projected MSW tonnage is essentially the same for the FBC and OBC at 2032. After this date the FBC forecasts a growth of 0.5% while the OBC forecasts nil growth.

The FBC MSW projections are therefore slightly higher than the projections presented in the OBC. The forecast tonnage in year 2037/38 was 391,609 (OBC) versus 404,308 (FBC) an increase of 12,699 tonnes.
2.4 DETAILS OF CURRENT ARRANGEMENTS FOR COLLECTION AND DISPOSAL

The Partnership Authorities have similar waste collection arrangements illustrated below in Tables 2.4 to 2.8. Changes in the arrangements in comparison to the OBC are shown in red.

### Table 2.4 Residual Waste Collection Arrangements

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container</td>
<td>240L Wheeled Bin</td>
<td>240L Wheeled Bin</td>
<td>240L Wheeled Bin</td>
</tr>
<tr>
<td>Frequency</td>
<td>Weekly</td>
<td>Weekly</td>
<td>Weekly</td>
</tr>
<tr>
<td>Further Information</td>
<td>No side Waste</td>
<td>No side Waste</td>
<td>Up to 2 bags side refuse per property per week</td>
</tr>
<tr>
<td>Households 09/10*</td>
<td>92,109</td>
<td>69,159</td>
<td>123,904</td>
</tr>
</tbody>
</table>

*Household figures from Waste Data Flow 09/10

### Table 2.5 Bulky Waste Collection Arrangements

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>On request</td>
<td>On request</td>
<td>On request</td>
</tr>
<tr>
<td>Further Information</td>
<td>£5 for up to 8 small items</td>
<td>£12 for up to 8 items</td>
<td>3 Free collections per 12 months of up to 8 items</td>
</tr>
</tbody>
</table>

### Table 2.6 Dry Kerbside Recycling Arrangements

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container</td>
<td>240L Wheeled Bin &amp; Inner Caddy</td>
<td>240L Wheeled Bin &amp; Inner Caddy</td>
<td>240L Wheeled Bin &amp; Inner Caddy</td>
</tr>
<tr>
<td>Frequency</td>
<td>Fortnightly</td>
<td>Fortnightly</td>
<td>Fortnightly</td>
</tr>
<tr>
<td>Further Information</td>
<td>Side bags collected</td>
<td>Side bags collected</td>
<td>Side bags collected</td>
</tr>
</tbody>
</table>

### Table 2.7 Green Waste Collection Arrangements

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container</td>
<td>240L Wheeled Bin</td>
<td>240L Wheeled Bin</td>
<td>240L Wheeled Bin</td>
</tr>
<tr>
<td>Frequency</td>
<td>Fortnightly</td>
<td>Fortnightly</td>
<td>Fortnightly</td>
</tr>
<tr>
<td>Further Information</td>
<td>No service December to February</td>
<td>No service December to February</td>
<td>No service in winter (early Dec to late Feb)</td>
</tr>
</tbody>
</table>

### Table 2.8 Commercial and Industrial Waste Collection Arrangements

<table>
<thead>
<tr>
<th></th>
<th>Gateshead</th>
<th>South Tyneside</th>
<th>Sunderland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Container</td>
<td>Various</td>
<td>Various</td>
<td>Various</td>
</tr>
<tr>
<td>Frequency</td>
<td>As contracted</td>
<td>As contracted</td>
<td>As contracted</td>
</tr>
<tr>
<td>Further Information</td>
<td>No side waste</td>
<td>No side waste</td>
<td>No side waste</td>
</tr>
</tbody>
</table>

In addition to the main waste transfer/disposal contracts each authority has a number of other contractual arrangements to deal with dry recyclables, green waste and other specialised waste materials, e.g. clinical waste, animal carcasses. These
are summarised in Table 2.9 together with waste disposal contract details. Changes since the OBC are shown in red.

<table>
<thead>
<tr>
<th>Council</th>
<th>Contractor</th>
<th>Type/Materials</th>
<th>Dates/Extensions</th>
<th>Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gateshead</td>
<td>SITA</td>
<td>Waste disposal and landfill</td>
<td>Rolling contract March 2006, 2 years notice by client, from March 2008 2 years notice also by contractor 2008</td>
<td>Path Head</td>
</tr>
<tr>
<td></td>
<td>H W Martin</td>
<td>Dry Waste Kerbside Recycling</td>
<td>1st April 2010, 3 year contract with option to extend up to a further 3 years</td>
<td>Washington</td>
</tr>
<tr>
<td></td>
<td>SITA &amp; Farmers</td>
<td>Green waste Composting</td>
<td>1st April 2010, 3 year contract with option to extend up to a further 3 years</td>
<td>North Tyneside Transfer Station &amp; on farm</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>SITA</td>
<td>Waste disposal and landfill</td>
<td>1st April 2010 – 31st March 2013, option to extend for up to 3 years</td>
<td>Seghill &amp; Pathhead</td>
</tr>
<tr>
<td></td>
<td>H W Martin</td>
<td>Dry Waste Kerbside Recycling</td>
<td>1st April 2010, 3 year contract with option to extend up to a further 3 years</td>
<td>Washington</td>
</tr>
<tr>
<td></td>
<td>SITA</td>
<td>Green Waste Composting</td>
<td>1st April 2010 – 31st March 2013, option to extend for up to 3 years</td>
<td>North Tyneside Transfer Station</td>
</tr>
<tr>
<td>Sunderland</td>
<td>Alex Smiles Ltd</td>
<td>Waste transfer, disposal &amp; treatment</td>
<td>25th January 2011 to 31st March 2013; option to extend for up to three years</td>
<td>Deptford, Washington (Impetus) South Hylton depot, Parsons depot</td>
</tr>
<tr>
<td></td>
<td>Stirling Fibre/Connorco</td>
<td>Dry Waste Kerbside Recycling</td>
<td>1st April 2010 to 31st March 2013, option to extend for up to three years</td>
<td>Hendon, Sunderland</td>
</tr>
<tr>
<td></td>
<td>JBT Waste Services Limited</td>
<td>Green waste Composting</td>
<td>1st April 2010 to 31st March 2013, option to extend for up to three years</td>
<td>Birtley, Co.Durham</td>
</tr>
</tbody>
</table>
2.5 PERFORMANCE OF EXISTING SERVICES
Recycling & Composting Service
Since the OBC, the Partner Authorities have further invested in significant service improvements and infrastructure to enable their respective recycling and composting rates to continue to improve.

Set out in Table 2.10 below is the recycling and composting (NI 192) performance levels across the partnership for the last 3 years. This has also been split into BVPI 82a & 82 b for comparison with the OBC.

Table 2.10 Actual Recycling and Composting Performance, 2007/8 to 2009/10, for BVPI 82/NI 192

<table>
<thead>
<tr>
<th>Year</th>
<th>Recycling Tonnes</th>
<th>Recycling % BVPI 82a</th>
<th>Composting Tonnes</th>
<th>Composting % BVPI 82b</th>
<th>NI 192</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>14,708</td>
<td>15.01%</td>
<td>9,845</td>
<td>10.05%</td>
<td>25.10%</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>11,952</td>
<td>16.60%</td>
<td>8,313</td>
<td>11.57%</td>
<td>28.20%</td>
</tr>
<tr>
<td>Sunderland</td>
<td>24,045</td>
<td>17.34%</td>
<td>13,203</td>
<td>9.52%</td>
<td>27.15%</td>
</tr>
<tr>
<td>Total</td>
<td>50,705</td>
<td>16.79%</td>
<td>31,361</td>
<td>10.17%</td>
<td>N/A</td>
</tr>
<tr>
<td>2008/9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>15,539</td>
<td>17.01%</td>
<td>10,511</td>
<td>11.50%</td>
<td>28.50%</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>10,465</td>
<td>14.69%</td>
<td>9,201</td>
<td>12.91%</td>
<td>27.60%</td>
</tr>
<tr>
<td>Sunderland</td>
<td>20,723</td>
<td>15.24%</td>
<td>13,831</td>
<td>10.17%</td>
<td>25.59%</td>
</tr>
<tr>
<td>Total</td>
<td>46,727</td>
<td>15.65%</td>
<td>33,543</td>
<td>11.23%</td>
<td>N/A</td>
</tr>
<tr>
<td>*2009/10 (30% Target)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>17,018</td>
<td>19.55%</td>
<td>9,917</td>
<td>11.39%</td>
<td>31.00%</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>11,605</td>
<td>17.26%</td>
<td>7,795</td>
<td>11.59%</td>
<td>29.00%</td>
</tr>
<tr>
<td>Sunderland</td>
<td>22,616</td>
<td>17.03%</td>
<td>13,269</td>
<td>9.99%</td>
<td>27.23%</td>
</tr>
<tr>
<td>Total</td>
<td>51,239</td>
<td>17.85%</td>
<td>30,981</td>
<td>10.79%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*2009/10 figures have yet to be ratified by Waste Data Flow

Service improvements have included the implementation of recycling schemes in traditionally hard to reach areas, such as high rise housing and other high density areas where receptacles have been placed near to the entrances of these properties to make it more convenient for residents to participate in kerbside recycling schemes.

The Partner Authorities have also introduced on-street recycling (’recycling on the go’) in public places such as shopping centres to allow residents, people travelling to work and visitors to recycle rather than dispose of waste in litter bins.

The materials that can be accepted at Bring sites and Household Waste and Recycling Centres have been increased.

More recently, in April 2010 the Partner Authorities commenced the implementation of a new Blue Bin kerbside recycling service. This was based on a successful pilot scheme that had been introduced in South Tyneside in 2009.

The Blue Bin Recycling Scheme provides residents with a 240 litre blue, wheeled bin for the containment of glass bottles and jars, steel and aluminium cans and aerosols as well as cardboard and plastic bottles with an inner caddy for segregated paper.
Segregating the paper and co-mingling of the other commodities was determined as the most sustainable collection option following evaluation of tenders submitted for the Materials Recycling Facility Contract.

The new system is expected to address many of the issues previously raised by householders, in respect of the previous black box scheme, as potential barriers to recycling e.g. manoeuvrability, absence of a lid, weather affecting the contents of the box.

South Tyneside completed the roll out in June 2010. There has been an overall increase of 70% in tonnage collected on the blue bin service when compared with the same period (July 2010 & July 2009) from the preceding year.

Gateshead Council completed the Authority wide roll out of this scheme in October 2010. Early indications show exceptionally high levels of participation and material capture yields have increased by over 40%.

Sunderland Council completed the roll-out in December 2010. Additions to the standard rounds such as apartment blocks and schools are currently being considered. Participation levels have seen a marked increase.

**Residual Waste Treatment**

Table 2.11 below demonstrates the reduction in material being sent to landfill. This is due to an overall reduction in the level of Municipal Waste being produced along with the increase in the amount of material being recycled.

**Table 2.11 - The Overall Landfill Diversion Rates 2007/8 to 2009/10**

<table>
<thead>
<tr>
<th>Year</th>
<th>Thermal Treatment</th>
<th>MSW Landfilled</th>
<th>Diversion Rate</th>
<th>BMW Landfilled</th>
<th>Landfill Allowances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>Tonnes</td>
<td>%</td>
<td>Tonnes</td>
<td>Tonnes</td>
</tr>
<tr>
<td>2007/8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>62</td>
<td>82,905</td>
<td>24.9%</td>
<td>55,887</td>
<td>99270</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>0</td>
<td>63,642</td>
<td>28.1%</td>
<td>43733</td>
<td>40971</td>
</tr>
<tr>
<td>Sunderland</td>
<td>0</td>
<td>113,103</td>
<td>27.3%</td>
<td>76766</td>
<td>89958</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62</strong></td>
<td><strong>259,649</strong></td>
<td><strong>26.7%</strong></td>
<td><strong>176,386</strong></td>
<td></td>
</tr>
<tr>
<td>2008/9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>57</td>
<td>76,739</td>
<td>26.9%</td>
<td>52,393</td>
<td>86392</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>1,552</td>
<td>61,245</td>
<td>28.9%</td>
<td>42231</td>
<td>36019</td>
</tr>
<tr>
<td>Sunderland</td>
<td>0</td>
<td>110,200</td>
<td>26.2%</td>
<td>75080</td>
<td>77637</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,609</strong></td>
<td><strong>248,184</strong></td>
<td><strong>26.9%</strong></td>
<td><strong>169,704</strong></td>
<td></td>
</tr>
<tr>
<td>2009/10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gateshead</td>
<td>1,976</td>
<td>70,611</td>
<td>30.5%</td>
<td>48,743</td>
<td>70938</td>
</tr>
<tr>
<td>South Tyneside</td>
<td>2,331</td>
<td>54,982</td>
<td>31.9%</td>
<td>38714</td>
<td>30076</td>
</tr>
<tr>
<td>Sunderland</td>
<td>13</td>
<td>103,770</td>
<td>28.4%</td>
<td>72180</td>
<td>64052</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,320</strong></td>
<td><strong>229,363</strong></td>
<td><strong>29.3%</strong></td>
<td><strong>159,637</strong></td>
<td></td>
</tr>
</tbody>
</table>
3.1 INTRODUCTION
The Partnership continues to support the following objectives that were set out in the OBC and that follow the waste hierarchy for prioritising waste management and promoting activities that:

- Reduce the amount of waste that is generated;
- Reuse waste;
- Recycle and/or compost waste as far as this is practicable within economic and environmental constraints;
- Recover energy from the remaining waste and finally dispose of residual waste safely.

3.2 JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY (JMWMS)
It has not been necessary to carry out any consultation since the major consultation exercise we carried out prior to adopting the JMWMS in 2007 although we have carried out some communications work and some low level engagement work as outlined in Section 9.

The Joint Municipal Waste Management Strategy has not been amended.

The Partnership has ensured that throughout the Competitive Dialogue process the requirements set out for Bidders are consistent in supporting the aims of the JMWMS. This is particularly the case in relation to the Authority’s Requirements, (Schedule 2 of the contract documentation).

The evaluation criteria used to select the Preferred Bidder have been selected to support the aims of the JMWMS.

The Partnership has further developed Action and Delivery Plans to improve performance and deliver the Strategy to take the service forward. An updated summary action plan is attached at Appendix 3.1.

3.3 WASTE MINIMISATION
The Partnership continues to acknowledge the importance of waste minimisation initiatives and will continue to strive to reduce the amount of waste generated within South Tyne and Wear. The Partnership’s overall waste arisings has continued to reduce year on year since 2005/06 and while this is largely attributed to the prevailing economic conditions and reduced household spending, it can also be attributed to the various waste minimisation initiatives introduced.

‘Love Food Hate Waste’ campaign:
The three councils worked in partnership to develop a joint PR campaign to reduce food waste. The campaign was underpinned by extensive research on why people waste food and how to prevent it (from government agency WRAP). This, coupled with local data allowed us to create an informative, engaging campaign.
The campaign included:

- **Media Relations:** editorial, advertorial, social media and celebrity endorsement
- An interactive exhibition to disseminate messages was created and taken to staff and then used externally in supermarkets, including ASDA and Lidl and at Council events.
- A competition in which nine local families (of varying size, type and demographic) took part in a six-week competition to reduce, reuse and recycle their food waste.

The combination of real-life case studies of a range of families residents could identify with, plus celebrity endorsement, fascinating statistics and strong creative photography made this campaign stand out.

A wide range of PR methods and channels used ensured high visibility. Food waste proved to be a topic that almost everyone has an opinion on and they are willing to engage with - resulting in strong two-way communication.

The campaign has been highly successful and was entered for a CIPR (Chartered Institute of Public Relations) award. More details of the campaign are attached as Appendix 3.2.

**Progress with Actions in OBC**

The following progress has been made with the waste minimisation activities set out in the OBC:-

**Enhanced home composting** - The Partnership has continued to promote discounted composters (joined up with South East Centre of Excellence procurement process for composters) and composting advice and has seen a steady rise in the number of composters issued. A Public Relations campaign, ‘Don’t stop the rot’ which appeared in the local press helped publicise the scheme.

**Trade waste diversion** - A trial service has been successfully undertaken by South Tyneside Council for the separate collection of recyclables (Glass, Cardboard, Paper) from local businesses and is currently being reviewed.

**Re-useable nappies** - The Partnership recognises public opposition to re-usable nappies and is currently considering the way forward. It would also welcome further advice from organisations such as WRAP on this issue.

**Reuse of products and materials** - Encouraged widespread use of schemes to recover and reuse white goods recycling, mobile phone recoveries, bicycles, printer cartridges through use of the Partner Authorities’ websites and council news magazines.

**Unwanted mail** - The Partnership continue to promote use of the mail preference service on their websites and at events. On the 14th July 2008 the Partnership issued a press release to the regional media which included ‘Top 10 Tips for reducing rubbish’ – one of the tips was signing up to the Mail Preference Service.
Other initiatives include:-

- Use of a control system at Household Waste and Recycling Centres to address unauthorised use - Gateshead and South Tyneside has introduced a permit controlled system for vans at HWRC’s.
- Restricting the number of free, or charging for, bulky household waste collections – The Partner Authorities have introduced restrictions on bulky waste collections. Gateshead and South Tyneside have subsequently introduced charging regimes.
- Enhanced website information about waste and recycling with down-loadable materials and an interactive quiz - The Partnership Authorities regularly overhaul and maintain their waste related pages of the website. South Tyneside’s website recently won a national award for the content and usability of its waste related pages.
- Local radio campaigns with neighbouring authorities and commercial partners – In Sunderland a sponsorship arrangement with the breakfast show on Sun FM between May and August aimed to promote recycling and waste minimisation. It is estimated that relevant messages reached 107,000 adults (40% of the population of Sunderland adults) with each hearing the sponsorship credit around 40 times.
- Community presentations to promote services - Ad hoc presentations include Schools, women’s institutes, and visitor facilities.
- Regular issuing of posters and flyers promoting recycling – The new Blue Bin scheme promotions include use of poster sites, bus shelters and bus backs.
- Issuing press releases and articles for publication in Council magazines on a regular basis.
- Public surveys to measure interest/update.
- Working with WANE (Waste Aware North East) to develop Third Sector Working and Waste Minimisation activities.
- Produced a Waste Education Pack, including presentations to schools and local community groups on request.

Marketing Strategy for Waste Reduction

Since the OBC was drafted the Partnership’s plans for waste minimisation have changed somewhat in light of advice from Government agency WRAP. WRAP commissioned the research and development of a Marketing Strategy for waste reduction, reuse, and recycling for the Partnership in September 2009.

WRAP’s Marketing Strategy states that until we have improved recycling rates and successfully introduced our new ‘Blue Bin’ kerbside recycling system, we should not be carry out any waste minimisation activity. “In Year 1, the focus of the strategy needs to be exclusively on maximising the impact of the new kerbside recycling service provision.”

Once recycling rates have improved then “Year 2 should also now provide some scope for refreshing previous campaigns on waste prevention, once the new kerbside scheme has fully bedded in and started to show evidence of increasing participation. In particular in Year 2, priority should be given to the promotion of home composting, based on the analysis of the waste prevention workshop delivered by WRAP for the Partnership earlier this year (analysed further in the
description of activities for Year 3), but this will be limited to those households with gardens (70% max)."

The Marketing Strategy is attached as Appendix 3.3.

3.4 RECYCLING AND COMPOSTING
The OBC set out combined Recycling and Composting Targets for the Partnership to 2019/20 as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Per OBC</th>
<th>% of HHW</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>2014/15</td>
<td></td>
<td>45%</td>
</tr>
<tr>
<td>2019/20</td>
<td></td>
<td>50%</td>
</tr>
</tbody>
</table>

The Authority achieved the 30% household waste recycling/composting target in 2010 and will aim to achieve the future targets set out above.

Details of the Recycling initiatives introduced by the Partner Authorities since submission of the OBC are given in Section 2, Performance of Existing Services.

The Partner Authorities have ensured additional funding has been made available to improve the recycling and composting services and infrastructure and as a result significant increases in performance are expected to continue.

Set out in Table 3.1 below is the Partnership’s overall recycling and composting projections which includes the recycling performance from the Preferred Bidder’s waste flow model. As can be seen from the tables, the Partnership is predicting to exceed the Recycling and Composting Targets set out in the OBC by achieving a combined recycling and composting rate of 46.6% by 2014/15 and 51.6% by 2019/20.

Table 3.1 - Recycling and Composting Projections

<table>
<thead>
<tr>
<th>Year</th>
<th>FBC Figures - Recycling</th>
<th>FBC Figures - Composting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>% of HHW</td>
</tr>
<tr>
<td>2010/11</td>
<td>58,375</td>
<td>19.8%</td>
</tr>
<tr>
<td>2011/12</td>
<td>62,171</td>
<td>20.9%</td>
</tr>
<tr>
<td>2012/13</td>
<td>66,200</td>
<td>22.1%</td>
</tr>
<tr>
<td>2013/14</td>
<td>70,593</td>
<td>23.5%</td>
</tr>
<tr>
<td>2014/15</td>
<td>82,039</td>
<td>27.1%</td>
</tr>
<tr>
<td>2015/16</td>
<td>83,170</td>
<td>27.1%</td>
</tr>
<tr>
<td>2016/17</td>
<td>85,022</td>
<td>27.4%</td>
</tr>
<tr>
<td>2017/18</td>
<td>86,874</td>
<td>27.7%</td>
</tr>
<tr>
<td>2018/19</td>
<td>88,749</td>
<td>28.0%</td>
</tr>
<tr>
<td>2019/20</td>
<td>90,762</td>
<td>28.3%</td>
</tr>
<tr>
<td>2020/21</td>
<td>91,574</td>
<td>28.3%</td>
</tr>
<tr>
<td>2021/22</td>
<td>92,520</td>
<td>28.3%</td>
</tr>
<tr>
<td>2022/23</td>
<td>92,982</td>
<td>28.3%</td>
</tr>
<tr>
<td>2023/24</td>
<td>93,475</td>
<td>28.3%</td>
</tr>
<tr>
<td>2024/25</td>
<td>93,892</td>
<td>28.3%</td>
</tr>
<tr>
<td>2025/26</td>
<td>94,314</td>
<td>28.3%</td>
</tr>
</tbody>
</table>
### 3.5 LANDFILL OBJECTIVES

As part of their overall landfill reduction strategy, the Partner Authorities have awarded interim contracts for the following services:

- Materials Recycling Facility (MRF) – to sort and process the materials (paper, glass, cans, plastic, cardboard) from the new kerbside collection arrangements
- Green Waste treatment
- Wastes Management (including landfill).

The contracts were procured in partnership between the authorities to share the procurement costs but awarded individually to ensure each authority secured the best deal for themselves. The contracts were awarded largely in April 2010 for initial periods of three years with options to extend by up to three additional years. This afforded the Partner Authorities flexibility in respect of termination dates.

It is intended that longer term contracts for the above services will be procured to commence coincidental with SITA Consortium contract. This will not only secure economies of scale in respect of contract term but also enable synergies with the location of longer term waste transfer and treatment arrangements to be explored which may yield further economies.

The Partnership’s LATS Strategy is to:

- Procure residual waste treatment facilities to deliver all the Partnership’s LATS targets.
- Undertake a cost benefit view on the method of achieving targets pending the availability of the residual waste treatment facility.

Once the infrastructure provided by the PFI contract is operational this will completely meet the Partnership’s and each individual authority’s LATS obligations and provide a surplus for sale.

Each Partner Authority has a different position in respect of LATS surpluses and deficits.

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste Generated</th>
<th>Percentage</th>
<th>Waste Disposed</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2026/27</td>
<td>94,736</td>
<td>28.3%</td>
<td>78,555</td>
<td>23.4%</td>
</tr>
<tr>
<td>2027/28</td>
<td>95,158</td>
<td>28.3%</td>
<td>78,930</td>
<td>23.4%</td>
</tr>
<tr>
<td>2028/29</td>
<td>95,581</td>
<td>28.3%</td>
<td>79,305</td>
<td>23.4%</td>
</tr>
<tr>
<td>2029/30</td>
<td>96,504</td>
<td>28.3%</td>
<td>80,078</td>
<td>23.5%</td>
</tr>
<tr>
<td>2030/31</td>
<td>97,401</td>
<td>28.3%</td>
<td>80,858</td>
<td>23.5%</td>
</tr>
<tr>
<td>2031/32</td>
<td>98,305</td>
<td>28.3%</td>
<td>81,643</td>
<td>23.5%</td>
</tr>
<tr>
<td>2032/33</td>
<td>99,216</td>
<td>28.3%</td>
<td>82,433</td>
<td>23.5%</td>
</tr>
<tr>
<td>2033/34</td>
<td>100,133</td>
<td>28.3%</td>
<td>83,230</td>
<td>23.5%</td>
</tr>
<tr>
<td>2034/35</td>
<td>101,057</td>
<td>28.3%</td>
<td>84,033</td>
<td>23.5%</td>
</tr>
<tr>
<td>2035/36</td>
<td>101,988</td>
<td>28.3%</td>
<td>84,841</td>
<td>23.5%</td>
</tr>
<tr>
<td>2036/37</td>
<td>102,390</td>
<td>28.3%</td>
<td>85,230</td>
<td>23.5%</td>
</tr>
<tr>
<td>2037/38</td>
<td>102,827</td>
<td>28.3%</td>
<td>85,618</td>
<td>23.5%</td>
</tr>
<tr>
<td>2038/39</td>
<td>103,264</td>
<td>28.3%</td>
<td>86,006</td>
<td>23.5%</td>
</tr>
</tbody>
</table>
Sunderland City Council realised a surplus on its LATS allowances until 2009/10 which were not able to be traded and consequently cancelled. To meet a deficit in 2009/10 8,700 allowances were acquired. The Council expects to have an increasing deficit in each of the years, albeit mitigated by increased levels of recycling and an anticipated downward trend in waste arisings, until the Key Facility procured under the PFI becomes operational. The interim waste management contract awarded in January 2011 also provides for some treatment of waste. This should then permit consideration of the alternative options of treatment or acquisition of LATS allowances according to their relative costs (and availability) in order to meet targets from 2011 to 2014.

Gateshead Council achieved a surplus of LATS permits in 2009/10 which went unsold. The Council has allowed the existing landfill contract with SITA UK to run. This contract is subject to 2 years notice of termination exercised by either party. In consideration of the current waste flows with residual treatment, Gateshead Council predicts that it will continue to return a surplus on LATS until 2019/20.

South Tyneside Council is currently in LATS deficit and is likely to remain so until Service Commencement of the Key Facility procured under the PFI. Their interim Wastes Management Contract does not provide for any scheduled waste treatment and waste is taken to landfill. The contract does however feature the potential for residual waste treatment under ‘added value’ provisions which are currently being explored. South Tyneside will therefore consider either waste treatment under these added value provisions or the most advantageous cost of purchasing LATS permits in each year up to Service Commencement.

From Service Commencement, each Partner Authority’s LATS surplus will be calculated on the basis of tonnage treated at the Key Facility. The Partner Authorities will then offer surplus permits for sale. It should be noted that no account of potential income from the sale of LATS permits has been made in the Partnership’s financial modelling.

Set out in Table 3.2 below, is the Partnership’s overall BMW landfill projections which are based upon the Entec Waste Flow Model up to March 2013 and the SITA/CLL’s waste flow model from March 2013 to 2019/20. These figures do not reflect any recent sales/purchases of LATS permits by the Partner Authorities. The key change from the Reference Case BMW Performance data provided in the OBC, is the amount of BMW landfilled in 2013/14. In the OBC this was stated as 18,506 and in the table below it is stated as 132,770, giving a variance of -114,265. This is due to the Service Commencement Date of March 2014 which is later than that anticipated in the OBC.

The Partnership have provided updated LATS Performance tables at Appendix 3.4 detailing a summary of each of the partners projected LATS liabilities including residual waste treatment and no residual waste treatment which gives a direct comparison with table 3.3 provided in the OBC and an OBC Reference Case comparison with SITA/CLL’s Model.
Table 3.2 - Partnership’s overall BMW landfill projections

<table>
<thead>
<tr>
<th>Year</th>
<th>LATS Allowance</th>
<th>BMW Landfilled</th>
<th>Surplus/ (Deficit)</th>
<th>Surplus/ (Deficit) as Stated in OBC</th>
<th>Variance Between OBC and FBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/10</td>
<td>165,066</td>
<td>163,629</td>
<td>1,437</td>
<td>-10,906</td>
<td>12,343</td>
</tr>
<tr>
<td>2010/11</td>
<td>146,693</td>
<td>154,387</td>
<td>-7,694</td>
<td>-24,528</td>
<td>16,834</td>
</tr>
<tr>
<td>2011/12</td>
<td>128,319</td>
<td>151,519</td>
<td>-23,200</td>
<td>-29,959</td>
<td>6,759</td>
</tr>
<tr>
<td>2012/13</td>
<td>109,946</td>
<td>148,327</td>
<td>-38,381</td>
<td>-37,966</td>
<td>-385</td>
</tr>
<tr>
<td>2013/14</td>
<td>105,230</td>
<td>132,770</td>
<td>-39,311</td>
<td>86,724</td>
<td>-126,035</td>
</tr>
<tr>
<td>2014/15</td>
<td>100,514</td>
<td>11,415</td>
<td>89,098</td>
<td>82,216</td>
<td>6,883</td>
</tr>
<tr>
<td>2015/16</td>
<td>95,797</td>
<td>11,569</td>
<td>84,229</td>
<td>77,711</td>
<td>6,517</td>
</tr>
<tr>
<td>2016/17</td>
<td>91,081</td>
<td>11,728</td>
<td>79,353</td>
<td>74,473</td>
<td>4,880</td>
</tr>
<tr>
<td>2017/18</td>
<td>86,365</td>
<td>11,884</td>
<td>74,481</td>
<td>69,987</td>
<td>4,494</td>
</tr>
<tr>
<td>2018/19</td>
<td>81,649</td>
<td>12,039</td>
<td>69,609</td>
<td>65,217</td>
<td>4,393</td>
</tr>
<tr>
<td>2019/20</td>
<td>76,933</td>
<td>12,179</td>
<td>64,754</td>
<td>60,453</td>
<td>4,301</td>
</tr>
</tbody>
</table>

Table 3.3 Levels of diversion to be achieved by the proposed solution.

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected diversion performance Per OBC (Tonnes)</th>
<th>Projected diversion performance Per FBC (Tonnes)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MSW</td>
<td>BMW</td>
</tr>
<tr>
<td>2014/15</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2015/16</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2016/17</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2017/18</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2018/19</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2019/20</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2020/21</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2021/22</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2022/23</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2023/24</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2024/25</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2025/26</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2026/27</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2027/28</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2028/29</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2029/30</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2030/31</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2031/32</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2032/33</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2033/34</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2034/35</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2035/36</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2036/37</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2037/38</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2038/39</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

¹ Based on the Preferred Bidder’s solution.
3.6 APPRAISAL OF TECHNOLOGY OPTIONS FOR RESIDUAL WASTE TREATMENT

In the OBC the Partnership advised that it wished to be technology neutral and explore what the market could provide as the Options Appraisal had identified several contender technologies in the local area.

There has been no change to this approach.

The Partnership stated in its Descriptive Document issued at ITPD:

“The Partnership’s approach to this procurement is technology neutral.

While the reference project was based upon EfW with CHP this will not influence the Partnership’s decision on the chosen technology. Bidders will be invited to submit proposals based upon the technology solution that is the best fit with the Partnership’s Output Specification and the Evaluation Criteria as determined through the CD process.”

The Output Specification which developed into Schedule 2 of the Contract was based upon WIDP guidance and developed on the basis of primary outputs as opposed to specific technology options. The Partnership’s evaluation criteria applied to Schedule 2 are broadly in line with those used in the Options Appraisal in the OBC. The scope of evaluation was extended within Schedule 2 to reflect WIDP guidance on the production of Output Specifications.

The key area within the Evaluation Criteria (Refer to Appendix 4.2) where Bidder’s technical proposals were evaluated was under “Suitability of the Proposed Solution and Operating Performance”. The Partnership’s approach clearly demonstrated that while the fundamental requirement of the procurement was to secure “Contract Waste Diversion and Recovery Performance”, Bidders’ proposals which included “Recycling and Composting Performance” would be considered favourably thereby confirming to Bidders that the criteria used were technology neutral.

3.7 ENVIRONMENTAL IMPACT

3.7.1 - Carbon Reduction
The proposed solution for the treatment and disposal of residual municipal waste is consistent with the need to reduce our carbon pollution and protect our communities from the detrimental effects of climate change.

Each of the three Partner Authorities is actively seeking to reduce carbon production and the proposals for waste treatment complement these actions.

Sustainable Community Strategies
Since the OBC was approved each of the partner authorities have published their Sustainable Community Strategy which identify priority areas for improvement. Each of these policy documents – ‘The Sunderland Local Area Agreement’, Gateshead’s ‘Vision 2030’ and the ‘Spirit of South Tyneside’ highlight the environment as a priority area.
The Covenant of Mayors
All Partner Authorities committed to the ‘Covenant of Mayors’ in January /February 2009.

This is a European Commission led project which unites towns and cities across the continent to allow local authorities to work together, share ideas and strategies to create energy-efficient and low-carbon cities.

As signatories, the Partner Authorities have formally committed to go beyond the objectives of EU energy policy in terms of reduction in CO2 emissions – currently 20% by 2020 - through enhanced energy efficiency and low carbon and renewable energy production and use.

The other nine councils in the region are also signatories to the Covenant which made the North East of England the first region in the UK and Europe to sign up to this ambitious initiative.

As a requirement each Partner Authority has developed a Sustainable Energy Action Plan (SEAP) to set out how the reduction in CO2 emissions will be achieved.

- South Tyneside submitted their outline SEAP to the EU Covenant of Mayors office in February 2010. The plan was endorsed at South Tyneside’s Cabinet meeting on 8 September 2010.
- Gateshead have submitted their action plan to Europe. The plan was endorsed at Gateshead’s Cabinet meeting on 19 October 2010.
- Sunderland’s action plan was confirmed by the EU Covenant of Mayors in February 2010.

Carbon Management Plans
Each Partner Authority has an agreed Carbon Management Plan that represents the Councils’ firm commitment to mitigating Climate Change at a local level. They set out the Councils’ ambitions to reduce carbon emissions by changing policy, practices and behaviour to help lead the way and make the area a better and more sustainable place.

Gateshead Council launched its Carbon Management Plan in April 2009. Gateshead’s plan recognises that around 100,000 tonnes of household waste is produced. Of this about a third is recycled and two thirds sent to landfill - enough to fill Gateshead International Stadium. This is higher than rates in the rest of the UK.

Gateshead’s Carbon Management Plan commits the council to reducing CO2 by 35% by 2014.

Sunderland adopted their first Carbon Plan in April 2007 to cover the period up to 2012. In January 2010, the Council adopted a new, Council-wide Sustainability Policy. This policy now includes an increased carbon reduction target, where the Council will aim to reduce its emissions by 30% by 2020.

South Tyneside’s Carbon Management Plan was adopted by Cabinet in 2006. This plan is now under review to re-align it with national, regional and local targets and to reflect current strategies and initiatives.
Climate Change Strategies
Sunderland’s Climate Change Action Plan was adopted in November 2008, and is the framework through which Sunderland will work to reduce carbon emissions from the City as a whole.

The plan was refreshed in January 2010 and Sunderland is now aiming to cut carbon emissions within the Borough at least 34% by 2020 (compared to 2005), to align itself with the new UK Low Carbon Transition Plan (July 2009). This is an increase from the 26% target agreed previously.

South Tyneside’s Environment Strategy 2008-2011 was adopted by Cabinet in July 2008. The Strategy sets out the Council’s overall vision for the environment and runs in parallel with its Climate Change Strategy, published in 2009. The Environment Strategy makes clear links with the JMWMS and the aims of reduced waste, increased recycling and reduced levels of waste going to landfill.

Gateshead adopted its Climate Change Strategy in 2010 updating and replacing the Local Agenda 21 Strategy first agreed in 2000. The strategy identifies that the key priorities for effective implementation of the strategy include mitigating the effects of climate change by reducing waste and improving recycling rates.

Fig 3.1 illustrates the fit between the JMWMS and local carbon management strategies
The Carbon Trust Standard
The positive outcomes these carbon initiatives are achieving is evidenced by the Carbon Trust Standard that is only awarded to organisations that measure, manage and reduce their carbon footprint. Organisations that achieve the Standard are taking real action to reduce their direct impact on climate change.

To achieve the Carbon Trust Standard organisations need to meet the following criteria:

- **Footprint measurement**: they must be measuring their footprint accurately and include all required emission sources.
- **Reduction**: they must achieve an absolute reduction in the carbon footprint or relative reduction in relation to the organisation’s expenditure.
- **Carbon management**: carbon governance, accounting, reduction methods and targets of the organisation must be shown to meet the required standard.

In November 2009 South Tyneside Council achieved the Carbon Trust Standard for 100% of its operations.

Gateshead Council was also awarded the Carbon Trust Standard in November 2009. The Council achieved a relative reduction in carbon emissions. This means that over the three-year period the Council’s expenditure and activity increased significantly but its carbon emissions showed a relative decrease.

### 3.7.2 - WRATE

At OBC stage a WRATE evaluation was undertaken to assess the environmental impact of a range of ten options;

- Landfill (Baseline);
- Anaerobic Digestion of all putrescible wastes;
- Anaerobic Digestion of all residual wastes through a biostabilising MBT-AD process;
- Mechanical Biological Treatment of all residual wastes producing an RDF that is combusted in an Energy from Waste plant;
- Mechanical Biological Treatment of all residual wastes producing a stabilised material for landfilling;
- Autoclaving of all residual wastes with the fibre being combusted in an Energy from Waste plant;
- Combusting all residual wastes in an Energy from Waste plant with electricity recovery only;
- Combusting all residual wastes in a Gasifier recovering electricity;
- Aerobic Digestion of all residual wastes through an MBT facility producing a material for landfill engineering; and
- Combusting all residual wastes in an Energy from Waste Combined Heat and Power plant recovering both electricity and heat.

The modelling was based on managing the whole municipal waste stream for the three Authorities (Gateshead, South Tyneside and Sunderland). Generic assumptions were made around the distance to markets and disposal points for the materials produced by the solutions based on the prevailing market conditions. The assessments were based on the Waste and Resources Assessment Tool for the
Environment (WRATE) standard technologies or the EA provided technologies where CHP was incorporated.

The WRATE models submitted during the evaluation phases of the project have been based on managing only the residual waste streams as the management of the remaining elements of the municipal waste was assumed to be consistent for all solutions. Since the OBC modelling was undertaken an updated version of WRATE (V2.0.1.4) has been issued with revised background databases and allocations for various elements within the different standard technologies. This change in the version of WRATE means that the results are not directly comparable, although through maintaining the underlying background assumptions the impacts of this are minimised.

The SITA Consortium has provided a detailed WRATE model. Entec has reviewed the WRATE model, and is satisfied that the model suitably represents the SITA Consortium solution. Within the model the SITA Consortium use User Defined Processes to accurately represent the EfW technology proposed with regards to the use of operational materials, energy and fuel inputs, energy and recyclables recovered and direct emissions. The model also includes actual locations for the off-take of their materials providing a more representative solution in terms of the transport impacts. The WRATE model reflects the solution proposed by SITA Consortium, and as such does not include any potential benefits of a proposed heat off-take solution, a sensitivity analysis has been supplied that does reflect the benefits that would be associated should this be achieved.

The SITA Consortium solution produces significant environmental benefits against all six environmental indicators within WRATE (Global Warming, Acid Rain, Eutrophication, Aquatic Ecotoxicity, Health and Resource Depletion). The overall reduction in Global Warming Emissions for the project is expected to be in the region of 1.3m – 1.75m tonnes of CO₂ equivalent over the duration of the 25 year contract depending on whether or not the heat offtake can be secured.

3.7.3 - Combined Heat and Power
The Partnership’s technology neutral approach left Bidders free to incorporate CHP should they consider it deliverable, and beneficial in terms of evaluation of their Bids.

The Partnership is a member of the WIDP CHP Club taking an active role in meetings during late 2009/early 2010. The Partnership outlined the progress both remaining Bidders were making towards incorporating CHP in their solutions.

The SITA Consortium solution involves a direct connection to the national grid via GDF-Suez and a deal has been finalised in this respect.

The Key Facility will be CHP enabled. Therefore, to maximise efficiency and value from the Contract Waste, there is the potential to make optimum use of the heat created from the EfW process.

The Key Facility will be fully capable of generating both power and heat as steam and hot water. The site is in the heart of an industrial complex, which has uses for heat within the processes, space heating and glasshouse heating. The use of
energy from the Key Facility will offset the use of fossil fuels and thereby provide significant environmental and resource efficiency benefits. The facility is being designed with high resource efficiency. Even in its ‘power only’ mode, it will achieve the “R1” Recovery classification. When operating in CHP mode, the overall efficiency will remain higher than most existing EfW plant currently operating in the UK. The use of heat will improve the efficiency of the process and thereby help to increase the offset of fossil fuels.

In order to save fossil fuel or electrical power, warm water generated by the process will be used for heating purposes for the office building at the Key Facility. The SITA Consortium will continue to pursue a commercially viable heat off-take solution with a view to optimising the plant efficiency.
SECTION 4 - PROCUREMENT PROCESS AND VALUE FOR MONEY ASSESSMENT

4.1 INTRODUCTION
The legal basis under which the procurement has been conducted is the EU public procurement regime pursuant to the Public Contracts Regulations 2006 (SI 2006/5) (as amended) using the competitive dialogue procedure.

A contract notice was placed in the Official Journal of the European Union (OJEU) in September 2008 to invite expressions of interest from potential bidders. Those expressions were streamed by a pre-qualification questionnaire (PQQ) exercise (supported by a Descriptive Document which informed Candidates of the nature of the project). Those PQQ submissions submitted by the twelve interested Candidates were evaluated in terms of economic and financial standing and technical capacity etc. to create a longlist of eight prospective bidders.

The longlisted bidders commenced the competitive dialogue phase in parallel discussions with the Partnership by receiving an Invitation to Participate in Dialogue (ITPD) (with an accompanying preliminary draft Output Specification) and their ISOS submissions focussed on their technical solution. Such submissions were evaluated and the three remaining bidders moved to the Invitation to the Invitation to Continue Dialogue (ITCD) stage where they were furnished with a full suite of contractual documents including comprehensive drafts of the Project Agreement, Output Specification and Payment Mechanism.

The three bidders continued in dialogue to explore commercial positions and narrowed down commercial issues as they prepared their ISDS bid submissions. The Partnership elected to deselect one bidder after ISDS bid evaluations. The dialogue continued until the Partnership was content there were no major commercial issues remaining and issued a call for final tenders.

4.2 OVERALL STRATEGY FOR PROCUREMENT
There have been no changes to the overall procurement strategy since OBC submission and the Technical Section includes reference to the letting of bridging Ancillary Contracts.

4.3 OUTPUT SPECIFICATION FOR THE PROJECT
The Output Specification submitted with the OBC was developed before WIDP guidance was published and therefore the current Output Specification has been amended in line with the latest guidance. However, the key assumptions provided in Table 4.2 of the OBC, largely still apply in the current Output Specification.

The Partnership has remained technology neutral throughout the procurement process and therefore the specification is based on the primary outputs required rather than specific technology options.

The current Output Specification (Schedule 2 – Authority’s Requirements) is based on the WIDP Residual Waste Procurement Pack Module 5 Part 2 Output.
Specification Drafting published in August 2008. The Partnership has complemented this drafting with Partnership specific drafting and the final version has been further developed and updated through the procurement process including dialogue with Bidders. The Partnership has also amended Part B Performance Measurement Framework to include a Performance Standard Failure Points allocation to a Points Bank with agreed threshold limits during a defined period. The principles applied in this framework were included in the Output Specification submitted with the OBC.

The key changes between the OBC Output Specification and the FBC Output Specification can be summarised as follows:-

- Deletion of the Introduction, Overall Service Objectives and Scope of Service from the OBC Output Specification which were incorporated within the Descriptive Document at ITPD.
- Transition from six Service Output sections in the OBC Output Specification to four key Performance Requirements split into Works, Commissioning, Services and Handback Requirements in the FBC Output Specification.

4.4 PRE-QUALIFICATION
The twelve Candidates at the Pre-Qualification Stage were:

- Alex Smiles Ltd
- First London Power Ltd
- Graphite Resources/Biffa
- MVV Umwelt GmbH
- Novo Development Company, LLC
- Orchid Environmental Ltd
- Shanks Waste Management Ltd
- SITA UK /CLL
- United Utilities Networks Ltd
- Urbaser S.A.
- Veolia Environmental Services (UK) Ltd
- VT Environmental Engineering

Four Candidates were rejected for the following reasons:

- Alex Smiles Ltd  (Reasons for rejection not for publication)
- First London Power Ltd  (Reasons for rejection not for publication)
- Novo Development Company, LLC  (Reasons for rejection not for publication)
- Orchid Environmental Ltd  (Reasons for rejection not for publication)
4.5 THE OUTLINE SOLUTIONS STAGE OF COMPETITIVE DIALOGUE
The eight Bidders and technologies at Outline Solutions Stage were:

- Graphite Resources/Biffa – Autoclave (2 solutions – Derwenthaugh and Abbotsford Rd)
- MVV Umwelt GmbH - EfW
- Shanks Waste Management Ltd - MBT
- SITA UK /CLL – EfW (2 solutions – Abbotsford Rd and Haverton Hill)
- United Utilities Networks Ltd – Gasification (Galliford Try pre qualified as consortium member)
- Urbaser S.A. – EfW (Withdrawn)
- Veolia Environmental Services (UK) Ltd – EfW (Withdrawn)
- VT Environmental Engineering - Autoclave

The evaluation methodology used to appraise the outline solutions submitted including the weighting applied to each criteria and the scoring system is set out at Appendix 4.1a and 4.1b.

4.6 THE DETAILED SOLUTIONS STAGE OF COMPETITIVE DIALOGUE
The three Bidders taken forward to Detailed Solutions Stage were:

- MVV Umwelt GmbH
- SITA UK /CLL
- United Utilities/Galliford Try

There were no changes to the technical solutions proposed at ISOS save that SITA/CLL proceeded with only one of their solutions namely at Haverton Hill.

The evaluation methodology used to appraise the detailed solutions submitted including the weighting applied to each criteria and the scoring system is set out at Appendix 4.2.

The performance of the technical solutions against the evaluation criteria and the overall appraisal of the shortlisted bids in relation to the evaluation criteria is set out in the table at Appendix 4.3.

There were no material changes during the evaluation of the shortlisted bids that affected the appraisal process.

MVV Umwelt GmbH were deselected as their submission was evaluated as having the highest economic cost of the three Bidders.

4.7 THE REFINED SOLUTIONS STAGE OF COMPETITIVE DIALOGUE
The Partnership did not issue a formal ISRS to the two shortlisted Bidders (SITA/CLL and UU/GT) but continued in dialogue following an extensive Gap Analysis, recording dialogue in respect of each gap/issue identified.

The two Bidders were requested to provide dummy submissions of their Service Delivery Plan which have been the subject of review and dialogue.
Modelling Workshops have been held in relation to Financial Models and Sensitivity Analysis.

The proposed derogations from the Main Contract and Schedules have been approved by Defra and HM Treasury.

Close of Dialogue occurred on 21 July 2010 following the appropriate written confirmation from the Head of WIDP’s Commercial Team.

4.8 THE CALL FOR FINAL TENDERS
The Call for Final Tenders was issued to SITA/CLL and UU/GT on 21 July 2010. The evaluation methodology used to appraise the Tenders including the weighting applied to each criteria and the scoring system is set out in Appendix 4.4.

4.9 THE SOLUTION PROPOSED BY THE PREFERRED BIDDER
The SITA CLL solution comprises an Energy from Waste Facility (Key Facility) to be located in Teesside fed by waste from three Waste Transfer Stations, largely one for each of the Partner Authorities.

The new Energy from Waste Facility will be located adjacent to an existing SITA UK owned and operated EfW facility at Billingham, Teesside. The existing facility comprises a three-line EfW plant treating waste from the Teesside and Northumberland areas – line 3 being the product of a PFI based contract with Northumberland County Council.

This new Energy from Waste Facility will comprise twin line reciprocating gate technology (lines 4 and 5) with a total nominal capacity of 256ktpa and will be configured to enable the future delivery of combined heat and power (CHP). The plant will be connected to the national grid and capable of exporting 18.84MWe at the design point. The existing EfW facility provides first option contingency for lines 4 and 5. The location of the facility also allows for possible future delivery of waste by rail. Bottom ash treatment will be undertaken at the adjacent facility which currently treats bottom ash from the existing plant. The Energy from Waste Facility will also provide reception facilities for visitors.

There is a significant difference between the capacity required by the Authority and the capacity of the facility proposed by the Preferred Bidder.

The difference (68,000 tpa on average) is due to additional third party capacity which brings financial benefit to the Partnership. The Preferred Bidder offer provides for significant value through the inclusion of a guaranteed level of third party to reduce the unitary charge payable. Excess third party income earned from the spare capacity will be subject to sharing with the Partnership in accordance with the Payment Mechanism.

WIDP have been engaged throughout in providing assistance in ensuring that the additional capacity is both deliverable and acceptable to funders who have undertaken their own due diligence.
The EfW will be provided under a turn-key contract by EPC Contractor Hitachi Zosen Inova AG, who have 50 years experience in the field and 12 operational plants throughout Europe.

The three proposed waste transfer stations involve:
- Refurbishment of the existing facility at Middlefields, South Tyneside.
- Demolition of the former waste incinerator and temporary waste transfer station at Campground and provision of a new waste transfer station including a Visitor and Education Centre and regional offices. This site is located in Sunderland but owned by Gateshead Council
- Construction of a new waste transfer station at Jack Crawford House, Sunderland which is an existing highways depot for the council.

Each waste transfer station is equipped with twin weighbridges and low level loading ramps to optimise transport pay-loads. The facilities are equipped with moveable push walls to optimise waste segregation and 3% of Contract Waste will be recycled at the waste transfer stations including metals, wood, plastic, street sweepings and fly-tipping. The consortium has guaranteed a minimum 2.2% NI192 complaint recycling.

The waste transfer stations will be constructed by sub-contractor Bovis Lend Lease.

The SITA CLL solution is projected to achieve 95.2% overall landfill diversion and the diversion of 95.6% of biodegradable municipal waste from landfill. The solution will produce the following outputs:
- Exported electricity – 18.84MW
- Incinerator bottom ash – 98% recycled
- Air Pollution Control Residues – non recycled with future potential
- Recyclables - 2.2% (NI192).

Table 4.1- Facilities proposed by the Preferred Bidder

<table>
<thead>
<tr>
<th>Proposed Facility</th>
<th>Number of Proposed Facilities</th>
<th>Capacity of Facility (t/pa)</th>
<th>Operational Commencement Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rebuild Campground Transfer station (Gateshead/Sunderland)</td>
<td>1</td>
<td>90,000</td>
<td>December 2013</td>
</tr>
<tr>
<td>Refurbish Middlefields Transfer Station (South Tyneside)</td>
<td>1</td>
<td>65,000</td>
<td>November 2013</td>
</tr>
<tr>
<td>New Jack Crawford House Transfer Station (Sunderland)</td>
<td>1</td>
<td>85,000</td>
<td>January 2014</td>
</tr>
<tr>
<td>Energy from Waste Facility</td>
<td>1</td>
<td>256,000 (twin stream)</td>
<td>April 2014</td>
</tr>
</tbody>
</table>
A letter from the Partnership’s Technical Adviser endorsing the robustness of the proposed technology and design is attached as Appendix 4.5.

4.10 PROCESS FROM PREFERRED BIDDER TO FINANCIAL CLOSE

From announcement of Preferred Bidder, the Partnership has proceeded to fine tune, clarify and confirm commitments with the Preferred Bidder who will proceed through Credit Committee Approvals with its chosen club of banks in preparation for Financial Close in April 2011.

The Preferred Bidder’s Funders have completed all due diligence practicable at this stage, working closely with Linklaters (legal) and Mott Macdonald (technical). The letters of support provided by the funders confirm the project has the full support of senior management and that no issues have been raised by their credit process. It is anticipated that full credit committee approval can be secured in accordance with details provided within the final tender by Financial Close.

Letters of support provided by the funders confirm their confidence that the proposed transaction is deliverable within the current timetable.

Extensive sensitivity analysis has been undertaken by the funders and the outputs have been summarised in Appendix E to the financial model along with brief comments about any assumptions that have been made. Sensitivities have been used to ensure the IRR has been set at an appropriate level to offer the best VFM whilst being acceptable to the sponsor boards.

The Preferred Bidder has confirmed that the sponsors considered the following risks in their assessment of the project:

- Power Price and Production – Production guaranteed, floor price guaranteed by SITA.
- Planning/Permitting – Planning granted for EfW.
- Ground Conditions – Passed to Hitachi Zosen Inova AG and included within the agreed capex.
- Timetable – Based on Line 3 experience.
- APCR Market Test – Not possible to secure long term outlet, risk is mitigated by Market Testing.
- Performance Framework – Calibrated so deductions are now on-market.
- Points Bank – Risk accepted by SITA UK.
- Diversion Target – Based on extensive experience.

The Preferred Bidder has agreed a Preferred Bidder Adjustment Protocol with the Partnership.
SECTION 5 - RISK MANAGEMENT, RISK ALLOCATION AND CONTRACTUAL STRUCTURES

5.1 INTRODUCTION
A Risk Schedule was attached to the OBC at Appendix 4.2. At Outline Solutions Stage the Partnership produced a Risk Allocation Matrix which is set out at Appendix 5.1. At Detailed Solutions Stage the Partnership produced a draft Contract which presented its optimal risk allocation. The Partnership is using the WIDP standard form residual waste treatment contract (consultation draft dated 10 June 2009 as updated in the Direction of Travel paper, December 2009) based on HM Treasury’s “Standardisation of PFI Contracts” (version 4) (“SoPC4”)

5.2 RISK MANAGEMENT
The Partnership’s overall approach to risk management has evolved since the submission of the OBC. The Partnership have worked closely with the Lead Authority’s Internal Audit Service to identify the key Project Risks and the necessary controls. The Internal Audit Service have also audited the Risk Registers on a regular basis and have helped to ensure that Risk Management has remained a key issue throughout the Project.

The original “Sub-Group Risk Registers” have been combined to produce a “Whole Project Risk register”. This approach allows the risks to the Project to be considered in the round, including their potential impact on every discipline, and has ensured that there is an effective and co-ordinated approach to risk management and mitigation.

The Project Risks are considered at the Partnership Project Team Meeting held fortnightly and are identified for discussion on the fortnightly Highlight Report circulated to the full Project Team.

Within the OBC the Partnership identified 10 strategic risks which are controlled as set out in the risk register at Appendix G. A brief update on these strategic risks was included at the stage of identifying the Preferred Bidder. The full “Whole Project Risk Register”, reviewed following the selection of the Preferred Bidder, is included at Appendix G(i).

At Financial Close a number of the Risks identified on the Risk Registers - Appendix G(i), will no longer form risks to the Project or the Partnership. This is due to the risk passing to the Bidder as they enter into the contract.

The following risks have also been identified as being a key Partnership risk in the period up to the date of Financial Close. A number of detailed scenarios have been modelled to ensure that the Partnership is aware of the potential impacts of significant changes to any of the following:

- Interest rates
- Foreign Exchange Rates
- Inflation (The split of the Unitary Charge subject to indexation will be determined at Financial Close)
5.3 RISK ALLOCATION MATRIX
The contractual position agreed with the Preferred Bidder is in line with the risk allocation matrix presented at ITPD stage to the Bidders and referred to in 5.1 above.

5.4 COMMERCIAL ISSUES NOT COVERED BY SOPC4
The Head of WIDP’s Commercial Team has signed off the commercial aspects of the deal that do not fall within the ambit of the derogations review including minimum and maximum tonnages, third party income sharing framework and the terms of the residual value arrangements.

5.5 PROJECT AGREEMENT AND OTHER CONTRACTUAL DOCUMENTS

Proposed Derogations
The derogations tables in respect of required drafting and guidance drafting in relation to the Preferred Bidder are attached at Appendix C1.

5.6 MARKETS FOR PROCESS OUTPUTS
A breakdown of the products and residues arising from the SITA CCL solution are provide in Table 5.1 below together with details of the primary markets and, in some cases, contingency markets. Details of SITA's existing regional supply chain partners and potential supply chain partners were also described who will be used to secure outlets and markets for each of the outputs.

Table 5.1 - Markets for Recovered Materials and By-products

<table>
<thead>
<tr>
<th>Recovered Material/ By product</th>
<th>Market</th>
<th>Product/Use</th>
<th>Contingency Markets</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulky and fly tipped wastes (various)</td>
<td>Vellco Malton – used tyres (letter of support provided)</td>
<td>Rubber crumb products</td>
<td>Credential Automotive – Newton Aycliffe (letter of support provided)</td>
<td>Recycled aggregate</td>
</tr>
<tr>
<td></td>
<td>BOC – gas cylinders</td>
<td>Re-used gas cylinders Wood fibre</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Riever/Egger – Tynedale (wood) (letter of support provided)</td>
<td>Recycled polymer</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aim to Recycle Gateshead – plastic</td>
<td>Stripped components</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Matrix Newcastle – WEEE</td>
<td>Valpak</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stripped components</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A guaranteed price for electricity is provided for the 25 year operational period, with a profit-share mechanism for any income received over and above this guaranteed rate as outlined in the SITA/CLL response to the Payment Mechanism.

The risks associated securing appropriate market outlets for recyclates and by products lies with SITA/CLL. Any reduction in landfill performance as consequence of market failure will result in deduction applied through the payment mechanism and performance management framework.

**5.7 BUDGETARY TREATMENT**

The OBC for this project was submitted prior to the change to International Accounting Standards for the public sector within the UK. However, in reaching the Closure of Dialogue, the Partnership submitted responses to the ESA 95 questionnaire. There have been no changes to the project since the Commercial Review was carried out by DEFRA.

The completed ESA 95 questionnaire is attached at Appendix K.
6.1 INTRODUCTION
The Partnership has continued to have in place project management and governance arrangements which are sufficiently robust to deliver this major infrastructure project.

In September 2008 Directors’ Board considered a report setting out proposed working arrangements for the Partnership for the procurement phase of the project. The report set out proposed changes to the meeting arrangements, developed in accordance with 4ps guidance on governance arrangements for PFI projects.

The report proposed that Partnership meetings will consist of:
- Joint Executive Committee
- Officer Project Board
- Partnership Project Team
- Negotiating Team
- Project Management Group
- Sub-Group Teams – including a new team for the ancillary procurements

The report is attached as Appendix 6.1.

These arrangements were implemented as from 3 November 2008 and have operated successfully throughout the project with the very slight exception that the ‘Negotiating Team’ has continued under the name of ‘Joint Advisers Group’.

In November 2008 Officer Project Board (previously known as Directors’ Board) considered and approved a more detailed document setting out the Terms of Reference and Constitutions that support the working arrangements of the Partnership. This document set out, in detail, the role of Members, key officers, and the various teams that were proposed in the September report.

This report and the ‘Terms of Reference and Constitutions’ document is attached at Appendix 6.2.

Evidence of the robustness of these arrangements is provided by the 4ps Gateway Review 2 report of 2 October 2008 which stated that “this project appears to be well managed, well focussed and well resourced”.

With regard to the role of Members the report went on to recommend that “The review team has observed the high quality and effectiveness of communication with members and recommends that this standard of communication with the JEC and all members is consistently maintained throughout the procurement process”.

The final report from the Gateway review is attached at Appendix 6.3.
The Partnerships response to the Gateway Review’s recommendations were reported to Joint Executive Committee on 30 January 2009 and are attached as Appendix 6.3(a).

6.2 LEGAL CONTEXT
The legal basis under which the procurement has been conducted is the EU public procurement regime pursuant to the Public Contracts Regulations 2006 (SI 2006/5) (as amended) using the competitive dialogue procedure.

6.3 PROJECT GOVERNANCE
The OBC concluded that the most suitable governance arrangement is an Administrative Arrangement Joint Executive/Committee with Lead Authority.

A Joint Executive Committee has been established with Gateshead as the Lead Authority. This is the decision-making committee for the Partnership, comprised of two councillors from each of the three authorities.

Each member is empowered to have the delegated authority of their respective Authority to make binding decisions in relation to the Project. In the event that any member is unable to make a decision the matter is referred to their respective Cabinets and a binding decision is made by the Cabinets.

The meeting is held every two months with the first meeting held in March 2008. This meeting agreed the Terms of Reference for the Committee attached at Appendix 6.4. To support and enable the joint working arrangements an Inter Authority Agreement (IAA) has been agreed between the three Partner Authorities to be executed at Financial Close. This is a legally binding joint working agreement, which sets out the corporate governance arrangements and commercial principles between the three participating authorities which shall apply from financial close. The Inter Authority Agreement is attached at Appendix 6.5. The IAA will be signed at Financial Close.

6.3.1 Agreement of Preferred Bidder and FBC
On 15 September 2010 the Preferred Bidder appointment was approved by the Cabinets of the three Partner Authorities, with a recommendation to full Council with regard to the required budget allocations. Cabinet reports are attached as Appendix 6.6. Relevant minutes from the meetings are attached as Appendix 6.6(a).

From announcement of Preferred Bidder, the Partnership has fine tuned, clarified and confirmed commitments with the Preferred Bidder. A report to the Cabinets of each of the three Partner Authorities in November 2010 approved the delegations necessary to facilitate completion of the contract. Cabinet reports are attached as Appendix 6.7. Relevant minutes from the meetings are attached as Appendix 6.7(a).

The Preferred Bidder will now proceed through Credit Committee Approvals with its chosen club of banks in preparation for Financial Close in March 2011.
6.4 PROJECT MANAGEMENT
The current structure of the Partnership Team is shown at Fig 6.1 below.

Team members working full time on the project make up the Project Team. These officers are shown in black. Other officers providing key supporting roles are shown in green. External advice is provided by the WIDP Transactor and Advisers who are shown in blue.

Fig 6.1 Partnership Team Structure

6.4.1 Changes to the Project Executives since OBC are:
- Tony Alder replaced Fiona Brown as the Project Director in April 2008. When Fiona left the authority Tony replaced her as Director of Local Environmental services, Gateshead, and took on the role of Project Director.
- Stephen Pickering, Deputy Director of City Services, now represents Sunderland on the Officer Project Board.
- Patrick Melia, Corporate Director of Business and Area Management now represents South Tyneside on the Officer Project Board.

Changes to the Project Team structure since the OBC are:
- The role of Ian Rutherford has been extended. He continues as Legal Lead but also co-ordinates the PFI procurement process and the work of the Joint Adviser Group.
• Jim Alprovich was seconded from Sunderland as Lead Project Manager and Technical Sub-Group Lead in April 2008. Jim had previously been involved in the project as Technical Lead for Sunderland
• Alan Townsend was seconded from Gateshead as Project Manager (Policy) on the departure of Catherine Lyons from the authority in July 2008. Alan is seconded from the Chief Executive’s Department and has a background of organisation reviews, Best Value Reviews and Performance Management.
• Johanna McCreadie was seconded from Gateshead as Project Manager (Programme) in February 2008. Johanna is seconded from the Development and Enterprise Group and has a background in planning, landscape architecture and programme management.
• Gary Smith was seconded from Gateshead as Project Manager (Technical) in April 2008. Gary has a Waste Management background and is a member of the Chartered Institute of Wastes Management.
• Jill Dobson was appointed as PR Manager in May 2008
• Administrative support is now provided by Steve Smith and Melissa McGarvie. This had previously been provided by Michael Richardson and Claire Gibson.

6.4.2 Previous PFI Experience
Ian Rutherford, PFI Procurement Co-ordinator and Legal Lead – led multi disciplinary project team for Gateshead Grouped Schools PFI delivering two secondary schools and four primary schools and advised on the joint South Tyneside/Gateshead Building Schools for the Future Project.

Johanna McCreadie, Project Manager (Programme) – Experience of working as part of the Design Bid Team for North Tyneside Councils PFI Schools. The bid was successful, gaining PFI credits for the construction of 4 schools - primary and secondary with a combined capital cost of £33.5 million.

6.4.3 Post-Close Arrangements

Governance
The Partner Authorities have agreed the governance arrangements for the Planning, Construction and Operational phases. These are set out in detail in the Inter Authority Agreement (IAA) attached as Appendix 6.5.

In terms of the need for decisions and other actions to be taken and carried out the IAA identifies the following three categories together with the means by which they will be taken:

• "Matter Reserved To The Authorities" – is a matter which will have to be referred to each Authority for an executive decision under the Local Government Act 2000 as amended by the Local Government and Public Involvement in Health Act 2007 and any such matter will not be dealt with by the Officer Project Board, Joint Executive Committee or the Lead Authority. If the Authorities fail to reach the same decision in respect of such matters then a dispute resolution procedure will be followed;

• "Joint Executive Committee Matter" – is a matter which it is expected that any or all of the representatives of each of the Authorities will be able to make a
decision upon at a quorate meeting of the Joint Executive Committee by those present and entitled to vote and have the power to bind the Authority it represents in doing so subject to the constitution and functions delegated to the Joint Executive Committee;

- "Officer Project Board Matter" - is a matter which is to be decided upon at a quorate meeting of the Officer Project Board by those present and entitled to vote and any such decision will be binding on all the Authorities.

The constitution of the Joint Executive Committee will be two voting members and one substitute member appointed from each Partner Authority. The Committee will hold at least two meetings a year. The JEC shall delegate operational functions to the Officer Project Board.

Representation at the Officer Project Board will consist of:
- a Chairperson, who will be a senior officer at executive director level
- the (three) Authority Lead Officers;
- the Project Director;
- the Project Section 151 Officer of the Lead Authority; and
- the monitoring officer of the Lead Authority.

The formal interface between the Authority and the Contractor will be via the establishment of a Liaison Committee (in accordance with Schedule 18 of the Project Agreement). This will consist of five representatives from the Authority, five representatives from the Contractor, a Chairman and, additional representatives as needed for particular matters to be discussed. The Committee will continue throughout the Contract Period.

The Partnership’s representatives on this Committee will be:
- the Authority Lead Officers;
- a legal officer; and
- a finance officer
The Contract Manager will also attend the Liaison Committee meetings as a non-voting representative

The functions of the Liaison Committee will be:
- to provide a means for the joint review of all aspects of the performance of the Contract;
- to provide a forum for joint strategic discussion and consideration of all aspects with regard to the Contract; and
- consideration of issues relating to:
  - Consents, Planning Applications and Environmental Permits;
  - the Construction Programme;
  - provision of the Services, including transition between the phases;
  - Authority Changes
  - etc.

The Partnership’s Project Team
Looking to the future the Partnership has agreed the establishment of the Project Team post Financial Close, has appointed people into these posts and, in so doing,
has ensured that there is continuity of individuals and experience from the procurement phase.

- On 30 July 2010 Officer Project Board considered a report setting out options for the structure of the Project Team during the ‘Planning and Construction’ phase. This report recognised different scenarios for the role and remit of the Project Team and, as a consequence, for the Team structure. The report is attached as Appendix 6.8.

- On 8 October Officer Project Board considered a report on the role of the of Contract Manager, post Financial Close. The report reflected best practice guidance and advised OPB of the outcome of investigations into the requirements of the role of Contract Manager for the Partnership. The report recognised the benefits of an early appointment of a Contract Manager and the dangers of a lack of continuity between procurement and contract monitoring. The report is attached as Appendix 6.9.

- On 19 November 2010 Officer Project Board considered a more detailed report setting out the proposed structure of the Project Team from Financial Close. This report reflected the different scenarios for the role and remit of the team set out in the 30 July report. The report is attached as Appendix 6.10.

In considering the report in November, Officer Project Board agreed to establish a Project Team to support ‘scenario 3’ which, in addition to overseeing the delivery of the main waste treatment facility and the waste transfer stations, includes facilitating the renewal of ancillary contracts and the development of closer joint working between the three Partner Authorities. (see section 2.1) The Project Team will:

- Monitor progress with the PFI contract during the construction phase
- Ensure a Clerk of Works and CDM function, appropriate to the key facility, is carried out.
- Conduct all day to day business for the Project to satisfy the Lead Authority’s obligations to the Contractor
- Prepare and keep up to date a draft Project Plan, work programme and resource plan for the Project
- Support the Liaison Committee and attend other progress meetings with SITA as needed
- Develop a contract monitoring manual
- Prepare reports for OPB as needed
- Liaise and consult with appropriate lead technical officers on issues in connection with the PFI project and on joint working issues
- Oversee progress with the Joint Municipal Waste Management Strategy (JMWMS)
- Carry out work involved in moving from the existing ancillary contract arrangements by each authority to the establishment of single contracts. This will include consideration of contract requirements suitable for each authority and the introduction of appropriate governance arrangements.
- Develop detailed proposals for joint working in relation to waste services.

The agreed structure of the Project Team is shown below with recognition of the additional specialist support that will be required.
Appointments have now been made to all posts in the Project Team and budgetary provision has been made by each of the Partner Authorities. Continuity has been ensured by making all appointments from individuals currently employed in the existing Project Team.

The Project Team structure will be reviewed prior to operational commencement.

**Working Together**

In addition to the formal arrangements for post Financial Close it is proposed to establish a more informal, **Project Control Group** (PCG) which will bring together key officers of the Partnership and key decision-makers from the SITA Consortium in order to take the project forward and monitor progress through design, planning, construction delivery and service delivery phases.

Each of the Partner Authorities will be represented in the PCG structure to ensure they can clearly articulate their own requirements, appropriately channelled through the Partnership’s nominated Project Director. The PCG will ensure the following activities are managed:

- Set both long term and short term goals bounded in a performance regime that ensures delivery;
- Set strategic objectives within the context of the contractual structure; and
- Lead the resolution of issues and the communications agenda

Initially PCG meetings would occur on a monthly basis, chaired on an alternate basis by the Partnership and the SITA Consortium. Agenda items, work plans and major milestones would be agreed and owners of the actions would be assigned. The regular PCG meetings would be supplemented with quarterly presentations attended by senior shareholders and decision-makers.
The SITA Consortium have indicated that, using their experience of other Public Private Partnerships, they will actively work with the Partnership to create constructive and functional Partnership Charters, to actively promote the benefits of partnering and ensure that together we achieve the common set of objectives and a successful long term relationship. The Project Control Group will work collaboratively to develop these Partnership Charters.

The SITA Consortium have submitted their outline Mobilisation Plan for agreement by the Partnership. The aim of the Mobilisation Plan is to ensure that there is a smooth and effective transition of the Partnership’s existing waste collection services from the current delivery points, whether they be transfer stations, treatment facilities or landfill sites, to the new facilities at Campground, Middlefield and Jack Crawford House, prior to transfer to the Key Facility.

This outline mobilisation plan will be updated and finalised to become the operational plan 12 months before the planned Service Commencement Date (March 2014) and will include all of the relevant key milestone activities and dates. The Plan is attached as Appendix 6.11.

One of the key pieces of work for the Project Team is the development of a Contract Manual.

WIDP are to issue guidance on the content of a contract monitoring manual and training for Partnership officers in relation to this is being arranged. The Partnership’s intention is to follow WIDP guidance and in this respect the content of the manual is expected to include the following:

**Section A**
- Introduction
- Preparing for Contract Management
- Contract Administration
- The relationship with the contractor
- Managing stakeholders
- Information management
- The transition plan
- Ongoing quality assurance arrangements
- Termination and handback arrangements

**Section B**
- Writing The Contract Management Manual
- Planning period
- Construction period
- Commissioning period
- Services period
- Expiry or termination of contract
- Miscellaneous contract provisions
Health Check
In December 2010 the Partnership was subject to a Local Partnerships Health Check to review its readiness for contract management. The Health Check focused specifically on the Partnership’s proposals surrounding the contract management arrangements for the PFI project - post financial close. The Scope of the review covered the following aspects:

- Contract management proposals
- Organisational Structure
- Governance
- Client side approach
- Performance Management proposals
- Risk Management approach
- Stakeholder Management

The final report concluded that “Overall the project is in a strong position to succeed but it is essential that these high standards are maintained over the next few years and beyond”. The Local Partnerships’ report is attached as Appendix 6.12.

6.5 ADVISERS
The Partnership has appointed external Advisers, post OBC, in relation to Legal, Technical, Financial, Planning and Risk matters as follows:

- Legal – Pinsent Masons (as OBC)
- Planning – Entec UK (as OBC)
- Technical – Entec UK
- Financial – Deloitte
- Risk - Willis

The CVs of those Advisers not included in the OBC are attached at Appendix 6.13. This includes some additions to the existing adviser team at Pinsent Masons and Entec UK (Planning).

External Adviser contracts enable future use of those Advisers in respect of any matters directly related to the contract. The Partner Authorities have agreed a budgetary allocation of £100,000pa to obtain any such external advice if needed.

6.6 WIDP SUPPORT
We are in final discussions with our Transactor, Mike Pugsley, in relation to signing the Memorandum of Understanding which will be completed and signed in advance of Financial Close.

6.7 OUTLINE OF PARTNERSHIP ARRANGEMENTS WITH OTHER WDAS
The Partnership has documented its Inter Authority Agreement for the operational phase of the PFI project following Financial Close. The Agreement is attached as Appendix 6.5. (See section 6.3).

6.8 DISTRICT INVOLVEMENT
Gateshead, South Tyneside and Sunderland are all Unitary Authorities and no District Councils are involved in the procurement.
SECTION 7 - SITES, PLANNING AND DESIGN

7.1 INTRODUCTION
Within the North East region, there are currently only a small number of national and local companies providing any significant waste management services. It was therefore recognised at an early stage in the procurement project that in order to attract a wide range of bidders, including companies new to the region, the Partnership needed to ensure that all should be able to bid on the same basis.

The Partnership recognised that a key part in the procurement process is the necessity to acquire a controlling interest in sites prior to commencement of procurement and to ensure the planning process is advanced as far as is practicable before calling for Final Tenders, in line with Defra guidance.

In support of this, a Planning and Sites Sub-group of officers from across the Partnership was established, incorporating waste planning and technical officers, and officers from property services. The major remit of this sub-group was to ensure that the process of site selection and control was in place in readiness for procurement.

The Partnership appointed planning advisers in July 2007 to review and refine the site selection work carried out by the planning and sites sub-group. The review confirmed an agreed set of planning criteria for the site selection work which fully reflected the principles and policies in Planning Policy Statement 10 (PPS 10), the Regional Spatial Strategy (in place at the time) and the local development plans. Potential sites for waste facilities have been assessed against these criteria. The assessment resulted in a short list of sites suitable for a strategic waste facility and additional facilities. Consideration of operational requirements and land ownership has allowed a sufficient number of sites within the partnership area to be identified and procured.

The Preferred Bidder proposes to use the following sites:
- Haverton Hill Road, Billingham, Tees Valley
- Middlefields, South Tyneside
- Jack Crawford House, Sunderland
- Campground, Gateshead/Sunderland boundary

7.2 SITE STRATEGY
To ensure a supportive planning context and appropriate site allocations, the Partnership has engaged in the preparation of the local development plan documents.

In addition the assessment of Planning Strategy in the WIDP Planning Health Framework has been done and a matrix of the responses is attached at Appendix F.

The Preferred Bidder has secured planning permission for the Key Facility. However, the Preferred Bidder’s solution will require planning applications for Waste
Transfer Stations to be made and submitted to Sunderland and South Tyneside planning authorities.

7.2.1 Development Plans and Frameworks
The Partner Authorities are committed to a realistic and responsible approach to planning for waste management. The authorities are aware of the implications of planning on the procurement process and are working with planning officers within the authorities to ensure that the emerging planning frameworks support the aims of the long-term waste management procurement solution.

7.2.2 Local Development Frameworks
The authorities are currently at different stages in the development of their Local Development Frameworks. The position of the two Authorities is summarised in Table 7.1 below.

Table 7.1 Position on Planning Frameworks in the Partnership 2010

<table>
<thead>
<tr>
<th>Current Position</th>
<th>Sunderland</th>
<th>South Tyneside</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Future Position</strong></td>
<td>Core Strategy - publication of revised Preferred Options October 2010. Adoption proposed for 2011.</td>
<td>Site Allocations DPD proposed for submission in 2011 and adoption in 2012.</td>
</tr>
</tbody>
</table>

There is not a complete set of adopted Core Strategy and Site Allocation DPDs in place, however, the authorities have put steps in place to ensure that the emerging framework documents do reflect their requirements.

The Partnership has actively engaged with the two Planning Authorities to ensure that the principle of new waste management facilities, is established; and to secure the allocation of appropriate sites. Initial representations were made to Sunderland City Council to request that the Core Strategy reflects the need for waste management facilities within its area and establish the need to identify a suitable site within the Site Allocations DPD. Representations were made to the South Tyneside Site Allocations DPD to ensure that the DPD reflects the requirements of the Partnership.

With the exception of two sites in Gateshead which have been implemented, Central Nursery (Composting) and Derwenthaugh Ecoparc (Autoclave), the Partnership recognised at an early stage that there were currently no other sites explicitly
allocated for additional waste management facilities within the development plans. It was therefore confirmed as necessary to have in place a robust and comprehensive site selection exercise, which assessed the planning suitability of potential sites for waste management facilities in terms of PPS10 criteria. This exercise has been undertaken and is described in the Site Identification section below.

7.3 SITE IDENTIFICATION
The Planning and Sites Sub-group carried out a site selection exercise for potential sites for waste facilities based upon agreed generic requirements for the possible types of waste treatment and disposal facilities. It was agreed that the selection exercise should aim to identify a site for the key waste facility (which could be in any one of the three authority areas) together with a site for an additional supporting facility in each of the remaining authority areas.

Entec UK Ltd reviewed and refined the work done by the Planning and Sites Sub-group and they took on board the Options Appraisal work carried out by AEA and the subsequent decision by the Partnership that the procurement should be technology neutral.

The site selection exercise involved the following:

- The identification of preferred locations for waste developments using criteria based on PPS 10 principles. These include industrial areas; degraded, contaminated or derelict land; existing waste sites; and previously developed land. The overall strategic location within the partnership area, the concept of co-location and proximity to a major energy user were also considered for the residual waste facility.
- The identification of constraints that would rule out waste development as a matter of policy (exclusionary constraints), for example internationally and nationally important nature conservation sites and designated development plan allocations e.g. for housing. Green Belt was included as an exclusionary criterion for the key waste facility.
- The identification of constraints that may rule out development as a matter of policy (discretionary constraints). These include locally protected areas such as local nature reserves, parks and open space; and indicative flood plain. Accessibility and proximity to the primary road network were also considered.
- Assessment against site specific criteria including impact on adjacent or nearby land uses.

The criteria for the comparative assessment matrix were drawn from PPS 10, RSS and local development policy; and were agreed by the planning and sites sub group. The main site identification exercise was the subject of a Sustainability Appraisal.

Since the OBC was prepared and submitted, the site selection work has been kept under review and further work undertaken to ensure that sufficient sites would be available to deliver the required facilities.

The following Reference Site within the partnership area was identified for the key facility:
- Abbotsford Road, Gateshead

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The following sites within the partnership area have been selected for supporting transfer stations:

- Campground, Gateshead/Sunderland boundary,
- Middlefields, South Tyneside,
- Jack Crawford House, Sunderland.

7.3.1 Site for the Key Facility
The Preferred Bidder proposes to use land at Haverton Hill Road, Billingham, Tees Valley for development of the key facility. The site is adjacent to an existing Energy from Waste (EfW) Plant and has planning permission for the development of a new stand alone EfW plant on land within the bidder’s ownership. The site received planning permission for an Energy from Waste facility in October 2008. There are a number of conditions attached to the permission which require discharge. These relate to materials, landscaping, the surface water regime, rail loading, odour control, travel planning and land remediation. They are not considered to be onerous or present undue risk of making the planning permission unsatisfactory. The Environmental Permit has been granted by the Environment Agency.

7.3.2 Sites for the Transfer Stations
Sites for supporting transfer stations, where ownership resides with the partnership authorities, were identified in the OBC as:

- Middlefields, South Tyneside
- Campground, Sunderland / Gateshead boundary

Since approval of the OBC, a further exercise was undertaken to identify a site suitable for a transfer station in Sunderland. The exercise followed the same methodology as previous site identification work.

As a result of this work, the Partnership decided to move forward with a site at Jack Crawford House, Hendon, as the most deliverable site that is potentially acceptable in environmental and planning terms.

The Preferred Bidder proposes to use:

- Campground, Sunderland / Gateshead boundary
- Jack Crawford House, Sunderland
- Middlefields, South Tyneside.

The Middlefields site accommodates an existing waste facility, has the potential for extension and redevelopment and is suitable in planning and operational terms. It is in council ownership. The Campground site also accommodates an existing waste facility and a disused incinerator building. It is in council ownership. It is located within the Green Belt but pre-application discussions with Sunderland City Council have established that the principle of the re-development on this site is acceptable. The Jack Crawford House site is within an existing council depot, with sufficient land area available to develop a new waste facility. It is also within council ownership. Pre-application discussions with Sunderland City Council have established that the principle of the development on this site is acceptable.
7.4 SECURING THE SITES
The site proposed to be used for the key facility is in the Preferred Bidder’s ownership and the terms of the lease have been negotiated throughout dialogue and sit within an agreed Schedule 34 to the Main Contract.

The sites proposed to be used by the Preferred Bidder for transfer stations are in council ownership and no further work is required by the Partner Authorities or the Preferred Bidder to secure legal title to the sites.

7.5 PLANNING HEALTH FRAMEWORK
The planning health assessment has been updated and the answers to the key questions in the Planning Health Framework are attached at Appendix F.

7.5.1 Sites
Since the OBC was prepared, work has been undertaken to reduce planning risk associated with the selected sites. The Preferred Bidder will take responsibility for obtaining the necessary planning permissions for each of the three sites. In order to reduce planning risk on these sites, the Partnership has undertaken the following work.

**Campground**
The following studies were carried out:
- Phase 1 habitat survey
- Historic environment appraisal
- Townscape and visual baseline study
- Phase 1 geoenvironmental study

In addition pre-application discussions have been held with Sunderland City Council, as the local planning authority, and these discussions have included environmental health, transport, landscape and contaminated land officers.

**Jack Crawford House**
The following studies were carried out:
- Phase 1 habitat survey
- Historic environment appraisal
- Townscape and visual baseline study
- Phase 1 geoenvironmental study
- Phase 2 geoenvironmental study

In addition pre-application discussions have been held with Sunderland City Council, as the local planning authority, and these discussions have included environmental health, transport, landscape and contaminated land officers.

**Middlefields**
This site benefits from an existing planning permission for waste management use, however a new permission may be required or the existing permission may require a variation. The following studies were carried out:
- Phase 1 habitat survey
- Historic environment appraisal
7.5.2 Local Development Frameworks
The Partnership has actively engaged with the three Planning Authorities to ensure that the principle of new waste management facilities, including the key facility, is established; and to secure the allocation of appropriate sites. Representations have been made to Sunderland City Council to request that the Core Strategy reflects the need for waste management facilities within its area and establish the need to identify suitable sites within the Site Allocations DPD. Representations have been made to the South Tyneside Site Allocations DPD to ensure that the DPD reflects the requirements of the Partnership.

7.5.3 Community Consultation
No formal community consultation has yet been undertaken on the transfer station sites. A programme of Pre-Application Community Consultation is currently being prepared for the Campground and Jack Crawford House sites. This is envisaged to commence late 2010 to early 2011.

7.6 DESIGN ISSUES
7.6.1 Key Facility and Support facilities
The bid proposes a clear and strong vision for design and service delivery. The Key Facility has received planning permission on the basis of a design which echoes the existing EfW plant on the adjacent site. Integration with this existing facility creates substantial potential operational flexibility between neighbouring plants.

The design of the Key Facility accords with UK legislation and good industry practice. The SITA Consortium propose to apply its significant experience of construction and operations to ensure practical solutions and efficient facilities. The Bidder states that the EfW Centre will be designed to exceed WID requirements offering the operator significant headroom before any regulatory emission limits are exceeded.

The approach to architectural design reflects advice from Local Authority planners, and the following best practice guidance.

- Constructing Excellence (www.constructingexcellence.org.uk);
- OGC (How to achieve Design Quality in PFI Projects);
- CABE (Improving Standards of Design in the Procurement of Public Buildings, October 2002);
- 4P’s (Achieving Quality in Local Authority PFI Building Projects);
- DEFRA in partnership with CABE (Designing Waste Facilities, a key guide to modern design in waste);
- BRE (Green Guide to Specification, 2002); and
- DEFRA (Designing Waste Facilities, 2008).

Reference has been made within the Final Tender to the incorporation of sustainable principles to inform and optimise the layout of the facility and internal arrangement of rooms and equipment. The design development will lead to:

- Efficient resource use during construction;
- Energy and water efficiency of facilities;
- Environmental abatement systems to reduce impact from operations;
- Environmental mitigation measures to offset development impact;
- Site landscaping to improve the surrounding biodiversity; and
- Provision of facilities for the education of and use by the local community.

It is an Authority’s Requirement that the Key Facility and the Visitor and Education Facility at the Campground site should meet the BREEAM standard Very Good as a minimum requirement. Failure to achieve this will result in contractor default. In relation to the Waste Transfer Stations at Campground and Jack Crawford House a penalty payment will be made should the contractor fail to achieve BREEAM Very Good.

The design that is the subject of the existing planning permission (at the Key Facility) incorporates sustainable principles that have informed and optimised the layout of the facility and internal arrangement of rooms and equipment. Specific examples of sustainable design features incorporated within the design include:

- Minimising the size of the building
- Seeking to achieve a cut/fill balance to avoid the import/export of materials (including primary aggregates)
- Use of natural day lighting by the incorporation of roof lights and louvers in the tipping hall and associated areas
- Use of energy efficient lighting systems including use of sensors
- Incorporation of rainwater harvesting from the roofs
- Seek to minimise the use of water within the process and where possible maximise its re-use
- Design and specification subject to life cycle cost consideration

The Preferred Bidder has undertaken BREEAM pre-assessments for both the Key Facility and Visitor Centre. A pre-assessment has not been undertaken for the Transfer Stations, however the Bidder does indicate confidence in achieving a BREEAM score of above 55% giving a rating of ‘very good’. The Key Facility pre-assessment indicates a score of 61.2% - ‘very good’. The Visitor Centre pre-assessment indicates a score of 73.8% - ‘excellent’.

Transfer Station facilities have been designed to accord with best industry practice. The simple built form of the facilities allows flexibility / adaptability in the future and the design reflects a common aesthetic. The Visitor and Education Centre will be a statement in itself about sustainable design.

7.6.2 Construction Waste
The SITA Consortium have stated that the minimisation and segregation of waste products arising during the construction phase for both the Key Facility and the Transfer Stations will be addressed from demolition all the way through to handover of the completed facilities covering the reuse, recovery and recycling of building materials and existing site elements including arisings from excavations.
The SITA Consortium bid back the minimum requirements under paragraph 1.27 of the Authority’s Requirements as:

a) recover at least a minimum of 80% of construction and demolition materials; and

b) ensure that at least a minimum of 15% of total material derives from reused and recycled content in new build, select the top opportunities to exceed this figure without increasing the cost of materials, and report actual performance

in accordance with WIDP Supplementary guidance on the inclusion of clauses on construction waste in the PR1 Works Requirements - July 2009 ‘Additional paragraphs on Construction Waste Management’ issued prior to the final development of Schedule 2. The Consortium also demonstrated a commitment to exceed these stated targets where practicable and economically viable to do so.

The SITA Consortium confirms that the Key Facility and the Transfer Stations will be constructed using a contract which is consistent with the Waste Infrastructure Development Programme and ensure that their contractors employ a site specific Waste Management Plan to manage the construction materials used on site in accordance with the Site Waste Management Plan Regulations 2008.

7.6.3 WRATE
At OBC stage a WRATE evaluation was undertaken to assess the environmental impact of a range of ten options;

- Landfill (Baseline);
- Anaerobic Digestion of all putrescible wastes;
- Anaerobic Digestion of all residual wastes through a biostabilising MBT-AD process;
- Mechanical Biological Treatment of all residual wastes producing an RDF that is combusted in an Energy from Waste plant;
- Mechanical Biological Treatment of all residual wastes producing a stabilised material for landfilling;
- Autoclaving of all residual wastes with the fibre being combusted in an Energy from Waste plant;
- Combusting all residual wastes in an Energy from Waste plant with electricity recovery only;
- Combusting all residual wastes in a Gasifier recovering electricity;
- Aerobic Digestion of all residual wastes through an MBT facility producing a material for landfill engineering; and
- Combusting all residual wastes in an Energy from Waste Combined Heat and Power plant recovering both electricity and heat.

The modelling was based on managing the whole municipal waste stream for the three Authorities (Gateshead, South Tyneside and Sunderland). Generic assumptions were made around the distance to markets and disposal points for the materials produced by the solutions based on the prevailing market conditions. The assessments were based on the Waste and Resources Assessment Tool for the
Environment (WRATE) standard technologies or the EA provided technologies where CHP was incorporated.

The WRATE models submitted during the evaluation phases of the project have been based on managing only the residual waste streams as the management of the remaining elements of the municipal waste was assumed to be consistent for all solutions. Since the OBC modelling was undertaken an updated version of WRATE (V2.0.1.4) has been issued with revised background databases and allocations for various elements within the different standard technologies. This change in the version of WRATE means that the results are not directly comparable, although through maintaining the underlying background assumptions the impacts of this are minimised.

The SITA Consortium has provided a detailed WRATE model. Entec has reviewed the WRATE model, and is satisfied that the model suitably represents the SITA Consortium solution. Within the model the SITA Consortium use User Defined Processes to accurately represent the EfW technology proposed with regards to the use of operational materials, energy and fuel inputs, energy and recyclables recovered and direct emissions. The model also includes actual locations for the off-take of their materials providing a more representative solution in terms of the transport impacts. The WRATE model reflects the solution proposed by SITA Consortium, and as such does not include any potential benefits of a proposed heat off-take solution, a sensitivity analysis has been supplied that does reflect the benefits that would be associated should this be achieved.

The SITA Consortium solution produces significant environmental benefits against all six environmental indicators within WRATE (Global Warming, Acid Rain, Eutrophication, Aquatic Ecotoxicity, Health and Resource Depletion). The overall reduction in Global Warming Emissions for the project is expected to be in the region of 1.3m – 1.75m tonnes of CO₂ equivalent over the duration of the 25 year contract depending on whether or not the heat offtake can be secured.
8.1 INTRODUCTION
This section outlines the analysis undertaken by the Partnership relating to:
- The cost of procurement to the Partnership;
- The demonstration of the Value for Money arising from the Preferred Bidder;
- The affordability of the project and the respective Council’s budgetary commitment to the affordability implications.

8.2 PROCUREMENT COSTS
The Authorities have agreed an equal financial commitment for the procurement of advisers and other costs. In addition, each Authority has provided resources in terms of allocated staff and physical resources to the Partnership.

This figure represents a financial saving to each of the three Authorities as the costs involved in each Council procuring individually were likely to have been more costly than that estimated for the joint procurement exercise.

Table 8.1 – Procurement Costs (To Financial Close)

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Per OBC Reference Project</th>
<th>Per FBC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percentage</td>
</tr>
<tr>
<td>Authority In house costs</td>
<td>1.380</td>
<td>44</td>
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<tr>
<td>Financial advisers</td>
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<td>Legal Advisers</td>
<td>0.320</td>
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<tr>
<td>Technical advisers</td>
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<tr>
<td>Planning Advisers</td>
<td>0.240</td>
<td>8</td>
</tr>
<tr>
<td>Insurance advisers</td>
<td>0.040</td>
<td>1</td>
</tr>
<tr>
<td>Communications advisers</td>
<td>0.020</td>
<td>-</td>
</tr>
<tr>
<td>Adviser Costs</td>
<td>0.500</td>
<td>16</td>
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<tr>
<td>contingency</td>
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<tr>
<td>Other procurement costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.150</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Projected costs have increased from OBC for the following reasons:

Site
As a result of the reference site change, there were a number of site reports and surveys which needed to be duplicated, together with the need to engage specialist planning and environmental lawyers (particularly on communications issues) and incur other costs such as site security and NNDR costs for the Abbotsford Road site.
Delays
Largely as a result of the site issues, the PRG approval and the issue of ITPD/ITCD/CFT were delayed.

Change of Advisors
The legal advisers were procured under a framework contract based upon OGC guidelines. This, in itself, caused costs to be underestimated, since a project procured under Competitive Dialogue is considerably more complicated and consequently more resource intensive. Both financial and technical advisers were subject to a competitive tendering exercise, which resulted in a change of advisers in both instances. This caused additional work not initially foreseen.

Additional Modelling
Additional work was required to update waste flow models, financial models and to develop a separate Partnership Affordability Model, together with additional work as part of the PRG review process and modelling different technologies in the submission of the OBC.

Preferred Bidder Solution
As a result of the non-standard and more complex Captive Plant solution offered by the Preferred Bidder, additional adviser time was involved in developing acceptable project documentation for both the Bidder, WIDP and the Partnership.

Methodology to achieve close of dialogue post ISDS
The Partnership Project Team undertook the procurement post ISDS as set out in 4.7 above to ensure that a formal ISRS stage was not required and to achieve a mature and clean Close of Dialogue thus facilitating a speedier Financial Close.

General Approach to Adviser Management
In addition, as the project has progressed, a number of Project Management decisions have been reached with the agreement of the Officer Project Board. These include:

- Weekly conference calls
- Longer and more frequent Joint Adviser meetings
- Full Partnership Project Team Meetings at key stages
- Additional Bidder Dialogue Sessions (as recommended by WIDP)
- Separate legal meetings at DEFRA

Although expensive in terms of resource input to the process, this has assisted in reducing risks to the project, for example, it has helped to reduce the risk of judicial review and legal challenge. It has also helped to maintain value for money procurement, for example, by detailed discussions relating to exclusivity, maximum tonnage and expiry date.

Throughout the process it has been seen as imperative to ensure the prudent use of adviser time, while ensuring they are embedded as an integrated part of the project team.
The Advisers work has assisted in achieving strong Bidders still engaged in the process (which has assisted in ensuring that the price is kept affordable and competitive) together with maintaining the timetable as far as possible (which will avoid expensive delays).

8.3 THE COST OF THE PREFERRED BIDDER’S SOLUTION

Based on the Preferred Bidder’s CFT Financial Model, the summary table below illustrates and analyses the changes in the estimated project cost between OBC submission and the Preferred Bidder appointment.

Table 8.2 – Summary of Financial Model
(Table not for publication)

The capex, lifecycle and operating costs have increased considerably since OBC stage. The most significant reason is that at OBC stage, it was envisaged that the transfer stations would be provided by the Partner Authorities. As the procurement progressed, it became apparent to the Partnership that the most appropriate way forward would be to include the provision of the Waste Transfer Stations within the procurement requirement.

The Preferred Bidder solution provides for the capex and operation of three transfer stations.

In addition, the Preferred Bidder solution provides for a larger Main Facility than envisaged at OBC stage (which provided capacity only to deal with the Partnership’s waste). This is also reflected in the third party income figures which have also considerably increased, due to the additional capacity and guarantees provided by the Preferred Bidder.

Table 8.3 - Changes between the Preferred Bidder and the Financial Close version of the FBC.
(Table not for publication)

Since SITA was selected as Preferred Bidder, they have been working with their funders to finalise the deal.

8.4 FUNDING

At CFT, the Preferred Bidder proposed a project finance solution and a club of five funders:

<table>
<thead>
<tr>
<th>Funders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Ireland</td>
</tr>
<tr>
<td>BBVA</td>
</tr>
<tr>
<td>Credit Agricole</td>
</tr>
<tr>
<td>Natixis</td>
</tr>
<tr>
<td>RBS</td>
</tr>
</tbody>
</table>

At this stage, the funding club could still afford to lose one member and fully fund the deal, maintaining competitive tension.
Details of the funding terms and arrangements are incorporated in the project data template included in Appendix B.

The final situation is that the following three banks will each provide one third of the required funding for which Credit Committee approval has been given.

<table>
<thead>
<tr>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBVA</td>
</tr>
<tr>
<td>Credit Agricole</td>
</tr>
<tr>
<td>Natixis</td>
</tr>
</tbody>
</table>

8.5 - AFFORDABILITY ANALYSIS
This section considers the following:

- The costs of the waste management system under the Preferred Bidder’s solution and also the costs of the wider waste management system falling outside the scope of the proposed PFI project;
- The costs to the Partnership associated with a ‘Do Minimum’ option that continues current operations with minimal change;
- The Partnership’s projected budgets for waste management over the contract period;
- The Revenue Support Grant (RSG) stemming from the PFI credit for the proposed PFI contract;
- The ‘affordability gap’ between the cost of each waste management system and the existing budgets over the project term;
- The effect on the affordability position of sensitivity tests carried out on key cost assumptions; and
- Member commitment to fund the Project Affordability Envelope.

The affordability range provided to Bidders at ITPD (and re-confirmed at ITCD) was £543 to £682m (nominal) in respect of the contract price. This represents a net present value ("NPV") discounted at a nominal rate of 6.0875% to a price base date of 01 April 2009, with an NPV between £209m and £261m for managing the Base Case Tonnage of Contract Waste in the period between 1 April 2014 and 31 March 2039.

The £398m affordability projection is equivalent to the Affordability Gap of £320m at OBC stage. The maximum affordability approval at the OBC stage was £643m which represented the Do Minimum cost at that stage. This is equivalent to the £728m Do Minimum projection in the affordability projection provided.

The Partnership’s Affordability Model is attached at Appendix 8.1 and the results are summarised in Table 8.4 below:
Table 8.4 - Affordability results for the Preferred Bidder

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Per OBC Reference Project</th>
<th>Per FBC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal</td>
<td>Percentage</td>
</tr>
<tr>
<td>Authority Budgets – Existing</td>
<td>£1,203.773</td>
<td>73.4%</td>
</tr>
<tr>
<td>Authority Budgets – Additional</td>
<td>£319.791</td>
<td>19.5%</td>
</tr>
<tr>
<td>PFI Credit Payments</td>
<td>£116.227</td>
<td>7.1%</td>
</tr>
<tr>
<td>LATS Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recyclate Income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sinking fund interest</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Authority Income</strong></td>
<td><strong>£1,639.791</strong></td>
<td><strong>100.0%</strong></td>
</tr>
<tr>
<td>PFI Contract</td>
<td>£539.626</td>
<td>32.9%</td>
</tr>
<tr>
<td>LATS Costs</td>
<td>£4,357</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other: Additional System Costs</td>
<td>£1,095.808</td>
<td>66.8%</td>
</tr>
<tr>
<td><strong>Total Authority Costs</strong></td>
<td><strong>£1,639.791</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Projected Authority Budgets

In arriving at an affordability assessment from the perspective of the Partnership, it is necessary to predict the cost of services underpinning the Reference Project, which in turn is comprised of two elements:

- The costs of providing the service currently under procurement as submitted by the Preferred Bidder’s final tender;
- The costs of delivering those services outside the scope of the PFI project, which are nevertheless critical in delivering the waste management outcomes required by the Partnership.

Technical and financial representatives from the Partnership have continued to discuss and refresh the Partnership’s Affordability model as the PFI procurement has developed and as a clearer understanding of the service requirements has emerged in rolling out the increased recycling initiatives adopted by the Partnership.

This has then been used as a tool to brief s151 officers and members in each Partner Authority to ensure that they have understood and approved the annual budget implications of the proposed contract in terms of both their existing commitments and any additional commitments required in order to meet the affordability envelope of the preferred bid.

At OBC stage, the Partnership took the prudent approach in approving the affordability envelope up to the ‘do minimum’ cost for the project.

In considering the appointment of the Preferred Bidder, the Do Minimum cost has been updated, together with a range of sensitivity testing to determine both ‘best
case’ and ‘worst case’ affordability projections in the context of the Preferred Bidder scenarios.

The affordability analysis includes the following in order to determine the affordability gap:

- Landfill gate fee at £20 (at 1 April 2009) increasing by 2.5% per annum for untreated waste sent to landfill;
- Landfill Tax for active waste sent to landfill charged at the landfill tax escalator rates up to £80 per tonne in 1 April 2014 and inflated at 2.5% per annum thereafter, to reflect likely future increases;
- Ancillary contract prices from April 2013 (based upon the Partnership’s pricing experience of the first generation ancillary contracts and expressed in prices as at 1 April 2009);
- Costs to the Partnership of managing the PFI contract.

PFI Credit Payments
The calculation of the Revenue Support Grant (RSG) generated by the PFI Credit has been calculated in accordance with Defra guidance (January 2008), the workings for which are set out at Appendix 8.2. This guidance states that the RSG should be paid on an annuity basis using a fixed rate of interest of 5.5%. Grant payment has been calculated in accordance with WIDP Guidance on the Final Business Case which highlights that in waste projects PFI credit is payable from the commencement of hot commissioning. For the Preferred Bidder, this is now estimated to be from 29 November 2013 based upon the latest programme received from the Preferred Bidder.

The level of PFI credits have increased since initial OBC stage as the initial OBC was based upon £60m PFI credits (50% of the estimated capex cost at that stage). The level of credit applied for in the final OBC was £73.525m based upon WIDP Guidance issued December 2007 and an annuity rate of 5.5%. The affordability analysis within the initial OBC was completed prior to this guidance and was based upon an indicative £60m PFI credits and an annuity rate of 5.9%. This revised affordability position was not reported to members for approval as the updated position represented a more prudent affordability case than that already considered and approved by the Authorities. As a result the Partnership did not remodel the base case Reference Project with the revised PFI credit figure.

The Authority’s LATS Strategy
Further details regarding the Partnership’s forecast LATS position and Strategy are included within Section 3.

When the Preferred Bidder’s solution becomes operational, each individual Partner authority will be operating within its LATS allowance.

From a financial perspective, the LATS position is calculated on an individual Authority basis in accordance with the Waste Flow information. It is assumed that any surplus LATS permits will be sold, although no income has been assumed from this within the affordability model. In the event that LATS permits are required, it is assumed that LATS permits are purchased to cover any deficit and the associated costs have been included within the affordability model.
Recyclate Income
The Partnership has not included any income from the sale of recyclates within the
affordability model for the Waste Management service. As part of the PFI Project, a
total of £1.7m of income from recyclates is being guaranteed and is used to reduce
the Base Payment over the duration of the Contract. This income relates to the
proposed guarantee to recycle an element of Contract Waste received at the Waste
Transfer Stations.

Medium Term Financial Strategy Provision
The OBC Refresh submitted to Defra highlighted that there was an affordability gap
for the Reference Project over the whole contract term of £319.8m. In the first
contract year, 2010/11, the gap to the Partnership was approximately £10.7m and
this was expected to grow to reach £16.8m in 2037/38 in nominal terms.

Each Partner Authority has continued to identify the particular financial pressures
arising from the increased recycling targets and the additional disposal costs
(particularly arising from the landfill escalator tax) within their three year Medium
Term Financial Strategies (which are re-evaluated each year by each Partner
Council) and have provided additional budget provision in 2010/11 to meet the
additional costs arising from waste disposal/recycling.

Each Partner Authority has confirmed its commitment to meeting the affordability gap
of the project within their respective resolutions.

Landfill Tax
For the purpose of financial modelling included within the Preferred Bidder’s final
tender, the assumed Landfill Tax rates of £64 for the period 1 April 2012 to 31 March
2013, £72 for the period 1 April 2013 to 31 March 2014 and £80.00 per tonne in the
period between 1 April 2014 and 31 March 2015 indexed at 2.5% thereafter for the
remaining contract period.

Contract Monitoring Costs
The costs of the contract monitoring team have been agreed and are accommodated
within existing budgets. Financial arrangements for Contract Monitoring are set out
in the Inter Authority Agreement attached at Appendix 6.6.

Sensitivity analysis
Extensive sensitivity analysis has been undertaken by the funders and the outputs
have been summarised in Appendix E to the Preferred Bidder CFT financial model
along with brief comments about any assumptions that have been made.

Of key importance to the Partnership’s risk position are the following sensitivities
which have been derived from the Preferred Bidder CFT Financial Model.

Table 8.5 Sensitivities from Preferred Bidder Model
(Table not for publication)
Cost and Impact of Carbon
Work has been carried out to quantify and cost the carbon impact of the Preferred Bidder’s proposals in accordance with Appendix 4: Evaluating the Carbon Impact of Residual Waste Treatment Options of the WIDP Guidance (Options Appraisal and the Determination of the Reference Project for the Outline Business Case).

The carbon impact has been calculated using the 2008 price of £26.50 per tonne, increasing by 2% per year in real terms to account for rising damage costs from higher concentrations of greenhouse gas emissions. Comparison with subsequent DECC guidance has also been calculated. The results of this work is attached at Appendix 8.3.

Based upon the updated 2008 price, the impact is approximately £4.1m per annum in nominal terms.

8.6 MEMBER APPROVAL OF AFFORDABILITY
The Cabinet Reports presented to each of the three Councils on 15 September are provided at Appendix 8.4 to demonstrate the support and commitment of the member Councils of the Partnership to confirm that Gateshead Council, South Tyneside Council and Sunderland City Council understand and sign-up to the affordability implications of the Preferred Bidder’s final tender and implications for the whole waste management service by making the appropriate budgetary allocation.

Relevant minutes are attached at Appendix 8.4(a).

8.7 KEY FINANCIAL INFORMATION
The key financial information is as follows:
- The total global cost of the reference project is now estimated at £2.0bn compared with £1.6bn at OBC stage.
- The global Do Minimum cost is now estimated at £2.2bn compared with £1.8bn at OBC stage.
- As a result, the cost of proceeding with the proposed contract arrangements represents value for money compared with the alternative Do Minimum option.
- The existing budgets for the three authorities projected over the lifetime of the contract total £1.5bn.
- After deducting the anticipated PFI credits, the affordability gap is projected at £398m (Gateshead £132m, South Tyneside £79m and Sunderland £187m). This compares to the affordability gap of £320m at OBC stage.
- The total nominal cost of the PFI contract (excluding other waste management costs) is now £727m, compared with £456m within the OBC. However, at OBC stage, the projected unitary charge excluded landfill, waste transfer stations, NNDR and commissioning. These total £245m within the total nominal cost of the PFI contract. If this is taken into account, then the unitary charge has increased by £26m since OBC stage.
- Post financial close, the most significant changes to the PFI Contract costs are anticipated to be changes in RPIX/AWE and levels of contract waste. Each Partner Authority is aware of these potential fluctuations.
SECTION 9 - STAKEHOLDER COMMUNICATIONS

9.1 INTRODUCTION

A comprehensive Communications Strategy for the project has ensured the Partnership effectively communicated with all key stakeholders in order to encourage ‘buy in’ to the project.

The communications activity to date has kept each target audience up-to-date with accurate information and ensured penetration of our key messages. The methods of communicating and the messages for each audience are bespoke and have been carefully planned and orchestrated with much success. Key tactics that have served us well include being very open and transparent about our plans and showing great courtesy to certain groups of stakeholders who we identified as needing higher levels of communication.

To date the Partnership has engaged with the following stakeholders: Bidders; MPs; Councillors of the three partner councils; six ‘special interest’ ward councillors in Gateshead; employees of the three councils; residents of 196 households near to the site; residents of the whole partnership area; businesses that are located near to the potential site; waste management companies; Environment Agency; South of Tyne Primary Care Trust; Health Protection Agency; Government Office North East; and representatives of the trade unions operating at Gateshead Council. The communication/engagement has included media relations, letters, briefing notes, personal briefings, meetings and a public exhibition for the community (see details in ‘Public Engagement’ section below).

The Partnership developed detailed Communications Plans for each key announcement of the project e.g. announcement of shortlist of three bidders and the announcement of the Gateshead reference site acquisition. These Plans were very successful; allowing us to manage and minimise any public opposition.

Crucial to achieving this was making sure that each key audience was given the information in a controlled manner and that each audience heard the announcement in the most appropriate sequence. For example, relevant ward councillors were informed before their affected constituent residents and the residents were informed before the news broke in the regional media. The media coverage of the announcements has been in the main very balanced and fair. Productive relationships have been built up with relevant key journalists.

Developments within the project, particularly the acquisition of the reference site in Gateshead, have meant that particular stakeholders needed to be communicated with on a more personal level. These audiences included residents of 196 households that are in the vicinity of the site and the six ward councillors of the nearest two wards to the site.
9.2 STRATEGY

The Communications Strategy has seen some minor revisions and amendments since the OBC (see Appendix 9.1).

The main changes have involved a refinement of the list of key stakeholders as the project has developed. For example, it has not been necessary to proactively communicate with English Heritage, Natural England, Wildlife Trusts or local Chambers of Commerce due to the status/nature of the project.

Following a review of the stakeholders list the Partnership made a decision not to directly engage on a proactive basis with NGOs including green lobbyists like Friends of the Earth and Greenpeace. Instead we included these groups as part of the ‘residents of the north east region’ category rather than as an audience in their own right. We took this decision due to the fact that at this stage we still do not have the answers to the two key questions that these groups would seek to know i.e. what is the treatment technology and where will the waste be treated. If necessary we will proactively engage with any interested NGOs at Preferred Bidder stage. This decision was endorsed by public affairs experts with extensive experience of other waste PFI projects.

Other changes to the Communications Strategy have included the insertion of a Media Protocol which was developed to ensure that Bidders for the contract adhered to set guidelines for dealing with the media in order to protect the reputation of the Partnership and ensure that the PFI process was not interfered with.

Finally, some guidance on what is expected from Bidders in the ‘pre-planning’ and ‘planning’ stages of the process was added to the Strategy.

Freedom of information requests
Each Partner Authority has individually received a number of FOI requests regarding waste and recycling since the submission of the OBC.

The process for handling responses to FOIs has been a centrally coordinated approach so that each individual Partner Authority’s response took into consideration the Partnership’s position.

9.3 TRANSFER OF UNDERTAKING – PROTECTION OF EMPLOYMENT (TUPE) AND CODE OF PRACTICE ON WORKFORCE MATTERS
(Not for publication)

9.4 OTHER RELEVANT AUTHORITIES

The Partnership has been liaising with the following stakeholders in order to keep them up-to-date with the project at each key stage: Environment Agency; South of Tyne Primary Care Trust; and the Health Protection Agency.

As well as a series of general stakeholder update meetings, the Partnership has also undertaken a Health Impact Assessment scoping exercise with the relevant authorities for each potential waste treatment site and the potential waste transfer station sites. A note from the Health Impact Assessment Screening Workshop is attached at Appendix 9.2.
9.5 PUBLIC ENGAGEMENT
It has not been necessary to carry out any consultation since the major consultation exercise on waste that we carried out in 2007 to inform the JMWMMS. We have however carried out some communications work and some low level engagement work with the local community in relation to the purchase of a reference site in Gateshead.

- **Media Relations** activity, including press releases, statements and advertorials, has been on-going throughout the life of the project to keep audiences informed of key milestones.
- An example of this activity is a full page colour advertorial that ran in the Gateshead Chronicle Extra in January 2009 which explained the Partnership’s plans for treating residual waste, including layman-friendly explanations about the treatment options and also an update on plans for a new kerbside recycling system.
- Personal media briefings with three key journalists from the three major newspapers have been held at key milestones so that journalists could have a chance to ask questions of the Project Owner on a one-to-one basis.
- **Literature and Website Information** has included the production of a leaflet called ‘Load of Rubbish – the facts about our waste’ which was produced to explain the Partnership’s plans for changing the way it deals with residual waste, including the PFI project and how and why a waste treatment facility is being developed. This was available electronically on the three Partner Authorities’ websites and to pick up from civic buildings throughout the Partnership area. The three partner websites have Frequently Asked Questions sections about the Partnership. Articles have also been placed in the three partner authorities’ civic publications and in internal communications channels.

Gateshead Council acquired the Abbotsford Road site in Felling in January 2009 as an option for Bidders looking to develop the waste treatment facility. The potential use of the site was dependent upon the solution submitted by the Preferred Bidder. A comprehensive Communications Plan was developed to ensure that all stakeholders were made aware of the site acquisition and the potential uses for the site. The work carried out with the local community was engagement - consultation will take place if and when a planning application is submitted by the Preferred Bidder. The SITA Consortium does not propose to use the Abbotsford Road site.

9.6 COMMUNITY SECTOR/NON-GOVERNMENT ORGANISATIONS (NGOS)
See ‘Strategy’ section (9.2) above for details.
The following table compared the timetable detailed in the OBC refresh of May 2008 with the actual timescales achieved during the project.

<table>
<thead>
<tr>
<th>Index</th>
<th>Stage</th>
<th>As Per OBC Refresh May 08</th>
<th>As Per FBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Submission of EoI</td>
<td>Mar 07</td>
<td>-18</td>
</tr>
<tr>
<td>2</td>
<td>Approval of EoI</td>
<td>Sep 07</td>
<td>-12</td>
</tr>
<tr>
<td>3</td>
<td>OBC Approved by Council</td>
<td>Oct 07</td>
<td>-11</td>
</tr>
<tr>
<td>4</td>
<td>Submission of OBC</td>
<td>Dec 07</td>
<td>-9</td>
</tr>
<tr>
<td>5</td>
<td>Mayoral Approval (if relevant)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>6</td>
<td>Defra Approval of OBC</td>
<td>May 08</td>
<td>-4</td>
</tr>
<tr>
<td>7</td>
<td>PRG Approval of OBC</td>
<td>Jul 08</td>
<td>-2</td>
</tr>
<tr>
<td>8</td>
<td>OJEU Published</td>
<td>Aug 08</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>Descriptive Document Issued</td>
<td>Sep 08</td>
<td>+0</td>
</tr>
<tr>
<td>10</td>
<td>ISOS Issued</td>
<td>Feb 09</td>
<td>+5</td>
</tr>
<tr>
<td>11</td>
<td>ISOS Returned</td>
<td>Apr 09</td>
<td>+7</td>
</tr>
<tr>
<td>12</td>
<td>ISDS Issued</td>
<td>Jul 09</td>
<td>+10</td>
</tr>
<tr>
<td>13</td>
<td>ISDS Returned</td>
<td>Oct 09</td>
<td>+13</td>
</tr>
<tr>
<td>14</td>
<td>ISRS Issued (Optional)</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>15</td>
<td>ISRS Returned (Optional)</td>
<td>Mar 11</td>
<td>+30</td>
</tr>
<tr>
<td>16</td>
<td>Call For Final Tenders</td>
<td>July 10</td>
<td>+22</td>
</tr>
<tr>
<td>17</td>
<td>Preferred Bidder Identified</td>
<td>Aug 10</td>
<td>+23</td>
</tr>
<tr>
<td>18</td>
<td>Submission of PPB FBC</td>
<td>Sept 10</td>
<td>+24</td>
</tr>
<tr>
<td>19</td>
<td>Approval of PPB FBC</td>
<td>Sept 10</td>
<td>+24</td>
</tr>
<tr>
<td>20</td>
<td>Preferred Bidder Confirmed</td>
<td>Mar 11</td>
<td>+30</td>
</tr>
<tr>
<td>21</td>
<td>Submission of final FBC</td>
<td>Apr 11</td>
<td>+30</td>
</tr>
<tr>
<td>22</td>
<td>Contract Signed/ Financial Close</td>
<td>Apr 11</td>
<td>+31</td>
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<tr>
<td>23</td>
<td>Planning application submitted</td>
<td>n/a</td>
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</tr>
<tr>
<td>24</td>
<td>Planning application approved</td>
<td>n/a</td>
<td>n/a</td>
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<tr>
<td>25</td>
<td>Environmental permit application</td>
<td>Mar 10</td>
<td>+18</td>
</tr>
<tr>
<td>26</td>
<td>Environmental permit approved</td>
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<td>+24</td>
</tr>
<tr>
<td>27</td>
<td>Construction Commences</td>
<td>April 11</td>
<td>+31</td>
</tr>
<tr>
<td>28</td>
<td>Start of Hot Commissioning</td>
<td>Nov 13</td>
<td>+62</td>
</tr>
<tr>
<td>29</td>
<td>Operational Commencement</td>
<td>April 14</td>
<td>+67</td>
</tr>
</tbody>
</table>

The changes to the indicative timetable were driven by the approach following ISDS evaluation to undertake further dialogue to CFT rather than implement a formal ISRS.

The site is adjacent to an existing Energy from Waste (EfW) Plant and received planning permission in October 2008 for the development of a new stand alone EfW plant on land within the Bidder’s ownership.