**MINUTES OF THE MEETING OF THE CABINET
HELD ON 28 APRIL 2015 AT 2.00 PM
AT ASHCOMBE SUITE, COUNTY HALL, KINGSTON UPON THAMES,
SURREY KT1 2DN.**

These minutes are subject to confirmation by the Cabinet at its next meeting.

Members:

*Mr David Hodge (Chairman)	*Mr John Furey
*Mr Peter Martin (Vice-Chairman)	* Mr Mike Goodman
*Mrs Mary Angell	*Mr Michael Gosling
*Mrs Helyn Clack	*Mrs Linda Kemeny
*Mr Mel Few	*Ms Denise Le Gal

Cabinet Associates:

	*Mrs Kay Hammond
Mrs Clare Curran	*Mr Tony Samuels

* = Present

PART ONE
IN PUBLIC

74/15 APOLOGIES FOR ABSENCE [Item 1]

Apologies were received from Mrs Curran.

75/15 MINUTES OF PREVIOUS MEETING: 24 MARCH 2015 [Item 2]

The minutes of the meeting held on 24 March 2015 was confirmed and signed by the Chairman.

76/15 DECLARATIONS OF INTEREST [Item 3]

There were none.

77/15 PROCEDURAL MATTERS [Item 4]

a MEMBERS' QUESTIONS [Item 4a]

A question was received from Mr Essex. The question and response is attached as Appendix 1.

Mr Essex said that he hoped that when the information was available, as much as possible should be released into the public domain and that he should be advised when this happened. This was agreed.

[Note: Since the meeting this information has now been made available and can be found as appendices to these minutes]

78/15 PUBLIC QUESTIONS [Item 4b]

Questions from Mr Crews and Mr Catt were received. The questions and the responses are attached as Appendix 2.

Mr Crews asked why Surrey County Council was spending large sums of money to build the Eco park when, in his view, the current waste disposal programme was adequate.

Mr Catt asked if the Cabinet would demand independent evidence which supported the assertions of the report regarding the comparative technical risks to actual service delivery of the two options considered, and the actual risk to the balance of the DEFRA waste improvement grant, as he had already provided.

The Leader of the Council said that both questions would be addressed as part of the discussion on the Amendment to the Waste Contract to deliver the Waste Strategy (item 6)

79/15 PETITIONS [Item 4c]

No petitions were received.

80/15 REPRESENTATIONS RECEIVED ON REPORTS TO BE CONSIDERED IN PRIVATE [Item 4d]

No representations were received.

81/15 REPORTS FROM SELECT COMMITTEES, TASK GROUPS, LOCAL COMMITTEES AND OTHER COMMITTEES OF THE COUNCIL [Item 5]

There were none.

82/15 AMENDMENT TO WASTE CONTRACT TO DELIVER THE WASTE STRATEGY [Item 6]

Before handing over to the Cabinet Member for Environment and Planning to introduce the report, the Leader of the Council reminded Members that in October 2013, Cabinet had agreed to the terms of the Contract variation, subject to seven conditions being met.

The Cabinet Member for Environment and Planning then introduced the report on the amendment to the waste contract to deliver the Waste Strategy. He said that this was an important report and that he would give a detailed introduction to it.

He said that, in July 2013 the Cabinet took the decision to deliver the Surrey Waste Strategy, including the development of the Eco park by varying the council's long term contract with SITA. In agreeing to vary the Surrey Waste contract to deliver the Eco park, the Cabinet set out seven conditions that would need to be in place before they would consider building it and the Cabinet would need to be assured that all seven conditions had been met. Today’s report confirmed that all seven conditions have now been met. These conditions and are outlined in paragraphs 3 to 39 of the submitted report.

Taking each condition in turn:

- Condition 1 - the Director of Legal and Democratic Services must confirm that the contract documents for signature were consistent with terms which related to the recommendations in the report of July 2013 and with the requirements of the EU Public Procurement regulations.

  This condition was met in October 2013.

- Condition 2 - to divert the footpath to the North of the Eco park.

  This condition was met on the 19 March 2014.

- Condition 3 - variation of planning permission to reflect the replacement of the gasification technology.

  This condition was met on the 24 September 2014.

- Condition 4 - amendment required to the environment permit to reflect the replacement of the gasification technology.

  This condition was met on 29 October 2014 when the Environment Agency issued the variation.

- Condition 5 - the fulfilment of outstanding planning conditions.

  This condition was met when Surrey County Council's Planning and Regulatory Committee approved these on the 13 March 2015 and this was subsequently implemented by SITA Surrey.

- Condition 6 - outlined in paragraphs 8 to 30 of the submitted report was that Surrey County Council's Director of Finance would examine the final cost, decide if this represented Value for Money, was the lowest cost option and importantly, was it the most affordable within the council's Medium Term Financial Plan.

  The Director of Finance has confirmed that this condition has now been met.

  The assessment of the Director of Finance was based on advice from the Council's external financial advisor, Deloitte and Technical Advisor, Mott Macdonald. It has demonstrated that the variation to the waste contract to deliver the waste strategy, including the Eco park, represented the best value for money for the residents of Surrey. It also represented overall Value for Money for the public sector and it represented the most affordable solution to the Council. The financial report from Deloitte was a detailed and comprehensive analysis which follows HM Treasury Green Book guidance.

  The Cabinet Member also drew Cabinet's attention to Annex 1 which described the assessment carried out by the Director of Finance and which also contained a summary of the key points from the Deloitte report, which informed that assessment. He said that there remained no material financial difference between the options, when excluding the benefit of Waste Infrastructure Grant. However, there were qualitative differences, which he would address later.

He drew Cabinet's attention to paragraph 10, Annex 1 which stated that the delays to the regulatory process since October 2013 had meant that the capital costs of the project had increased by £16.7m and this will be a direct cost to Surrey's residents, but even taken this into consideration the project still remained Value for Money.

- Condition 7 - that the contract must meet DEFRA's requirements.

He confirmed that officers have been working closely with DEFRA and had kept them informed of progress. DEFRA required evidence of SCC's Value for Money assessment and this was supplied to them together with information on SCC Waste Strategy.

DEFRA continued to support the County Council's waste contract, and therefore this condition has now been met and he drew Cabinet's attention to paragraph 32 of the submitted report.

In relation to the number of emails received, particularly about public health and the negative effect that the project will have on health, due to air quality, he said that this Council took the health of the Surrey public very seriously and considerable work had been done during the planning and regulatory stages to provide assurances on this matter. He drew attention to the public health implications which are outlined in paragraphs 57 to 60 of the submitted report.

He said that extensive modelling work had been conducted on air quality and submitted as part of the planning and permit process and these results demonstrated that the impact of emissions would be negligible. The Environment Agency said '*The permit will ensure a high level of protection is provided for the environment and human health.'*

He confirmed, that to provide further assurances to residents he had asked officers to investigate installing additional air quality monitoring equipment in the immediate area of the site and if a decision is taken to proceed with the Eco park then he would expect the equipment to be installed prior to commencement of the plant commissioning. Data from this equipment would be monitored by the Council and made available to the public.

Summing up, he said that this project had taken a number of years to get to this stage and officers and partners have worked hard to get to this point.

He considered that Surrey County Council and its partners had taken great strides in reducing recycling and re-using waste, and this development would help take the Surrey Waste Strategy forward for the benefit of the Surrey public and would also have wider benefits.

He was delighted to remind Members that the project would deliver 300 construction jobs and it was predicted to create 42 permanent jobs. It would also reduce over 40% of the HGV lorry movements compared with the current operation and produce enough green electricity to power more than 8,000 homes. The Eco park would provide an education centre for children and adults to help them understand waste and its operation. The area would also be landscaped and include the provision of a new footpath.

Finally, he said that Surrey would be more self sufficient in respect of its waste management and would delivers benefits for the Surrey public.

Questions and responses from other Cabinet Members are detailed below:

‘We have all received emails from local residents and councillors expressing a range of concerns about the Eco Park. What assurances can you give about these areas of concern?’

Recognition that residents had concerns about any potential impacts on health and the environment was a key point. However the Cabinet Member wished to reassure residents that the waste management industry was subject to very strict regulation to ensure that it did not cause pollution or harm.

The Eco Park would have to comply with an environmental permit issued by the environment agency which will *'ensure a high level of protection is provided for the environment and human health'*.

The potential impact of the Eco Park on human health was considered extensively in the various officer reports to the council's Planning and Regulatory Committee
This conclusion was consistent with the advice from Public Health England.

On technical issues, he said that the process of gasification was well understood and the technology that would be used to clean up the emissions to ensure they met the standards in the environmental permit have been robustly tried and tested and was in operation at many other plants within the UK and worldwide.

‘Can you explain how the proposed development of the Eco Park will achieve wider benefits for the Surrey Economy?’

Firstly, he said that it would create 300 new jobs during the construction period which would represent a significant boost for the local economy. It was expected that there will be over 40 new long-term jobs created which are expected to include skills development and apprenticeship opportunities.

There would also be a significant reduction in congestion and impact on local roads and HGV movements would be reduced by over 40%.

The site will be self sufficient in energy and will export sufficient green electricity to power over 8000 homes.

It will also help the Council to be more self-sufficient in waste.

These wider benefits, when added to the contribution to Surrey’s waste strategy, are the reasons why the Government continues to support Surrey’s overall waste strategy including the Eco Park.

‘Taking Mr Catt’s comments into account, can you reassure Members that the project does represent overall value for money’

The Cabinet Member said that this is a complex assessment, which is why the Council had taken advice from specialist consultants, who have worked with council officers to conduct a most thorough value for money analysis. This work has enabled the Director of Finance to advise Cabinet that the option to proceed with the waste strategy including the Eco Park represents the best overall value for money to the public sector.

She had also advised that this also represented the most affordable solution for Surrey residents and provided a sound basis from which further service improvements and potential cost savings would be delivered.

‘Residents have expressed concern that if we build the Eco Park it will discourage recycling as we will need to keep feeding the plant with waste and not develop other solutions. What assurance can you give me that this is not the case?’

He said that, in 2014/15 Surrey’s districts and boroughs collected around 575,000 tonnes of waste from residents and local businesses. The proposed gasification plant at the Eco park would deal with around 55,000 tonnes of waste per year. Assuming that levels of waste remain static, the County would need to be recycling over 90% of the waste that was collected before there was insufficient waste to feed the gasifier and therefore, he didn’t see any concerns over recycling as an issue.

He said that the County Council had been working with borough and district colleagues, in partnership to increase the level of recycling and whilst performance had improved, there were significant plans through the Surrey Waste Partnership to improve this further.

Finally, he was asked for confirmation that the Equality and Diversity implications, as set out in the Cabinet report on 23 July 2013, were still valid and that the Equality Impact Assessment would remain under review during the delivery phase of the Eco park. Also that this be included within the Terms of Reference, as set out in Annex 2 of the submitted report. This was agreed.

RESOLVED:

1. That all the necessary preconditions identified in the Cabinet report of 23 July 2013, as outlined in paragraphs 3 - 34 of the submitted report, have now been met.

2. That the assessment of the Director of Finance is that the cost of proceeding with the Waste Strategy, including the Eco Park, meets the value for money criterion and is the most affordable option available to the council.

3. That the council proceeds to issue the second Notice To Proceed (NTP2) in accordance with the contractual processes approved by Cabinet on 30 October 2013.

4. That the corporate revenue budget refresh in July 2015 will take into account the budgetary effect of delivering the Waste Strategy, including the Eco Park.

5. That the Strategic Director of Environment and Infrastructure puts in place the governance arrangements described in Annex 2 of the submitted report, and provides quarterly reports to the Cabinet Member for Environment and Planning and reports to Cabinet at key milestones by agreement between the Cabinet Member for Environment and Planning and the Leader of the Council.

Reasons for Decisions:

To authorise development of the Eco Park, an essential part of the Waste Strategy and a priority for the Council.

83/15 YEAR END FINANCIAL BUDGET OUTTURN 2014/15 [Item 7]

The Leader of the Council presented the Year End Financial Budget Outturn 2014/15 report, and said it was a month earlier than for 2013/14 and two months earlier than in 2010. He congratulated the finance service on this achievement.

He made the following points in relation to the Outturn Summary (revenue, efficiencies and capital):

- **Revenue underspend: £13.0m,** mainly due to services keeping expenditure to budget, achieving some 2015/16 savings early and generating new income.
- **Efficiencies achieved: £74.1m** against a target of £72.3m. This was the fifth consecutive year the Council had delivered over £60m of savings for Surrey's residents.
- **Revenue carry forward requests totalling £8.0m,** for spending on planned service commitments that continue beyond 2014/15.
- Excluding carry forwards, the underspend is £5.0m, which was less than 0.5% of the council's total expenditure.
- **Capital investment: £199.3m** invested, including £7.8m in long term investment assets.
- **Capital adjustment requests totalling £17.5m,** including: (i) prioritising nearly £9m schools schemes by bringing them forward; and (ii) ensuring nearly £6m is available to complete ongoing highways schemes and programmes.

He said the County Council had Earmarked Reserves totalling £107.1m at 31 March 2015 (down from £128.6m at 1 April 2014) mainly from drawing on the Budget Equalisation Reserve, to smooth funding fluctuations between years and also General Balances totalling £21.3m at 31 March 2015 (the same as at 1 April 2014).

As said at previous Cabinet meetings, he said that the Council continued to face demand growth and funding reductions and had four key drivers in place to ensure sound governance to manage the finances and provide Value for Money.

These were:

Keep any additional call on the council taxpayer to a minimum
The 2014/15 revenue outturn was an underspend of £13.0m, (£5.0m after carry forwards) and he believed that this Cabinet's commitment to tight financial management and the actions of managers had made 2014/15 the fifth consecutive year that the Council had a small underspend or a balanced budget.

Continuously drive the efficiency agenda
That, in 2014/15 services had achieved efficiencies of £74.1m against a target of £72.3m.

Develop a funding strategy to reduce the council's reliance on council tax and government grant income.
That reducing longer term reliance on government grants and council tax was key to balancing the Council's budget - the Revolving Infrastructure and Investment Fund had invested £7.8m and delivered £0.4m of net income.

Continue to maximise our investment in Surrey
Finally, he said that the County Council's capital investment not only improved and maintained services in Surrey, it generated income and in 2014/15, £199.3m had been invested.

Other Cabinet Members were invited to highlight the key points and issues from their portfolios, and referred to the detail, as set out in the Annex to the submitted report.

RESOLVED:

The report be noted, including the following:

1. That the council achieved £13.0m underspend for 2014/15, as detailed in Annex 1, paragraph 3 of the submitted report. This includes £8.0m of carry forward requests for spending on planned service commitments that continue beyond 2014/15. Excluding the carry forward requests, the underspend was £5.0m (less than 1% of the council's total expenditure budget of £1,675m).

2. That services achieved £74.1m efficiencies and savings, as detailed in Annex 1, paragraph 85 of the submitted report, up from £73.9m forecast at 28 February 2015 and the planned target of £72.3m.

3. That the council invested £199.3m through its capital programme in 2014/15, as set out in Annex 1, paragraphs 88 and 89 of the submitted report.

4. The council's year end: balance sheet, reserves and balances and debt analysis, as detailed in Annex 1, Appendix 1, paragraphs App17 to App 21 of the submitted report.

5. That £1.8m school virement requests, reflecting grant adjustments, as set out in Annex 1, paragraph 12 of the submitted report, be approved.

6. That £8.0m revenue carry forward requests and transfer funding to the Budget Equalisation Reserve, as detailed in Annex 1, paragraph 4 and Annex 2 of the submitted report, be approved.

7. That £5.0m transfer of the remaining revenue underspend to the Budget Equalisation Reserve, as set out in Annex 1, paragraph 4 of the submitted report, be approved.

8. That a £30,000 allocation from the Central Income & Expenditure budget to Surrey Arts, as detailed in Annex 1, paragraph 60 of the submitted report, be approved.

9. That a £0.4m transfer of Revolving Infrastructure and Investment Fund net income back into the fund, as detailed in Annex 1, paragraph 76 of the submitted report, be approved.

10. That £17.8m of capital programme adjustments, comprising £17.5m net effect of schemes brought forward and carried forward and £0.3m of extended schemes, as detailed in Annex 1, paragraph 88 and Annex 2 of the submitted report, be approved.

Reasons for Decisions:

This report is presented:

- to review and manage the budget outturn for the 2014/15 financial year in the context of a multi-year approach to financial management; and
- to approve final carry forwards to enable on-going projects to continue.

84/15 LEADERSHIP RISK REGISTER [Item 8]

The Cabinet Member for Business Services said that the Surrey County Council Leadership Risk Register was presented to Cabinet each quarter and this report presented the Leadership Risk Register as at 31 March 2015. It captured the Council's key strategic risks. To confirm that all strategic risks that faced the Council had been identified, the Cabinet had attended an informal risk workshop on 24 March, facilitated by the Director of Finance and attended by Strategic Directors and representatives of the Strategic Risk Forum.

Since it was last presented to Cabinet, it had been reviewed by the Audit and Governance Committee and other relevant bodies. Currently, there were 14 risks on the register, of which 13 had a high inherent risk level.

RESOLVED:

That the content of the Surrey County Council Leadership Risk Register, as set out in Annex 1 of the submitted report, be noted and the control actions put in place by the Statutory Responsibilities Network be endorsed.

Reasons for Decisions:

To enable the Cabinet to keep Surrey County Council's strategic risks under review and to ensure that appropriate action is being taken to mitigate risks to a tolerable level in the most effective way.

85/15 YOUTH JUSTICE STRATEGIC PLAN 2015 - 20 [Item 9]

The Cabinet Member for Children and Families highlighted the key points of this Plan for Cabinet and said that the refreshed Youth Justice Strategic Plan 2015 – 2020 covered a 5-year period and had been co-produced with Youth Justice Partnership Board (YJPB) members. It would be refreshed annually, reflecting any changes to the national and local youth justice landscape which impacted on the strategic priorities.

These strategic priorities were:

- Prevent Youth Crime
- Reduce Re-offending
- Safeguard young people from harm
- Protect the public from harm

In meeting the priorities, activity would include restorative justice approaches and the application of a clear safeguarding focus to prevent and reduce offending, improve victim satisfaction and raise public confidence.

She was pleased to report that Surrey had some of the most successful youth justice outcomes in England and Wales. For example, between April 2013 and 2014, Surrey had the lowest number of young people entering the criminal justice system for the first time per 100,000 of the population in England. This was a trend that had been established since 2011 through a strategic emphasis towards preventative and restorative interventions and meant that a Surrey young person was less likely to enter adulthood with a criminal record than anywhere else in the country.

Other Cabinet Members praised the achievements of Surrey's Youth Support Service (YSS) and mentioned:

- The visit of HRH Earl of Wessex to High Ashurst.
- The shared responsibility of YSS and Community Safety Partnerships and the need to ensure that local delivery plans were integrated and reflected the needs assessment of each Borough / District.
- The use of restorative justice as a cornerstone of the approach to youth crime in Surrey.

RESOLVED:

1. That the Youth Justice Strategic Plan for 2015 – 2020 be endorsed and recommended to full County Council for approval.

2. That Surrey Youth Support Service and the wider partnership be congratulated on the outstanding performance and outcomes achieved in the youth justice arena.

3. That the exceptional political support and leadership provided be acknowledged, in particular by the Cabinet Member for Children and Families and the Leader of the Council, and which has contributed to the above performance and outcomes.

Reasons for Decisions:

The council has a duty under the Crime & Disorder Act 1998 to formulate a Youth Justice Plan setting out:

- how youth justice services in their area are to be provided and funded; and
- how the youth offending team or teams established are to be composed and funded,
- how they are to operate and what functions they are to carry out.

The Youth Justice Strategic Plan 2015-2020 is designed to deliver a sustainable and effective youth justice system that enables improved outcomes and value for money for Surrey residents.

86/15 REVISION OF STATEMENT OF COMMUNITY INVOLVEMENT (SCI) [Item 10]

The Cabinet Member for Environment and Planning said that the Statement of Community Involvement (SCI) was the County Council's public statement of how it engaged with the public and consultees on planning applications and planning policy documents, and that it was a statutory requirement to produce the SCI and to keep it up to date. He also drew attention to the Equalities Impact Assessment, Annex 2 to the submitted report.

RESOLVED:

That Cabinet recommends to full County Council the adoption of the revised Statement of Community Involvement (SCI).

Reasons for Decisions:

It is a statutory requirement to produce the SCI and to keep it up to date. The current SCI was adopted in 2006 and this revision takes account of changes in legislation and policy and the county planning authority's commitment to making best use of electronic communication.

87/15 CUSTOMER PROMISE - THE COUNCIL'S COMMITMENT TO DELIVERING EXCELLENT SERVICE [Item 11]

On 10 February 2015 County Council approved the Corporate Strategy and agreed that focusing on 'Resident Experience' was one of the organisation's three strategic goals.

The Cabinet Member for Community Services said that to better define Resident Experience, the Council had conducted comprehensive research including speaking to staff, Members and customers about what they thought were the most important principles behind excellent customer service and this had been used to create the Council's new Customer Promise.

Four principles had emerged as being most important to people:
- Treating people in the right way
- Making it easy

- Keeping people informed
- Getting it right

These principles had been used to create the new Customer Promise.

The Leader of the Council said that this was an important document and that the Council had listened to staff and customers in relation to customer service.

RESOLVED:

That the new Customer Promise and the proposed steps to embed it into the organisation to improve 'Resident Experience' be endorsed.

Reasons for Decisions:

To maintain and improve customer service across the Council for the benefit of Surrey residents.

88/15 PROCUREMENT OF ELECTRICITY AND GAS SUPPLIES FOR 2016 - 2020 [Item 12]

Approval from Cabinet was sought to commit to flexible energy purchasing contracts through the LASER (Local Authorities in South East Region) framework for the provision of electricity and gas supplies on a rolling two year basis, to commence on 1 October 2016. The report provided details of the procurement process, including the results of the options appraisal, and demonstrated why the recommended contract award would deliver best value for money.

The Cabinet Member for Business Services said that the suppliers on the LASER framework were Npower for electricity and Total Gas & Power Ltd for gas. Several options had been considered in the process and option 6 – to procure via Central Purchasing Bodies had been selected.

She also drew Cabinet's attention to the fact that the Council had procured electricity and gas through LASER since 2009 and that over the last four years, £2.7m savings had been achieved.

Finally, she said that this was a flexible framework for the provision of electricity and gas supplies and that efficiency savings of £0.8m had been built into the Medium Term Financial Plan for 2015/16.

The Leader of the Council requested that this contract was scrutinised, on an annual basis, by the Council Overview and Scrutiny Committee.

RESOLVED:

1. That Surrey County Council commits to the energy purchasing contracts through the LASER Flexible Framework for the provision of electricity and gas supplies to commence on 1 October 2016 and to run until September 2020 on a rolling 2 year basis for the energy requirements of the council and in respect of participating schools following the receipt of appropriate warranties.

2. That SCC adopts, as part of the LASER framework, a mixed basket of Purchase in Advance (PIA), Purchase within Period (PWP), Fully Managed Service, Procurement Only Service and other purchase options as may be deemed suitable to manage energy price risk as appropriate to the needs of the end users and the nature of the energy supply.

3. That authority be delegated to the Head of Procurement and Commissioning and Chief Property Officer, in consultation with the Cabinet Member for Business Services to take necessary procurement decisions and award new contracts from 1 October 2016 to September 2020 on a rolling two year basis through the framework agreement for the supply of electricity and gas under a flexible procurement.

4. That SCC makes use of the added value services available from framework suppliers to LASER customers, such as data collection from automated meters, where it is cost effective to do so.

Reasons for Decisions:

A compliant Official Journal of the European Union (OJEU) tender process has recently been completed by LASER, resulting in 2 new contracts being awarded for Electricity and Gas supplies, permitting access by other public sector organisations from 1 October 2016 to 30 September 2020. The suppliers on the framework are Npower for electricity and Total Gas & Power Ltd for gas. Using the LASER framework for 2016-2020 will provide continuity for sites and best value for money for the council following a thorough options appraisal. A rolling two year commitment is preferred to a four year commitment as it affords the council more flexibility.

89/15 ESTABLISHING A DYNAMIC PURCHASING SYSTEM AND ACCEPTANCE OF INDICATIVE TENDERS FOR THE PROVISION OF SOCIAL CARE AND ACCREDITED LEARNING TRAINING [Item 13]

Introducing the report, the Cabinet Member for Business Services said that a Dynamic Purchasing System (DPS) was similar to a framework agreement, in which providers confirmed at the time of application that they would comply with the terms of the DPS and any call-off contract terms published at that time, in order to be accepted onto the supplier list. The DPS also provided additional benefit over a Framework arrangement by allowing Suppliers to join at any point during the duration of the DPS.

This report sought approval to establish a DPS, and accept indicative tenders for the provision of Social Care and Accredited Learning Training Services that were specifically targeted for staff in Adult Social Care and Children, Schools and Families. This training was currently delivered through contracts which will expire on 7 June 2015.

The Cabinet Member also said that the DPS would be available for use by Surrey's Boroughs and Districts, the Clinical Commissioning Groups, East Sussex County Council (and all its Districts, Boroughs and Health Authorities) and colleagues from the Police, Ambulance and Fire Services and that performance would be monitored through a series of key performance indicators.

Finally, she said that financial and value for money information was set out in a separate report for discussion in the Part 2 section of the meeting.

RESOLVED:

1. Following receipt of indicative tenders, the suppliers named in the report be accepted onto the Dynamic Purchasing System (DPS) for Social Care and Accredited Learning Training Services.

2. That authority be given to establish the DPS for an initial period of two years, with a possible extension of up to a further two years if the procurement approach continues to demonstrate value for money.

3. That authority be delegated to the Head of Procurement, together with the Cabinet Member for Business Services to further admit new suppliers, in accordance with the criteria laid out in the terms of the DPS, during the life of the agreement, which will not exceed four years in total.

4. Individual contracts be awarded through the DPS following a further competition, at which stage suppliers will have the opportunity to refine their offer and costs within the terms and conditions already agreed.

Reasons for Decisions:

The implementation of the Care Act is having a significant impact in the way Social Care staff work, and on their training needs to ensure compliance with the Act. In order to support its staff, the Council must provide innovative and flexible training ensuring they have the skills and knowledge to meet these challenges.

The existing contracts under which Social Care and Accredited Learning Training are delivered will expire on 7 June 2015. A full tender process, in compliance with the requirements of Public Contracts Regulations 2006 and the Council's Procurement Standing Orders has been completed, and the recommendations provide best value for money and will ensure that contracts are awarded that meet the need.

90/15 PROVISION OF SPECIAL EDUCATIONAL NEEDS HOME TO SCHOOL TRANSPORT - AWARD OF CONTRACT [Item 14]

The Cabinet Member for Schools and Learning informed Cabinet that, within Surrey, approximately 2700 children were transported daily to 23 special schools in the county and that a proportion of this requirement was currently covered by Sole Provider contracts, some of which expire on 31 July 2015.

Approval was being sought to award two contracts for the provision of home-to-school transport services to AMK Chauffeurs Ltd and Waverley Hoppa Community Transport starting on 1 August 2015, for a five year period with the option to extend up to a further two years, to two schools; Portesbery

School and Gosden House School. The savings of these new contracts were expected to be £184,000 in a full financial year.

The importance of consistency from the operators was stressed because parents and pupils with special educational needs wanted the same driver, escort and vehicle at the same time, each day.

The Cabinet Member said that, due to the commercial sensitivity involved in the award of the contract, the details of the evaluation process and scores, as well as full financial details were included as confidential information for discussion later in the meeting.

Finally, the Cabinet Member for Highways, Transport and Flooding drew attention to paragraph 18 of the report, relating to TUPE and requested that it should be noted that any decision would be subject to TUPE costs once they were understood.

RESOLVED:

1. 'Sole Provider' contracts for home-to-school transport, commencing on 1 August 2015, be awarded for provision of transport to the following school by the named supplier:

   - Portesbery School – AMK Chauffeur Drive Ltd (11 routes)

2. 'Individual' contracts for home-to-school transport, commencing on 1 August 2015, be awarded for provision of transport to the following school by the named suppliers:

   - Gosden House School – AMK Chauffeur Drive Ltd (15 routes)

   - Gosden House School – Waverley Hoppa Community Transport (4 routes)

3. The proposed contracts will be for a five year period, with the option to extend for further for two years if deemed necessary.

Reasons for Decisions:

Pupils with special educational needs often want consistency from their operator – the same driver, same escort and same vehicle, on time, each day. Parents want to know the driver will show compassion, patience and care towards their child, and know how to deal with their child's specific needs (anything from autism and severe learning or behavioural difficulties, to physical disabilities). Both schools have reported these benefits from the current Sole Provider contracts, of which AMK Ltd. is one of the incumbent providers.

The forecast savings for Financial Year 2015/16 were £127,000. The full year forecast savings were £184,000.

To summarise the objectives:

- Consistency of service delivery and operator accountability

- Strong relationship between the school and its transport provider
- Quality of service provision, as performance monitoring will be made easier with two operators
- Ensuring value for money for Surrey County Council.

91/15 LEADER / DEPUTY LEADER / CABINET MEMBER DECISIONS TAKEN SINCE THE LAST CABINET MEETING [Item 15]

The Cabinet Member for Community Services drew attention to the decision that she had taken on 27 March 2015, in relation to the Community Buildings Grant Scheme and said that she was delighted that the County Council could award these grants to those Surrey Boroughs and Districts who were in the tripartite grant scheme.

RESOLVED:

That the decisions taken by Cabinet Members since the last meeting, as set out in Annex 1of the submitted report, be noted.

<u>Reasons for Decisions:</u>

To inform the Cabinet of decisions taken by Cabinet Members under delegated authority.

92/15 EXCLUSION OF THE PUBLIC [Item 16]

RESOLVED that under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act.

PART TWO – IN PRIVATE

THE FOLLOWING ITEMS OF BUSINESS WERE CONSIDERED IN PRIVATE BY THE CABINET. SET OUT BELOW IS A PUBLIC SUMMARY OF THE DECISIONS TAKEN.

93/15 ESTABLISHING A DYNAMIC PURCHASING SYSTEM AND ACCEPTANCE OF INDICATIVE TENDERS FOR THE PROVISION OF SOCIAL CARE AND ACCREDITED LEARNING TRAINING [Item 17]

The Cabinet Member for Business Services introduced the report, which contained the financial and Value for Money information relating to item 13. She said that the full details of the individual contract values during the life of the Dynamic Purchasing System were not known at this stage because these would be subject to a further mini-competition.

RESOLVED:

1. Following receipt of indicative tenders, the suppliers named in the report be accepted onto the Dynamic Purchasing System (DPS) for Social Care and Accredited Learning Training Services.

2. That authority be given to establish the DPS for an initial period of two years, with a possible extension of up to a further two years if the procurement approach continues to demonstrate value for money.

3. That authority be delegated to the Head of Procurement, together with the Cabinet Member for Business Services to further admit new suppliers, in accordance with the criteria laid out in the terms of the DPS, during the life of the agreement, which will not exceed four years in total.

4. That individual contracts be awarded through the DPS following a further competition, at which stage suppliers will have the opportunity to refine their offer and costs within the terms and conditions already agreed.

Reasons for Decisions:

The implementation of the Care Act is having a significant impact in the way Social Care staff work, and on their training needs to ensure compliance with the Act. In order to support its staff, the Council must provide innovative and flexible training ensuring they have the skills and knowledge to meet these challenges.

The existing contracts under which Social Care and Accredited Learning Training are delivered will expire on 7 June 2015. A full tender process, in compliance with the requirements of Public Contracts Regulations 2006 and the Council's Procurement Standing Orders has been completed, and the recommendations provide best value for money and will ensure that contracts are awarded that meet the need.

94/15 PROVISION OF SPECIAL EDUCATIONAL NEEDS HOME TO SCHOOL TRANSPORT - AWARD OF CONTRACT [Item 18]

The Cabinet Member for Schools and Learning commended this Part 2 report, which contained the financial and Value for Money information relating to item 14.

RESOLVED:

1. That a 5 year fixed term and annual fixed price contract be awarded to AMK Chauffeur Drive Ltd at an estimated annual value, as set out in the submitted report, for the provision of home-to-school transport, to commence on 1 September 2015, for 26 routes to the following schools:

   - PORTESBERY SCHOOL
   - GOSDEN HOUSE SCHOOL

For years six and seven, the contract may be extended annually at the discretion of the Council, at pricing to be agreed between the parties.

2. That a 5 year fixed term and annual fixed price contract be awarded to Waverley Hoppa Community Transport Ltd at an estimated annual value, as set out in the submitted report, for the provision of home-to-school transport, to commence on 1 September 2015, for 4 routes to the following school:

   - GOSDEN HOUSE SCHOOL

   For years six to seven, the contracts may be extended annually at the discretion of the Council, at pricing to be agreed between the parties.

Reasons for Decisions:

A full tender process, in compliance with the requirement of EU Procurement Legislation and Procurement Standing Orders, through Lot 2 of the Client Service Dynamic Purchasing System has been completed, and the recommendations ensure the continuation of valued services for the children, their families and the schools as well as delivering increased value for money to the council.

95/15 PROPERTY TRANSACTIONS [Item 19]

The Associate Cabinet Member for Assets and Regeneration asked for Cabinet approval to authorise the sale of the property and adjoining land in the Leatherhead area to support the County Council's Investment Strategy. He confirmed that it was no longer required for service delivery nor capable of generating significant income.

RESOLVED:

1. That the sale of the property and land, as outlined on the attached plan in Annex 1, and as detailed the submitted report be approved.

2. That a 5% variation in the agreed sale price to reflect possible changes and circumstances as a result of the ongoing due diligence process be delegated to the Strategic Director for Business Services, in consultation with the Cabinet Member for Business Services and the Leader of the Council.

Reasons for Decisions:

The sale of the land and property is required to contribute towards the County Council's Investment Strategy and to dispose of land no longer required for service delivery nor capable of generating significant income.

96/15 PUBLICITY FOR PART 2 ITEMS [Item 20]

That non-exempt information relating to items considered in Part 2 of the meeting may be made available to the press and public, if appropriate.

[Meeting closed at 3.35pm]

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Chairman

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CABINET – 28 APRIL 2015

PROCEDURAL MATTERS

Member's Question

Question from Mr Jonathan Essex (Redhill East) to ask:

Could you please provide a breakdown of the Value for Money assessment summary included in Annex 1 of Agenda Item 6, as follows:

1. Details of the breakdown that leads to the summary presented in the report, to the level of detail able to be released into the public domain.

2. A breakdown of the Value for Money assessment based on the allocation of costs that relate to the three main elements of the Eco park: (i) the bulking waste facility, (ii) anaerobic digestion plant, and (iii) the gasification plant.

3. Details of the methodology employed for the Value for Money assessment. Please confirm what the difference in Value for Money for the 'terminate the waste contract and re-procure a contract to develop infrastructure' refers to and whether this was for waste disposal infrastructure or whether it could be for material recycling facilities in Surrey.

4. An explanation of each item in the 'total movement in Value for Money margin' that is included in the table under paragraph 9 of Annex 1.

5. A breakdown of the summary of the 'quantified risk adjustment' in the table in paragraph 19, including to the key areas of uncertainty identified in the report.

6. Confirm the extent to which the items listed in the sensitivity analysis have been included in either the quantified risk assessment or overall Value for Money assessment.

Reply:

The responses are in the same orders of the questions:

1. Officers are currently working with Deliotte to produce the information in a form that can be released into the public domain. I expect that to be available within days.

2. The structure of the contract payment mechanism means that the council pays one unitary charge for all the capital infrastructure. The contract with SITA is a fully integrated contract and Value for Money assessment is based on the total cost of managing waste over the 25 year evaluation period. However, Annex 1 identifies the overall capital cost of the Eco park.

3. The Value for Money analysis has been performed using an accounting model developed by our financial advisors Deloitte. This involves taking base assumptions on waste flows over a 25 year period and applying costs directly from SITA's contract financial model or as agreed with the council's technical advisors in order to generate a

25 year cost. Discounting has been applied to generate a Net Present Value cost. Risk adjustments have been made in accordance with Treasury Green Book Guidance.

The option to 'terminate the waste contract and re-procure a contract to develop infrastructure' which was considered in 2013, involved terminating the existing contract with SITA and re-procuring a new contract for delivery of an Eco Park at Charlton Lane. Given the historical difficulties of obtaining planning consent for Energy from Waste plants and the fact that planning consent had already been granted for an Eco Park in 2012, we considered this to be the most likely and viable option for the infrastructure element of any new contract.

4. See explanations below

'Waste treatment site operating and capital costs'

This item is the cost of capital repayment and the cost of operating all of the contract facilities including the Eco Park, waste transfer stations and community recycling centres.

'SITA contract termination costs (allowing for capital development to date and other costs)'

This item relates to contractor liabilities for capital expenditure for redevelopment of CRC's and waste transfer stations as well as capital expended to date under the first phase of the Eco Park development, agreed by Cabinet in October 2013. It also includes costs incurred by the delay in developing the Eco Park and the claw back of SITA discount which was predicated on the development of the Eco Park.

'Other changes including updated assumptions'

This item is the net effect of changes in assumptions since October 2013, for example as a result of updated tonnage projections, changes to landfill cost projections as a result of Government announcements on landfill tax since October 2013 and updated information on the costs of dealing with process residues.

'Merchant EfW and AD site costs.

This item is the net effect of changes to gate fee assumptions for merchant AD and energy from waste facilities. The gate fee information is based on updated market intelligence and advice from the council's technical advisors.

5. The main areas to which a risk adjustment was applied related to operating costs, landfill costs, including gate fee and tax, merchant energy from waste gate fee, merchant AD gate fees, termination costs and APCR disposal costs.

6. The quantitative Value for Money analysis includes the base case assumptions as stated in this section of the report. The sensitivity analysis has been included to provide the Cabinet with transparency in respect of areas of further specific areas of risk so that they can be taken into account in the decision making process.

Mr Mike Goodman
Cabinet Member for Environment and Planning
28 April 2015

Deloitte.

Surrey County Council - Waste PFI Eco-Park

Quantitative Value for Money Analysis

16 April 2015

Important Notice

Deloitte LLP ("Deloitte") is acting for Surrey County Council ("SCC" or "the Client") on the terms set out in the engagement letter dated 1 March 2013 (the "Engagement Letter") in connection with SCC's Waste PFI contract, changes to its Eco-Park solution and disposal of municipal household waste (the "Project"). Deloitte is responsible to SCC and will not be responsible to anyone other than SCC for providing advice in relation to the Project.

This document, which has been prepared by Deloitte, has been prepared for the sole purpose of assisting the Client in undertaking an updated quantitative value for money analysis of the proposal by SCC's existing contractor Sita Surrey Limited to design, build, finance and operate an Eco-Park under the Eco-Park Deed of Variation as submitted to the Client in connection with the Project.

The information contained in this document has been compiled by Deloitte and includes material obtained from information provided by the Client, Mott MacDonald, Sita Surrey Limited, discussions with the Client and published sources which Deloitte use regularly but has not been verified. This document also contains confidential material proprietary to Deloitte.

This document also includes certain statements, estimates and projections provided by SCC with respect to anticipated future performance. Such statements, estimates and projections reflect various assumptions concerning anticipated results and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are or may be beyond the control of SCC. Accordingly, there can be no assurance that such statements, estimates and projections will be realised. The actual results may vary from those projected, and those variations may be material. No representations are or will be made by any party as to the accuracy or completeness of such statements, estimates and projections or that any projection will be achieved.

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CONTENTS PAGE

Background

Since 2008, Surrey County Council ("SCC") has been working with Sita Surrey Limited ("SSL" or "Sita") to develop a Deed of Variation to develop an Eco-Park at the Charlton Lane site. The Eco-Park will comprise a gasification facility (the "Gasification facility") and Anaerobic Digestion ("AD") facility. The Eco-Park Deed of Variation ("DoV") was signed on 31 October 2013 and reflected a phased approach to delivery of the Eco-Park facilities. This phased approach reflected that the Eco-Park was subject to formal planning approval at the time. The DoV proposed capital expenditure of approximately £14m to enable construction of the Eco-Park to commence at a first Notice to Proceed ("NTP1") date in advance of formal planning approval.

Deloitte LLP ("Deloitte") was engaged to provide financial advice in respect of the DoV in October 2013. Deloitte's work included working with SCC to develop a quantitative Value for Money ("VfM") analysis for the proposed Eco-Park when compared to SCC's identified alternative options for waste disposal. In addition, Deloitte also provided commercial advice on selected aspects of the transaction as instructed by SCC. The outcome of Deloitte's work resulted in a report titled 'Quantitative VfM Analysis and Financial Advice' issued on 31 October 2013. That report detailed the outcome of the VfM analysis and related advice (refer to Appendix 1 for further details). This report provides an update on our previous work and should be read in conjunction with the report issued on 31 October 2013 which is included at Appendix 1.

Since October 2013, the Eco-Park has received planning permission and the final permit variation has been issued by the Environment Agency. As such, subject to the conditions precedent in the DoV being satisfied, SSL can commence the construction of the Eco-Park at Notice to Proceed 2 ("NTP2"). SCC expect NTP2 to reach financial close on the 31 May 2015.

Delays in obtaining planning permission and permits has extended beyond the EPC contract longstop date of October 2014. Consequently, SCC has now received a revised price from SSL's Engineering, Procurement and Construction ("EPC") contractor M W Group GmbH ("M+W"). As a result of movements in several cost items, SCC is updating the quantitative Value for Money analysis primarily to reflect the new EPC price in addition to updating market and other assumptions. This exercise is being undertaken in order to compare the project with SCC's primary alternative option for waste disposal (hereinafter referred to as the "Updated VfM").

Quantitative Value for Money analysis

Deloitte has based the Updated VfM analysis on the appraisal of two identified options over the period from 1 April 2015 to 31 March 2040, which reflects the expected life of the waste facilities. In accordance with HM Treasury guidance, the analysis incorporates risk adjustments in determining the Net Present Value ("NPV") of the costs for each option.

We have considered the following two options in the Updated VfM analysis:

- Option 1 – the current Waste Disposal Project Agreement ("WDPA") with SSL including the proposed SSL Eco-Park development at the Charlton Lane site based on an NTP2 date of 31 May 2015; and
- Option 3 – give notice to terminate the current WDPA with SSL on 1 May 2015 and re-procure a merchant third party energy from waste capacity for all residual waste.

SCC and its advisers concluded that Options 2 and 4, considered previously, no longer represent viable options for consideration by SCC due to timing implications and further risk issues. See section 3.2 of this report and Appendix 1 for further details of these Options.

Assessment of risk and sensitivity analysis

Deloitte has worked with SCC to undertake the quantitative Updated VfM analysis of Options 1 and 3 and in doing so followed a process that is consistent with that undertaken in October 2013. In particular, this involved the assessment of costs by SCC by working with their technical advisor, Mott MacDonald, as well as a full Risk Adjustment workshop.

Deloitte worked with SCC to undertake the quantitative Updated VfM analysis of Options 1 and 3. This involved developing and facilitating a risk workshop on 13 March 2015 with SCC and Mott Macdonald. Based on HM Treasury Green Book guidance, we have incorporated risk adjustments that we have assisted SCC to develop into the NPV cost projections where reasonable estimates could be provided for Options 1 and 3. SCC has formally approved the risk adjustments, inputs and assumptions set out in Appendix 2.

Before risk adjustment

The quantitative analysis indicated that Option 3 had the lowest NPV cost, £55.5m less than Option 1.

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 (£m)	NPV Difference from Option 1 (%)
1	1,074.0	2,206.4	-	-
3	1,018.5	2,142.7	(55.5)	(5%)

After risk adjustment

Taking account of risk adjustment, the analysis indicates that Option 3 is c. £1.9m less than Option 1 in NPV terms. This represents approximately 0.17% of the total project cost of £1.1 billion in NPV terms. This is outlined in the table below.

This difference compares to a variance of £6.5m between (Option 3 more than Option 1) when the two options were compared in October 2013. The greater difference between the two Options in October 2013 was deemed to be immaterial in the context of the overall size of the project. As such, we concluded that given the immaterial nature of the difference relative to the project the qualitative analysis should determine the preferred outcome. As previously, given the immaterial difference in the NPV of the two Options we again conclude that the qualitative analysis should determine the preferred outcome.

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 (£m)	NPV Difference from Option 1 (%)
1	1,119.9	2,334.4		
3	1,118.0	2,380.7	(1.9)	(0.17%)

Table 1 Risk Adjusted Quantitative VfM analysis - Source: SCC Options Spreadsheet

Mott MacDonald has been engaged by SCC to provide advice in respect of the costs that have been proposed by Sita. In developing this report and the VfM analysis, we have used the costs that have been validated by Mott MacDonald, including estimated termination costs. As noted in October 2013 by SCC's legal advisers, such costs are difficult to quantify with any accuracy until such time as the Contractor (in this case Sita) makes a claim for such losses.

Financial and Commercial advice

We have not been party to the negotiations with SSL in respect of their updated costs. SCC has worked alongside Deloitte and its technical advisor in determining the movements in the capital and operating costs. Deloitte's work has not included a review of the commercial positions that have been agreed as result of the DoV.

Deloitte has reviewed the SSL model audit responses as provided in draft by Operis on the 25 March 2015. We have discussed these findings with SSL and SCC. SSL has confirmed that none of the issues raised in the draft report are material and SCC has confirmed that it is content with SSL's responses. On this basis, we do not expect future material changes to the SSL model. Our analysis has been undertaken on this assumption.

Outcome of the Updated VfM

As detailed above, Option 3 is £1.9m lower in NPV terms compared to Option 1. This is 0.17% of the total project cost of Option 1.

This difference is immaterial compared to the overall contract value project cost of £1.1 billion and therefore there is no clear preferred option based on the quantified VfM analysis alone. In order for the difference to be material the analysis inputs would have to move significantly, as illustrated below

The outcome of the VFM analysis is dependent on the assumptions and risk adjustments made. In this context, and as an example only, we note that a 17% risk adjustment has been applied to the contract cost under option 3 and that a 1% change to this assumption would have a £3m NPV impact.

It should also be noted that in the event that the Gasification facility does not benefit from the Renewable Obligation Certificate ("ROC") subsidy regime then this would have an adverse impact of £8.5m on the NPV for Option 1. This has been considered as part of the sensitivity analysis

We would recommend that SCC's decision should not be determined based on the quantified VfM analysis alone. SCC should also consider the qualitative considerations of the two options, taking account other significant value factors such as legal, strategic, contractual and economic development in assessing overall value to the public.

We understand that SCC and its technical advisors will address the qualitative aspects of the VfM analysis and will report separately.

In accordance with HM Treasury guidance, the PFI credits do not form part of the VfM analysis, however they will affect affordability. The impact of PFI credits is approximately £56m in NPV terms (see section below) indicating that Option 1 should be preferred from that standpoint.

Project Background

1.1 On 22 June 1999 SCC entered into an agreement ("the Original Agreement") with SSL (formerly Surrey Waste Management Limited), a wholly owned subsidiary of Sita UK Limited, part of the Suez Group, to design, build, finance and operate two waste treatment plants and provide ancillary waste services including community recycling centres and transfer stations in Surrey. Planning permission was not obtained to build these facilities.

1.2 On 6 March 2007, the parties entered into a DoV of the WDPA between SCC and SSL that reflected changes in the waste management solution required by SCC, amendments required because of changes in the law and revised contractual processes required to govern future developments.

1.3 During 2008, SSC and SSL anticipated that a further DoV of the WDPA was likely to be required to enable the refinancing of the debt associated with the construction of one or two energy-from-waste ("EFW") facilities by providing a project finance solution involving third party debt providers. However, planning issues resulted in the solution of the EFW facilities being undeliverable.

1.4 Since 2009, SCC has been working with SSL to develop a new DoV to deliver an Eco-Park solution comprising a Gasification facility and an AD facility.

1.5 The DoV for the Eco-Park solution was signed between SCC and SSL on 31 October 2013. The WDPA between SCC and SSL will expire on 19 September 2024.

1.6 Planning permission and final permit variations were approved in 2014. The capital cost price that was proposed by SSL expired due to it surpassing the long stop date in the contract October 2014. Consequently, SCC has received an updated suite of prices encompassing capital and operational expenditure from SSL's subcontractor M+W for constructing the Eco-Park.

1.7 Following receipt of the revised costs in January and February 2015, SCC updated its VfM analysis for presentation to its Cabinet in April 2015.

2. Scope

2.1 The scope of Deloitte's work, as set out in our engagement letter dated 1 March 2013 (under Lot number 4.1 of the Consultancy ONE Framework Agreement) in respect of Financial Advice is as follows:

2.2 Updating the Quantitative Value for Money ("Updated VfM") Analysis comprising:

- Assisting SCC with its value for money and options assessment.

2.3 Deloitte has not been party to any direct negotiations between SCC and SSL since they signed the DoV in October 2013 regarding the financial structuring and/or the loan documentation.

3. Quantitative VfM Analysis ("Updated VfM")

3.1 Introduction

3.1.1 As part of the SCC Cabinet and the Department for Environment, Food and Rural Affairs ("DEFRA") approval process, SCC is required to undertake a VfM analysis to demonstrate that the Eco-Park DoV is value for money for SCC when compared to alternative options that are available. In accordance with HM Treasury ("HMT") Guidance on VfM analysis (as set out in the HMT Green Book), VfM assessment is included in the Economic Case which comprises a quantitative and qualitative analysis of options. This assessment excludes PFI grant which is a transfer payment between DEFRA and SCC and as such is not relevant to the economic VfM analysis from an overall taxpayer perspective.

3.1.2 This report is only concerned with the quantitative financial analysis of SCC's Updated VfM analysis. The qualitative analysis has been completed by SCC and its technical advisors and does not form any part of this report. We have worked with SCC to undertake the quantitative Updated VfM analysis of the SCC options (as presented in section 4 of this report). These should be considered alongside the qualitative analysis by SCC in order that the VfM of the options can be determined as envisaged in the HMT Green Book Guidance.

3.1.3 The primary focus of the quantitative Updated VfM analysis is to present the non-risk adjusted and risk adjusted Net Present Value of the two Options under consideration by SCC. The Updated VfM analysis also considers the difference between the NPV of the two Options (i.e. the relative VfM position) as agreed with SCC. In addition, the impact of removing PFI credits is presented with the quantitative Updated VfM analysis to inform SCC's affordability considerations. However, the affordability and budgeting of the SCC options is being considered separately by SCC and does not form part of this report.

3.1.4 The quantitative Updated VfM analysis, as agreed with SCC, is based on the SSL model - Surrey FM2 Var6_v48b_11Yrs.xlsm ("the SSL Model").

3.1.5 We would draw SCC's attention to the following:

- The SSL Model provided by SSL and which forms the basis of the Updated VfM analysis has not been subject to our review. As instructed by SCC we have not updated our Parallel Model Scope of work which was previously undertaken in October 2013 (referred to as the "Parallel Model Scope" in our October 2013 DoV report).

- The SSL Model has been audited by SSL's model auditor, Operis. At the time of writing this report Operis had issued a draft report indicating there are no material issues outstanding. We have reviewed the draft model audit report caveats that have been provided and Sita has confirmed that those points will either be addressed in the next two weeks or propose to make no changes. Sita has confirmed that none of the caveats detailed in the draft model audit report would make a material difference to the price. SCC has confirmed that they are content with the responses to the model audit queries that have been provided by Sita.

- The SSL Model includes a revised EPC Base Contract Price of £91.36m, which we understand is still subject to negotiation between SCC and SSL. However, we understand the EPC Base Contract Price is not expected to increase from this figure. For the purposes of the VfM analysis the £91.36m has been modelled without any risk adjustment.

- The Updated VfM analysis includes Eco-Park operations and maintenance costs extracted from the SSL model. The technical advisor has informed SCC that this is significantly more than they would expect for a facility of this nature. We understand that this is subject to ongoing discussion with Sita and SCC.

3.2 Options under Consideration

3.2.1 Deloitte has been instructed to assist SCC in respect of the quantitative Updated VfM analysis for the following options over the period from 1 April 2015 to 31 March 2040 in quantitative financial terms only:

- Option 1 – the current WDPA with SSL including the proposed SSL Eco-Park DoV at the Charlton Lane site based an NTP2 date of 30 April 2015

- Option 3 – give notice to terminate the current WDPA with SSL on 1 May 2015 and procure merchant third party energy from waste capacity for all residual waste

Note: SCC concluded, in discussion with its technical advisors, that the following two options no longer represent viable options for consideration:

- Option 2 – to terminate the current WDPA with SSL on 1 November 2013 and re-procure a 25 year project for an Eco-Park Development at the Charlton Lane site;
Rationale: the impracticality of its timing and previous assessments undertaken indicated that the costs exceeded that of other options.

- Option 4 - to terminate the current WDPA contract with SSL on 1 November 2013 and procure landfill capacity for all residual waste.
Rationale: SCC's waste strategy is to exceed the regulatory targets for landfill diversion. In addition, previous assessments undertaken by SCC indicated that landfill prices were subject to greater uncertainty and the risk-adjusted costs for this Option exceeded that of other options.

3.3 Approach to Quantitative VfM Analysis

3.3.1 It should be noted that working collaboratively with SCC, we have adopted the same robust and consistent process in respect of the risk workshop and adjustments as was used in the 2013 VfM analysis. There has not been any changes to this process throughout the course of the Updated VfM work. As noted below, SCC has reviewed and commented on the inputs and assumptions and risk adjustments and formally approved them on 16 April 2015.

3.3.2 Deloitte has worked with SCC to undertake the quantitative Updated VfM analysis of Options 1 and 3 as set out above and to update the previous inputs and assumptions used in the October 2013 VfM analysis. The inputs and assumptions for the Updated VfM analysis of Options 1 and 3 have been drawn from key sources as follows (all of which are documented at Appendix 2) :

- Inputs and assumptions provided by SCC from its Waste Monitoring spreadsheet (Waste Monitoring Feb 2014-15 NP to Deloitte 26 March 2015.xlsx ("WMS")) based on the SSL Model;
- Inputs and assumptions for Options 1 and 3 from the SSL Model received from SSL on 19 March 2015 (version Surrey FM2 Var6_v48b_11Yrs);
- Various meetings, correspondence and discussions held with SCC's waste team (notably SCC representatives from the Finance, Change and Performance Group, the Waste Contract and Infrastructure Manager from the Waste Management & Sustainability Service and the Finance Manager from the Environment & Infrastructure team);
- Risk adjustment assumptions provided by SCC and its technical advisors (Mott Macdonald) as agreed in a risk workshop on 13 March 2013 and subsequently updated in a meeting on 18 March 2015; and
- We understand that Mott MacDonald has liaised extensively with SCC on the cost base of the project. SCC has gained comfort on both the risk adjustments and the underlying

cost base from Mott MacDonald. The market adjustments on the EFW and AD prices have been confirmed and validated by Mott MacDonald.

Assessment of Risk

3.3.3 SCC has followed a process consistent with that undertaken in October 2013. In particular, this involved the assessment of costs by SCC working with Mott MacDonald as well as a full Risk Adjustment workshop.

3.3.4 We developed and facilitated a risk workshop on 13 March 2015 (and subsequent follow up meeting on 18 March 2015) working with SCC and its technical advisors focused on risks that differentiated Options 1 and 3 as part of the Updated VfM analysis. The risk adjustments calculated in this meeting were carried out in accordance with the HMT Green Book guidance as facilitated by Deloitte.

3.3.5 At the risk workshop, each of the updated input assumptions for each option was reviewed to establish whether a risk adjustment was appropriate. As part of this process the risk adjustments which were previously documented in the SCC risk work papers from the October 2013 quantitative VfM analysis (see Appendix 1) were also considered. The SCC risk work paper documenting SCC's latest approach to OB and risk adjustments is provided at Appendix 2.

3.3.6 The risk areas covered at the risk workshops in March 2015 for which OB and risk adjustments have been made in the Updated VfM analysis are listed below. The 'Risk Area' references refer to SCC's Risk Assumptions which was provided to SCC and their technical advisors on 1 April 2015 as updated to reflect SCC's comments (refer to Appendix 2). The SCC Risk Assumptions set out that SCC and their technical advisor should review the OB and risk adjustments as detailed in Table 3.3.7 to ensure that they are comfortable that all risks deemed to be significant have been discussed and, if appropriate, have been adjusted for. We have worked alongside SCC in developing the Risk Assumptions and SCC has confirmed that the Risk Assumptions reflect all the appropriate risks in respect of the quantitative VfM analysis undertaken for the options.

3.3.7 The total increases in costs due to the risk adjustments applied by SCC are £45.8 million to Option 1 and £99.5 million in Option 3, a net difference of £53.6 million. Table 3.3.7 details the NPV impact of the individual risk adjustments on the different options. In addition, as there is a relationship between the risk adjustment applied to Merchant EFW and the cost of landfill, any adjustment to landfill gate fees or tax will also effect Merchant EFW costs. Due to this relationship, the risk adjustments applied to landfill gate fees and tax also increase the costs of Merchant EFW in Option 1 by £16.0 million and Option 3 by £28.9 million, a net VFM difference of £13.0 million.

Risk Area £m	Option 1 adjustment NPV	Option 3 adjustment NPV	Difference
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Table 3.3.7 - March 2015 Risk Adjustments Summary - Source: SCC Risk Work Paper

Termination Costs

3.3.8 As advised by SCC, Option 3 is predicated on the basis that the current WDPA with SSL will be terminated on a 'no fault' basis as advised by SCC and its legal advisors and that other contracts would be put in place. It was assumed that termination would occur on 1 May 2015. The basis for the calculation of the termination costs is set out in Schedule 9 (Compensation on Termination), Part 2 (Compensation on Termination – other than for Council Default or Contractor's Default) to the WDPA.

3.3.9 The calculation of the termination costs in Option 3 is based on estimates as provided by SSL or from the SSL Model and includes estimates in respect of [redacted] amounts that have been borrowed by SSL to fund capital expenditure, redundancy payments and losses reasonably and properly incurred by the Contractor as a direct result of the termination. This methodology has been informed by SCC's legal advisor (Simmons & Simmons) that a 'no fault' termination event should apply including [redacted] (see Appendix 2 of the October 2013 DoV Report). We have used the same formula to calculate the termination payment as was used in October 2013 based on advice received by Simmons & Simmons at that point. SCC has no reason to believe that this advice would have changed.

3.3.10 [redacted]

3.3.11 Recent experience of PFIs which have been terminated early demonstrates that the sponsor has been able to recover a loss of profits. As a result, the termination payment risk assumptions were reviewed and it was determined that the analysis should include a risk for loss of profits on equity invested to date (which was not included in the October 2013 analysis). It is envisaged that any termination would be subject to a negotiation with Sita.

In the risk workshop on 13 March 2015 and subsequent follow up meeting on 18 March 2015, in order to derive an appropriate risk adjustment, a three point estimate for termination payments was used:

- Lower and most likely case – based on the same calculation method used in October 2013 (but updated for the latest data assumptions); and
- Upper case – as above, but also including a return on assets deployed to date in the loss of profit calculation.

The calculation of estimated termination costs is included at Appendix 3. SCC has not provided any estimates of its potential costs so these are excluded from the Updated VfM analysis.

We reiterate the legal advisor's comments from the October 2013 DoV Report with regards to the estimated termination costs and that these are difficult to quantify until the Contractor makes its claim for such losses.

3.4 Quantitative VfM Analysis Considerations

3.4.1 The key issues that have been discussed with SCC, that it will need to consider when reviewing the quantitative Updated VfM analysis, are presented below.

a) The SSL model and other models incorporating sensitivity analysis as provided by SSL in response to SCC requirements have not been subject to review by Deloitte. The SSL Model has been audited by Operis, however, their scope of work did not extend to a review of sensitivities. Details of financial models provided to SCC from SSL since the July 2013 Cabinet meeting are detailed in Appendix 5.

b) Estimated 'no fault' termination costs for the purposes of the Updated VfM analysis are based on those provided by SSL on advice from SCC's legal advisors. There is no precedent on which to base the accuracy or completeness of these costs or to accurately represent SCC's exposure in the event of a no fault termination. Deloitte has not verified the accuracy or completeness of these costs.

c) Estimated 'no fault' termination costs that have been considered for the purposes of the Updated VfM analysis only reflect estimated costs which would be incurred by SSL and do not reflect any additional costs which may be incurred by SCC (such as its own legal costs) in the event of a no fault termination event.

d) The quantitative VfM analysis is subject to the final model audit report as instructed by SSL from its model auditors, Operis. A draft report has been issued by Operis which indicates that there are no material issues which may have a financial consequence, however, we draw SCC's attention to Appendix B of the Operis report which includes unresolved issues that appear as caveats to their report. The Operis final model audit report is expected from SSL in the second week of April 2015.

e) We have presented the risk associated with ROC accreditation as a sensitivity and no risk adjustment has been made in calculating the risk-adjusted NPV of Option 1. This has been done on the basis of advice from SCC and its technical advisors that it is not possible to provide reasonable estimates for the probability of not achieving ROC accreditation. If this risk was to be included as a risk adjustment (in line with HMT guidance where such probabilities can reasonably be estimated), the overall risk adjusted NPV cost of Option 1 would be higher. Please see section 3.5.6 for details of sensitivities.

f) We note that SSL has not documented the assumptions included in the SSL Model, which is typically considered as best practice (bringing greater transparency to the Model assumptions) and would otherwise provide an agreed set of underlying assumptions and calculation mechanisms between the parties

   In the absence of an agreed set of documented assumptions, we strongly advise SCC to review the cost assumptions in the SSL Model and ensure that your technical advisors have also provided sufficient review and challenge to these.

g) The financing solution remains unchanged from the previous report and therefore this should be referred to in conjunction with this report (see Appendix 1).

h) Sita base the swap rate in the current financial on the average loan life of the senior debt provided. Sita treasury provided an indicative swap rate 1.72% from Bloomberg based on the estimated senior loan drawdown / repayment profile per NTP2 date 31 May 2015. In addition, Sita added a buffer of 43bps to this resulting in a total swap rate of 2.15% in the model. We understand that Sita will update the financial model for the actual rate at financial close.

i) SCC and Mott MacDonald have reviewed the underlying technical assumptions in the latest version of the Model based on the provisions of the DoV. Mott MacDonald has stated that the operating costs for the Eco-Park facilities should be in the region of £1.3 – £2.6m per annum (in real terms) and the SSL model puts these costs at the higher end of this range. We understand that SCC is in discussion with Sita regarding these costs.

j) SCC has modelled a Corporation Tax rate of 23% which is the rate that will apply (and has been enacted) throughout the project. However, further rate reductions have now been enacted with the Corporation Tax rates set to reduce further to 20% on 1 April 2015. Whilst SCC will benefit should the Corporation Tax rate rise above the 23% modelled (as any rise is SSL's risk), SSL will benefit from an immediate gain from the lower rates now enacted. SCC should therefore acknowledge that the Model does not reflect the enacted Corporation Tax rates. Our understanding is this is what has been agreed between Sita and SCC and this point cannot be re-opened.

3.4.2 Details of the key inputs and assumptions for Options 1 and 3 and the OB and risk adjustment assumptions as represented by SCC are provided in Appendix 2.

3.5 Quantitative VfM Analysis as at April 2015

3.5.1 This section sets out the outputs from the Updated VfM analysis of the SCC options under consideration in accordance with the assumptions and sources as detailed in paragraph 3.3.1 above and Appendix 2.

Non-Risk Adjusted Quantitative Analysis

3.5.2 The non-risk adjusted quantitative analysis of the SCC options, as set out below, indicates that Option 3 is c. £55.5m cheaper in NPV terms than Option 1 as measured over the time period from 1 April 2015 to 31 March 2040.

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 (£m)	NPV Difference from Option 1 (%)
1	1,074.0	2,206.4	-	-
3	1,018.5	2,142.7	(55.5)	(5%)

Table 3.5.2 non-risk adjusted quantitative analysis - Source: SCC Options Spreadsheet

3.5.3 The non-risk adjusted quantitative VfM analysis of the SCC options as set out in table 3.5.2 does not assume any OB, risk adjustments or any PFI grant but includes the [redacted]

Risk Adjusted Quantitative VfM Analysis

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 (£m)	NPV Difference from Option 1 (%)
1	1,119.9	2,334.4		
3	1,118.0	2,380.7	(1.9)	(0.17%)

Table 3.5.4 Risk adjusted quantitative VfM analysis - Source: SCC Options Spreadsheet

3.5.4 We have prepared a detailed reconciliation that describes how the outputs from the October 2013 DoV report have moved to those summarised above. This reconciliation is included at Appendix 4 of this report.

3.5.5 The key deviations from the October 2013 report are increased capital and operating costs from SSL and changes in merchant gate fees for the AD and EFW facilities.

Sensitivities

3.5.6 We have considered further sensitivities on a similar basis to the October 2013 VfM analysis (based on DEFRA's guidance). Updated 'sensitivity analysis' financial models were requested from SSL for various scenarios as set out below. These are also set out in the SCC risk work paper that we developed in conjunction with SCC and are included in Appendix 2. SSL has provided the sensitivity financial models which have not been reviewed by Deloitte. The outputs have been extracted from the SSL sensitivity models to provide an indication of the impact on the risk adjusted quantitative Updated VfM analysis on Option 1 only as set out above. The sensitivities outlined below will either increase or decrease the cost of Option 1 to SCC. These are for indicative purposes only and are not adjusted in the Updated VfM analysis of the SCC options.

Sensitivity	Impact on Option 1	
	Total Nominal (£m)	NPV (£m)
EPC Price Sensitivities		
EPC Price £90m	3.1	2.1
EPC Price £87.5m	8.7	5.9
EPC Price £85m	14.2	9.7
Electricity Sensitivities		
No ROCs income	(17.9)	(8.5)
£42 electricity price	(7.1)	(3.1)
No ROCs income and £42 electricity price	(25.0)	(11.6)
Financing Sensitivities		
+25 bps swap	(1.4)	(1.0)
- 25 bps swap and no buffer	3.8	2.6
No buffer	2.4	1.6

Table 3.5.6 Sensitivities Source: SSL Financial Model (see Appendix 5)

3.6 Quantitative VfM Analysis Conclusion

3.6.1 Based on extensive workshop discussions with SCC and its technical advisors, and in line with HMT guidance, where SCC could provide reasonable estimates, a range of assumptions have been incorporated and extrapolated to evaluate the risk-adjusted quantitative VfM analysis of the options. The outcome of this analysis is that the quantitative VfM difference between the risk adjusted Options 1 and 3 is 0.17% of total costs in NPV terms.

3.6.2 Our conclusion has not changed from our 2013 report (as at Appendix 1). The difference between the two options is marginal and significantly below 1%. Therefore we recommend that SCC's decision should not be based on the quantified VfM analysis alone, but should link to SCC's qualitative considerations of the two options, taking account of other significant value factors relating for example to legal, strategic, contractual and economic development in assessing overall value for money. We understand that SCC and its technical advisors are addressing the qualitative aspects of the VfM analysis and will be reported separately.

3.7 Future PFI Credits and claw-back of PFI credits received

3.7.1 To assist SCC understand the costs of the options for its affordability and budgetary assessment, SCC has requested that future PFI credits and claw-back of PFI grant received be set out based on the Risk-Adjusted Quantitative analysis provided in Section 3.5.3 above. SCC requested future PFI credits are presented as income in Option 1 and the claw-back of credits is shown as a cost to Option 3.The risk-adjusted quantitative analysis of the SCC options incorporating the loss of future PFI grant indicates that Option 3 is £54.4 million more in NPV terms when compared to Option 1.

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 £m	Total Nominal Cost Difference from Option 1 (£m)
1	1,063.6	2,255.8		
3	1,118.0	2,380.7	54.4	124.9

Table 3.7.2 Loss of PFI grant quantitative analysis - Source: SCC Options Spreadsheet

3.7.2 As outlined above, SCC also requested an assessment that assumes the claw-back of PFI grant already received. The analysis presents this adjustment as an additional cost of £9.0m (nominal) for each year of the evaluation period under Option 3.

The risk-adjusted quantitative analysis of the SCC options incorporating claw-back of PFI grant and the loss of the future PFI grant indicates that in this scenario Option 1 is £168.9 m less in NPV terms as compared to Option 3.

Option	Cost – NPV @ 1 April 2015 £m	Total Nominal Cost £m	NPV Difference from Option 1 £m	Total Nominal Cost Difference from Option 1 (£m)
1	1,063.6	2,255.8		
3	1,232.5	2,606.5	168.9	350.7

Table 3.7.3 Claw-back and loss of PFI credits quantitative analysis - Source: SCC Options Spreadsheet

3.7.3 Appendix 4 provides a detailed NPV bridge reconciliation between the October 2013 DoV and the current position.

APPENDIX 1

QUANTITATIVE VFM ANALYSIS AND FINANCIAL ADVICE – REPORT 31 OCTOBER 2013

Report issued as a separate document

APPENDIX 2

QUANTITATIVE VFM ANALYSIS ASSUMPTIONS & SCC RISK WORK PAPER

ESTIMATED TERMINATION COSTS

Simmons & Simmons have confirmed that Schedule 9 (part ii) of the Project Agreement sets out the equation to be used under Voluntary Termination with a loss of profits element included:

<u>Estimated No Fault Termination Costs including estimated loss of future profits (for Options 3 & 4)</u>

This analysis has been prepared by Deloitte with the detail being provided by Sita and SCC

The old values are from the 2013 VfM report as detailed at appendix 1.

GU at Deed of Variation + Increase in GU since deed of variation + RP & Losses

where:	Source	£	Old values £	
GU at Deed of Variation	Contract	[redacted]	[redacted]	[redacted]
Increase in GU since deed of variation				
	Provided by SITA on 27/02/15	[redacted]	[redacted]	
	Provided by SITA on 27/02/15	[redacted]	[redacted]	
	Provided by SITA on 27/02/15	[redacted]	[redacted]	
RP & Losses	Provided by SITA on 27/02/15	[redacted]	[redacted]	[redacted]
	Provided by SITA on 27/02/15	[redacted]	[redacted]	
	Provided by SITA on 27/02/15	[redacted]	[redacted]	
	Provided by SITA on 27/02/15	[redacted]	[redacted]	

Figures to be confirmed by Sita/SCC

Quantification	£	£	
GU at Deed fo Variation	[redacted]	[redacted]	See Specific Assumption 1
Increase in GU since deed of variation	[redacted]	[redacted]	See Specific Assumption 2
RP & Losses	[redacted]	[redacted]	See Specific Assumption 3
Loss of Profits	[redacted]	[redacted]	See Below
[redacted]	[redacted]		
Total	[redacted]	[redacted]	
Risk adjusted	[redacted]		

Specific Assumptions

1 This figure is fixed in Schedule 9 (part ii) of the Contract Variation

2 The actual amounts borrowed by the Contractor to fund capex was provided by SITA
The level of capex specified in the SCC Stage 2 approval was provided by SITA.
The budgeted level of increase in GU was provided by SITA

3 RP & Losses assumption was provided by SITA

Source: SCC Options Spreadsheet

Loss of profits calculation from v012 011 of the VFM model

LOSS OF FUTURE PROFITS CALCULATION

Assumptions made

This calculation is based on assumptions in the SSL Model and includes;

The NPV of 100% of the margins earned by Sita on sub-contracted services using a Sita's discount rate of [redacted] (this does not include other potential margins earned by Sita in relation to the Eco Park which could not be readily extracted from the Sita model); and

The NPV of the SPV project returns from the SSL Model – this assumes Sita's discount rate ([redacted]) and a base date of 1 May 2015. The NPV is pro-rated for the estimated non-Eco-Park element of the project returns – this allocation has been done according to the estimated proportion of capital expenditure attributable to the sites other than the Eco-park, as detailed in the calculations below:

Calculation

Sub-Contracted Services (Pass-through with margin)

	Margin	Total Nominal margin earnt by SITA	NPV of margin
Landfill Disposal	[redacted]%	[redacted]	[redacted]
APCR Disposal	[redacted]%	[redacted]	[redacted]
Bottom Ash Disposal	[redacted]%	-	-
Bulk Haulage Costs	[redacted]%	[redacted]	[redacted]
Solid Digestate	[redacted]%	[redacted]	[redacted]
Third Party Composting	[redacted]%	[redacted]	[redacted]
Insurances (ex Deductibles)	[redacted]%	[redacted]	[redacted]
Other Waste Disposal	[redacted]%	[redacted]	[redacted]
Handling Charge	[redacted]%	-	-
Allington EFW	[redacted]%	[redacted]	[redacted]
RDF	[redacted]%	-	-
AEB Direct	[redacted]%	-	-
Food Waste	[redacted]%	[redacted]	[redacted]
Other Recovery (Variation Contract)	[redacted]%	[redacted]	[redacted]
Sub Total (total nominal costs)		[redacted]	[redacted]

NPV Year	**01-May-15**
Annual discount factor	[redacted]
Monthly discount factor	[redacted]
NPV of Pass Through Margins	[redacted]

SITA Returns on ECO-Park + Existing Services

Project NPV (1 April 2012) - from Sita model	[redacted]
Ref: [Surrey FM2 Var6_v48b_11Yrs.xlsm]Workings'!$F$1016	
Factor to restate Project NPV to 1 May 2015	[redacted]
Project NPV (1 May 2015)	[redacted]

Allocation of NPV to existing services

Total Eco-park capex	[redacted]	80%
Non-eco park capex	[redacted]	11%
Opening capex balance	[redacted]	9%
	[redacted]	

NPV allocation of Project Returns	[redacted]%	[redacted]
Total Loss of Earnings (Returns + Operating Margins)		[redacted]

Source: SCC Options Spreadsheet

APPENDIX 4

OPTIONS ASSESSMENT – CHANGES SINCE OCTOBER 2013 DOV REPORT

Please find outlined below a summary of the changes to the options appraisal outputs since those presented in the October 2013 DOV Report.

Model version	Option 1	Option 3	Difference	Comments
October '13 model	(967,906,213)	(974,423,683)	6,517,470	
Current model (v12 011)	(1,119,859,763)	(1,117,994,902)	(1,864,861)	
Movement	(151,953,550)	(143,571,219)	(8,382,331)	
Movements in T				
Total movement in T payments	(63,302,353)	(42,227,173)	(21,075,180)	The increase in T is due to several factors: (i) the capital price increase from M+W and the associated borrowing costs for Sita increases Option 1 by c. £16 million NPV, (ii) the change to an inflated T (taken from the Sita model) compared to the use of a benchmark estimate in the Oct 2013 VfM increases the relative cost of Option 3 by c.£12 million, (iii) the eco-park costs post concession increases the cost of Option 1 by c. £13 million,
Changes in Market (AD and EFW price reductions)				
Change in merchant AD price	3,970,638	10,590,599	(6,619,961)	Merchant AD gate fees have reduced significantly since Oct 13. The combined gate & haulage fee has reduced from £[redacted] in the Oct 13 VfM to £[redacted] in the current analysis (both stated in 2015 prices). [redacted]
Change in merchant EFW price	(2,147,240)	(10,674,976)	8,527,736	The costs of Merchant EFW are assumed to follow the costs of landfill. Therefore, the cumulative impact of landfill tax, haulage and gate fee increases also increases the costs of merchant EFW.
	1,823,398	(84,377)	**1,907,775**	
Changes due to evaluation period moving 2 years on				
Termination calculation increase	-	(13,331,644)	13,331,644	The increase in termination costs is largely explained as follows: (i[redacted] (ii) increase in opening contractor liability from capital expenditure at Earlswood (£3.5m) and NTP 1 capital expenditure (£6m) (iii) increase in expenditure in anticipation of the provision of services or the completion of works in the future - suspension costs £1.2m & Extended BEWA + Boiler Design Variation £0.5m
Other changes due to move in evaluation period	912,734	-	912,734	Other changes are the [redacted] nd 2 additional years of electricity income post concession [redacted]
	912,734	(13,331,644)	**14,244,379**	
Changes in assumption made by SCC				
Contract costs (or equivalent)				
Change in assumption for bottom ash disposal	[redacted]	-	[redacted]	[redacted]
Extra EFW haulage cost	-	7,564,364	(7,564,364)	SCC have removed an assumption to add £10 per tonne to merchant EFW for haulage costs as this was considered to overstate the incremental costs of the additional EFW waste in option 3.
Waste audit team and market testing	1,113,116	-	1,113,116	This is a direct input from SCCs waste monitoring spreadsheet, the decrease is a reduction in budgeted costs associated with market testing and waste auditing.
Merchant EFW tonnage increase	(63,532,813)	(64,675,187)	1,142,374	Merchant EFW tonnages have increased significantly with over 905,000 more tonnes forecast to be sent to EFW over the 25 year evaluation period in both options. The slight differential impact is due to the assumed higher EFW gate fee in option 3.
Pre-treatment EFW waste from gasifier	[redacted]	-	[redacted]	The inclusion of pre-treatment waste sent from the gasifier to Allington EFW.
Landfill costs	(76,413,547)	(77,502,326)	1,088,779	The large cost increase is due to landfill tonnages increasing by 923,000 tonnes since Oct 13. The small differential impact is the effect of reducing the risk adjustment applied to landfill tax, which has a greater impact on option 1 due to the additional APCR tonnage that attracts landfill tax.
Contract costs changes with less than £1 million differential impact	(6,121,556)	(9,889,800)	3,768,243	
Contract costs changes with no differential impact	*25,714,061*	*25,714,061*	-	
Total contract costs	(123,480,732)	(118,788,888)	(4,691,844)	
Recycling credits	**15,229,141**	**15,229,141**	-	Change in input assumption from the SCC waste monitoring spreadsheet.
Central costs				
Total central costs	**1,073,744**	**1,073,744**	-	Change in input assumptions from the SCC waste monitoring spreadsheet.
Non-contract costs				
Total non-contract costs	**18,464,696**	**18,464,696**	-	Change in input assumptions from the SCC waste monitoring spreadsheet. £14 million relates to WCA recycling credit contributions, £1.3 million to other waste contingency and £1.0 million to clinical waste.
Changes in Sita model (not including T payments)				
Total changes due to Sita model changes (other than capital price increase)	(2,674,177)	(3,906,717)	**1,232,540**	Updates in the Sita model to insurance costs [redacted] cost in option 1 and £2.3 million in option 3), commissioning costs (c. £1.3 million costs in option 1) and capital expenditure at Slyfield (£1.6 million in option 3).
Position before any changes to risk adjustments	(1,119,859,763)	(1,117,994,902)	(1,864,861)	

Source: Deloitte analysis based on SSL models

APPENDIX 5

SSL FINANCIAL MODELS

Details of the financial models that SCC has received from SSL since the October 2013 DOV Report are set out below.

(a) Surrey FM2 Var6_v48b_11Yrs.xlsm
(b) Surrey FM2 Var3_v47e_25Yrs.xlsm
(c) Surrey FM2 Var3_v47e_11Yrs.xlsm
(d) Surrey FM2 Var3_v46_25Yrs.xlsm
(e) Surrey FM2 Var3_v46_11Yrs.xlsm
(f) Surrey FM2 Var3_v45d_25Yrs.xlsm
(g) Surrey FM2 Var3_v45d_11Yrs.xlsm
(h) Surrey FM2 Var3_v44e_11Yrs_EcoPark.xlsm
(i) Surrey FM Var2_v41_11Yrs_3M Delay_fmt.xlsm
(j) Surrey FM2 Var3_v44b_11Yrs_Earlswood.xlsm

We have assisted you in performing a high level review of the financial models received from SSL since the October 2013 DOV Report (version "Surrey FM Var2_v41_11Yrs_3M Delay_fmt.xlsm" being the final SSL model which was used for the quantitative VfM analysis included in the October 2013 DOV Report).

Please note, Deloitte has not audited the financial models received from SSL, we have only reviewed them at a high level to ascertain the assumption changes between them.

Please note that the differences highlighted below are draft based on our initial review of the updates in the v48 SSL model and set out the increase in the Actual Unitary Charge as compared to the costs provided by Sita in the financial model used for the October 2013 quantitative VfM analysis:

<u>Base Case</u>

Annual Unitary Charge Breakdown		Difference v41 to v48 (£)
Tonnage Payment	T	(28,321,933)
Landfill Tax & Allowances	L	837,377
HWRC Process Payment	P1	(297,446)
Gasifier/AD Process Element	P3	1,358,778
Sub-Contracted Activities	O	(5,504,186)
Other Waste Element	OW	-
Commissioning payment		(1,235,252)
Deductions	D	-
TOTAL IMPACT ON AUC		(33,162,662)

Source:Deloitte analysis based on SSL models

Due to the following changes:

Summary of increase in AUC	£
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Commissioning phase costs	1,102,399
Disposal costs	755,915
Landfill tax paid	(837,377)
Other variable cost	3,677,756
Haulage cost	86,329
Capital expenditure	18,111,019
Electricity revenue	2,681,713
Electricity revenue (commissioning)	4,213
Non contract waste - income plug escalation	36,129
Delay Costs	2,989,093
Total	33,162,662

Source: Deloitte analysis based on SSL models

Deloitte.

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Surrey County Council Waste PFI Project

SCC Options Assumptions

v012 011

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Glossary

- AD – Anaerobic Digester
- APCR – Air Pollution Control Residues
- CRC – Community Recycling Centre
- EFW – Electricity From Waste
- IVC – In Vessel Composting Facility
- UP – Unitary Payment
- WDA – Waste Disposal Authority
- MTFP – Medium Term Financial Plan
- SCC – Surrey County Council
- NPV – Net Present Value
- WCA – Waste Collection Authority

1. Contents

2. Overview

2.1. Surrey Waste background

Surrey County Council (SCC) are evaluating a possible deed of variation of the contract agreement with Sita in connection with a waste management PFI project. This includes analysis of the choices and options under consideration by them in relation to a development project for the provision of an 'Eco-park' at Charlton Lane.

A financial options model (the Model) has been developed to facilitate a value for money comparison of these alternative options and this document is intended to articulate the Model's purpose, calculation methodology and associated input and output data.

2.2. Purpose of the Model

The Model is intended to facilitate the comparison of two alternative options / scenarios against a base case position in respect of the development of an Eco-park at Charlton Lane with SITA.

The two options under consideration are:

- Option 1 – Sita Base Case (current Waste Disposal PFI contract with Sita) including the proposed Sita variation in respect of the Eco Park Development Project at the Charlton Lane site. On concession end procure operational contracts to run the Eco Park and other waste sites.
- Option 3 - Terminate the current Waste Disposal PFI contract with Sita and procure merchant third party energy from waste capacity for all residual waste.

Please note that there is no longer an Option 2 (build an Eco Park after another procurement) or Option 4 (terminate and procure landfill capacity for all residual waste) as these options are not considered viable.

2.3. Key Outputs

The key outputs from the model are the total nominal costs under each option, the net present value of the costs under each option and the differential between the options.

	Net present value (£)	**Total nominal cost (£)**
Option 1	1,119,859,763	2,334,377,466
Option 3	1,117,994,902	2,380,651,069
Differential between Option 1 and Option 3	1,864,861	(46,273,603)

2.4. Model version

The assumptions documented in this SCC Options Assumptions relate to the following model:

- File Name: Options Model v012 011.xlsm
- File Size: 1.78MB
  Date Modified: 1 April 2015

2.5. Source files

The Model uses the following files as sources of inputs:

- Sita 11-year financial model
  - File name – Surrey FM2 Var6_v48b_11Yrs.xlsm
  - Received – 29 March 2015
  - Owner – Sita Surrey Limited (subsidiary of Suez Environment S.A.)
- Sita 25-year model
  - File name – Surrey FM2 Var3_v47e_25Yrs.xlsm
  - Received – 9 March 2015
  - Owner – Sita Surrey Limited (subsidiary of Suez Environment S.A.)

- SCC waste monitoring spreadsheet
  - File name – Waste Monitoring Feb 2014-15 NP to Deloitte 26 March 2015.xlsx
  - Received – 26 March 2015
  - Owner – Surrey County Council

- SCC PFI credits spreadsheet
  - File name – SCC Waste PFI credits clawback Mar-15.xlsx
  - Received – 30 March 2015
  - Owner – Surrey County Council

3. Waste flow assumptions

SCC provided the base waste flow assumptions in the SCC waste monitoring spreadsheet, [location – *'Deloitte Tonnage'!C26:AA58*]. These inputs are shown in **Error! Reference source not found.**.

3.1. Option 1

For Option 1 the waste flows are the same as the base waste flows in **Error! Reference source not found.** with the following differences:

1. Contaminated aggregate – this is waste removed from the gasifier waste inflows prior to gasification treatment as it is not suitable for the process. It is calculated as 6.7% of the total waste flow to the gasifier. The costs of processing this waste are included in the process payments for the gasifier.
2. Pre-treatment waste (EFW) – this is waste removed from the gasifier waste inflows prior to gasification treatment as it is either too large or of the wrong calorific value. It is calculated as 12.3% of the total waste flow to the gasifier and is assumed to be sent to merchant EFW.
3. APCR waste – this is the hazardous part of the residual waste left over after the gasification process. It is calculated as 3.9% of the total waste flow to the gasifier. The costs of disposal are a separate item in the analysis.
4. Bottom ash - this is part of the residual waste left over after the gasification process. It is calculated as 9.2% of the total waste flow to the gasifier.

3.2. Option 3

For Option 3 the waste flows are the same as the base waste flows in **Error! Reference source not found.** with the following differences to reflect that there is no Eco-park:

1. Sita AD waste flows are routed to Merchant AD.
2. Gasification waste is routed to Merchant EFW.
3. Gasification commissioning waste is routed to Merchant EFW.

4. Timeline

The Model timeline is annual from 1 April 1999 to 31 March 2042.

The evaluation period of the model is 25 years from 1 April 2015 to 31 March 2040.

The contractual concession period expires on 19 September 2024.

5. Appraisal assumptions

The evaluation of the options is the net present value (as at 1 April 2015) discounted using 6.0875%, the compound of 3.5% real discount rate per the HMT Green Book and general inflationary rate of 2.5%.

6. Inflation assumptions

The Model uses several inflation indices, these are shown in **Error! Reference source not found.**.

The annual inflation rates from 1 April 2016 to 31 March 2025 are sourced from the SCC waste monitoring spreadsheet, [location – 'New Budget Price Inflation'!G2:O11]. For periods after 2024/25, the annual inflation rate is the same as in 2024/25.

Tonnes	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
WASTE SITES												
Allington EFW	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Merchant EFW	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Landfill	85,959	85,004	38,183	33,793	32,766	32,339	31,358	32,422	33,508	34,430	34,649	34,480
Gasifier	-	-	20,664	52,843	54,648	55,484	55,484	55,484	55,484	55,484	55,484	55,484
Gasifier Commissioning	-	-	26,767	-	-	-	-	-	-	-	-	-
CRC Wood	22,505	22,409	22,470	22,573	22,652	22,693	22,594	22,701	22,811	22,903	22,925	22,908
CRC Mattresses	654	652	653	656	659	660	657	660	663	666	667	666
CRC Hazardous waste	3,194	3,180	3,189	3,204	3,215	3,221	3,207	3,222	3,237	3,250	3,254	3,251
CRC Rigid Plastics	121	120	120	121	121	122	121	122	122	123	123	123
Jacques	2,487	2,477	2,483	2,495	2,503	2,508	2,497	2,509	2,521	2,531	2,534	2,532
Sweeptech	17,687	17,612	17,660	17,741	17,802	17,835	17,757	17,841	17,927	18,000	18,017	18,004
Total residual waste outflows	**270,207**	**269,053**	**269,790**	**271,026**	**271,966**	**272,460**	**271,274**	**272,560**	**273,873**	**274,988**	**275,252**	**275,048**
RECYCLING SITES												
Hard core	24,564	24,459	24,526	24,639	24,724	24,769	24,661	24,778	24,898	24,999	25,023	25,005
CRC dry recycling	27,853	27,734	27,810	27,937	28,034	28,085	27,963	28,095	28,231	28,346	28,373	28,352
CRC green / Composting	40,590	40,417	40,528	40,713	40,855	40,929	40,751	40,944	41,141	41,309	41,348	41,318
WCA Recycled - Food	181,285	180,511	181,005	181,835	182,466	182,797	182,002	182,864	183,745	184,493	184,671	184,534
Merchant AD	28,946	28,822	2,509	-	-	-	-	-	-	-	-	-
Sita AD	-	-	26,392	29,034	29,135	29,188	29,061	29,198	29,339	29,458	29,487	29,465
Trade Waste Recycled	1,439	1,433	1,437	1,444	1,449	1,451	1,445	1,452	1,459	1,465	1,466	1,465
Total Recycled waste outflow	**304,678**	**303,376**	**304,207**	**305,601**	**306,662**	**307,219**	**305,882**	**307,332**	**308,813**	**310,070**	**310,368**	**310,138**

Tonnes	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2039/40	2040/41
WASTE SITES													
Allington EFW	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Merchant EFW	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600	57,600
Landfill	35,408	36,081	36,734	37,411	38,111	38,834	39,485	40,139	40,794	41,451	42,110	42,770	43,433
Gasifier	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484	55,484
Gasifier Commissioning	-	-	-	-	-	-	-	-	-	-	-	-	-
CRC Wood	23,002	23,070	23,135	23,204	23,274	23,347	23,412	23,478	23,544	23,610	23,677	23,743	23,810
CRC Mattresses	669	671	673	675	677	679	681	683	685	686	688	690	692
CRC Hazardous waste	3,264	3,274	3,283	3,293	3,303	3,313	3,323	3,332	3,341	3,351	3,360	3,370	3,379
CRC Rigid Plastics	123	124	124	124	125	125	125	126	126	127	127	127	128
Jacques	2,542	2,550	2,557	2,564	2,572	2,580	2,587	2,595	2,602	2,609	2,617	2,624	2,631
Sweeptech	18,078	18,131	18,182	18,236	18,291	18,349	18,400	18,452	18,504	18,556	18,608	18,660	18,713
Total residual waste outflows	**276,169**	**276,983**	**277,772**	**278,590**	**279,437**	**280,311**	**281,098**	**281,888**	**282,680**	**283,474**	**284,270**	**285,069**	**285,870**
RECYCLING SITES													
Hard core	25,107	25,181	25,252	25,327	25,404	25,483	25,555	25,627	25,699	25,771	25,843	25,916	25,989
CRC dry recycling	28,467	28,551	28,633	28,717	28,804	28,894	28,976	29,057	29,139	29,221	29,303	29,385	29,467
CRC green / Composting	41,486	41,608	41,727	41,850	41,977	42,108	42,227	42,345	42,464	42,584	42,703	42,823	42,944
WCA Recycled - Food	185,286	185,832	186,362	186,911	187,479	188,066	188,594	189,124	189,655	190,188	190,722	191,258	191,796
Merchant AD	-	-	-	-	-	-	-	-	-	-	-	-	-
Sita AD	29,585	29,672	29,757	29,844	29,935	30,029	30,113	30,198	30,283	30,368	30,453	30,539	30,624
Trade Waste Recycled	1,471	1,475	1,480	1,484	1,488	1,493	1,497	1,502	1,506	1,510	1,514	1,518	1,523
Total Recycled waste outflow	**311,402**	**312,320**	**313,210**	**314,133**	**315,087**	**316,073**	**316,961**	**317,852**	**318,745**	**319,640**	**320,539**	**321,439**	**322,342**

Table 1 – Waste flows from the SCC waste monitoring spreadsheet

Page 34

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
General inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Recycling credit inflation index	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Contract inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Landfill gate fee contract inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Landfill tax inflation	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Haulage and green contract inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Pay inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Commercial recharge index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Actual inflation index	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Table 2 – Inflation indices from the SCC waste monitoring spreadsheet

7. Cost assumptions

The table below describes the cost assumptions for each Option. The risk adjustments applied to these costs are described in Section 8.

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
Contract costs			
Total T (or equivalent)	(863,660,877) See risk 2	(659,453,678) See risk 2	**Option 1** Up until 19 September 2024, T is a direct input from the 11-year Sita financial model [location - *SCCRev'!K9:V9*]. In addition, a further adjustment has been included reflecting savings on the eco-park operating costs during concession. This is calculated as 50% of the difference between Mott's [redacted] costs (3% of £60m capex) and Sita's profile of eco-park costs during concession from Sita's model. This is consistent with written acceptance from SITA received by SCC, and Mott's advice. From 19 September 2024 until the end of the evaluation period (31 March 2040), T is assumed as the same as the T in Option 3 (that is the first year T payment inflated to the correct period) plus estimated costs for the Eco-park T element including lifecycle costs. The Eco-park operating costs are estimated based on the mid-point of Mott's [redacted] assumptions (3% of £60m capex); the lifecycle costs from Sita's model are added to these to give total eco-park fixed costs post concession. **Option 3** For 2015/16, T in Option 3 is the same as in Option 1, sourced from the Sita 11-year financial model [location - *SCCRev'!M9*]. This assumes the T payment in the first year is equivalent to operating all sites except the Eco-park in the Sita model. From 1 April 2016, T is inflated using the contract costs inflation index until the end of the evaluation period. **Risk adjustment** See risk area 2 for risk adjustment applied.
P (CRC process costs)	([redacted]) See risk 2	([redacted]) See risk 2	The initial cost per tonne for P (CRC process costs) is from the SCC waste monitoring spreadsheet [location - *P'!$L$25*]. The value is £[redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. The cost per tonne is multiplied by total CRC waste (see waste flow assumptions). **Risk adjustment**

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
			See risk area 2 for risk adjustment applied.
Recycling adjustment	36,541,472 See risk 10	36,541,472 See risk 10	Recycling adjustment is a direct nominal input from the SCC waste monitoring spreadsheet for the entire evaluation period. It is the same for all options, [location - *New Budget Tonnages'!H32:AE32*]. **Risk adjustment** See risk area 10 for risk adjustment applied.
Recycling Incentive	(2,649,150) See risk 10	(2,649,150) See risk 10	Recycling incentive is a direct nominal input from the SCC waste monitoring spreadsheet for the entire evaluation period. It is the same for all options, [location - *New Budget Tonnages'!H37:AE37*]. **Risk adjustment** See risk area 10 for risk adjustment applied.
Electricity income post concession	52,261,528 See risk 13	- See risk 13	Electricity income is a direct nominal input from the Sita 25-year model for periods after the concession end, [location - *SCCRev'!O20:AK20]*. This income is only applicable to Option 1. **Risk adjustment** See risk area 13 for risk adjustment applied.
Landfill gate fee	[redacted]) See risk 3	[redacted]) See risk 3	**Option 1** The initial cost per tonne for landfill gate fee is from the SCC waste monitoring spreadsheet [location - *Rates'!D7:D8*]. The value is [redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. The cost per tonne is multiplied by the landfill waste (see waste flow assumptions). **Option 3** The costs for Option 3 are the same as Option 1 above.

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
			Risk adjustment See risk area 3 for risk adjustment applied.
Landfill tax	(140,313,058) See risk 3	(133,575,628) See risk 3	The initial cost per tonne is from the SCC Waste Monitoring spreadsheet [location - *Rates'!$D$10*]. The value is £82.60 real as at 1 April 2015. Cost per tonne inflated with the landfill tax inflation index from 1 April 2016 until the end of the evaluation period. **Option 1** The cost per tonne is multiplied by the landfill waste and APCR tonnages (see waste flow assumptions). **Option 3** Tonnages in Option 3 are the same as Option 1 but exclude APCR tonnages. **Risk adjustment** See risk area 3 for risk adjustment applied.
Composting	([redacted])	([redacted])	The initial composting cost per tonne is from the SCC Waste Monitoring spreadsheet [location - *Rates'!D14:D18*]. The value is [redacted] real as at 1 April 2015. Cost per tonne is inflated with the haulage and green inflation index from 1 April 2016 until the end of the evaluation period (2039/40). The cost per tonne is multiplied by Green CRC waste (see waste flow assumptions).
Business rates	(41,682,767)	(27,079,549)	**Option 1** Business rates are a nominal input from the SCC Waste Monitoring spreadsheet for the whole evaluation period, [location - '*New Budget Summary'!I4:AJ4*].

Cost item	Nominal cost (£) after risk adjustment Option 1	 Option 3	Assumption
			An additional £70,000, real as at 1 April 2015, is included in business rates as an estimate for the business rates at the Earlswood site. This additional amount is a user input in the options model and subject to general inflation from 1 April 2016. **Option 3** Business rates are from the SCC Waste Monitoring spreadsheet for the whole evaluation period, as for Option 1. Business rates relating to the eco-park are deducted from the rates in the Waste Monitoring spreadsheet, as the site will no longer be developed. These rates are from the Sita 25 year model for the whole evaluation period, [location – *'CL Gas:CL AD'!K84:AL84*]. The additional rates for the Earlswood site are also included and are calculated the same as for Option 1.
Insurance costs	([redacted])	([redacted])	**Option 1** Insurance costs are a direct nominal input from the Sita 25 year model, [location – *'SCCRev'!M218:AM218*]. **Option 3** Insurance costs are the same as in Option 1 but with eco-park and construction insurance removed (both sources from the Sita 25 year model [locations – *'Overheads'!L546:AL546, 'Overheads'!L490:AL490*).
Waste audit and market testing	(410,210)	-	Waste audit and market testing is a direct nominal input from the SCC waste monitoring spreadsheet for the entire evaluation period, [location – *'New Budget Tonnages'!H49:AI49*]. It is only applicable to Option 1.
Solid Digestate & APCR disposal	(21,308,494)	-	The initial solid digestate cost per tonne is from the SCC Waste Monitoring spreadsheet [location – *'Rates'!D56*]. The value is £[redacted] real as at 1 April 2015. Cost per tonne is inflated with the contract inflation index from 1 April 2016 until the end of the evaluation period (2039/40).

Cost item	Nominal cost (£) after risk adjustment Option 1	 Option 3	Assumption
	APCR see risk 9		The cost per tonne is multiplied by solid digestate waste (see waste flow assumptions). The initial APCR cost per tonne is from the SCC Waste Monitoring spreadsheet [location – *'APCR'!$L$19*]. The value is £[redacted] real as at 1 April 2015. Cost per tonne is inflated with the contract inflation index from 1 April 2016 until the end of the evaluation period (2039/40). The cost per tonne is multiplied by APCR waste (see waste flow assumptions). **Risk adjustment** See risk area 9 for risk adjustment applied.
Bottom ash disposal	([redacted])	-	The initial cost per tonne of bottom ash disposal is £[redacted] and is a user input in the SCC options spreadsheet. This rate is current contract price offer from Sita. The cost per tonne is inflated using the contract price index. The cost per tonne is multiplied by the bottom ash waste which is calculated as 9.2% of the total gasifier waste. Bottom ash disposal costs are only applicable to option 1.
Other waste costs (includes Ash Vale)	(35,308,495)	(35,308,495)	The following other waste costs are direct nominal inputs into the Model: Other waste – Ash Vale (to 2016/17) [location – *'New Budget Summary'!J70:AJ70*] Other waste [location - *'New Budget Summary'!J31:AJ31]*
Gasification (P3)	([redacted]) See risk 2	-	The initial cost per tonne for P3 gasification is from the SCC waste monitoring spreadsheet, [location – *'Gasification P3'!$L$14*]. The value is £[redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. The cost per tonne is multiplied by the gasifier tonnages (see waste flow assumptions).

Cost item	Nominal cost (£) after risk adjustment Option 1	 Option 3	Assumption
			Risk adjustment See risk area 2 for risk adjustment applied.
Anaerobic digester (P3)	([redacted]) See risk 2	-	The initial cost per tonne for P3 anaerobic digester is from the SCC waste monitoring spreadsheet, [location – *'AD P3'!$L$14*]. The value is £[redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. The cost per tonne is multiplied by the AD tonnages (see waste flow assumptions). **Risk adjustment** See risk area 2 for risk adjustment applied.
Commissioning costs	(5,862,707)	-	Option 1 includes the costs of the commissioning phase of the eco-park. These are a direct nominal input from the Sita 25-tear model, [location – '*SCCRev'!M8:AM8*]. Commissioning costs are added to Option 1 because they are excluded from the T payments and are a separate fixed element of the annual unitary charge.
Extra Eco Park Land Cost	([redacted])	-	Option 1 includes £[redacted] in the first period for an overage payment due on the Charlton Lane site once the Council have decided to develop the site. SCC estimated this cost based on the size of the site and the cost per area from similar sites. It is a user input in the Model. Note that the Council have explicitly excluded residual assets or liabilities from the VFM analysis because the Council have assumed the facility will continue to operate after the evaluation period. Therefore, decommissioning costs and residual value of the site will fall outside the evaluation period.
Allington (third party EFW plant)	([redacted])	([redacted])	The initial cost per tonne is from the SCC Waste Monitoring spreadsheet, [location – *'Rates'!D29:D30*]. The value is £[redacted] real as at 1 April 2015. Cost per tonne inflated with the contract inflation index from 1 April 2016 until the end of the model timeline. Note that the current contract price is guaranteed until 2019 but the Council assume the equivalent price can be re-procured at that point.

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
			The cost per tonne is multiplied by the Allington EFW tonnage (see waste flow assumptions). **Risk adjustment** As this cost is the same under both options, no risk adjustment has been applied for the value for money analysis. However to the extent this cost analysis is used by the Council for assessing affordability, consideration should be given to the potential application of risk adjustment 3 (Merchant EFW).
Merchant EFW	([redacted]) See risk 3	([redacted]) See risk 3	The initial cost per tonne for merchant EFW is £[redacted] per tonne, a user input to the SCC spreadsheet (this comprises a gate fee at Tilbury RDF plant of £[redacted] per tonne plus [redacted]% margin and an average haulage cost of £[redacted] per tonne plus [redacted]% margin). This is based on the current offer the Council have from Sita to process EFW waste through merchants and is fixed for the next two years. The cost per tonne is multiplied by the waste flows for merchant EFW. In addition under Option 1 there is additional waste which is removed from the gasifier waste during pre-treatment, this is 12.34% of the total gasifier waste. Under option 3 all gasifier waste is sent to merchant EFW. **Risk adjustment 3** The base assumption for merchant EFW was replaced following the application of the risk adjustments in the Model. The cost of merchant EFW inflates with contract inflation until 31 March 2017. From 1 April 2017, the cost follows [redacted]% below the cost of landfill (including haulage, tax, gate fees and risk adjustments) until the end of the evaluation period. This mechanism is the same under both options.
Jacques/ Sweeptech	[redacted])	[redacted]	**Jacques** The initial cost per tonne for the Jacques site is from the SCC Waste Monitoring spreadsheet [location – *'Rates'!D49:D50*]. The value is £[redacted] real as at 1 April 2015. Costs per tonne inflate with the contract inflation index from 1 April 2016 until the end of the model timeline. The cost per tonne is multiplied by the Jacques tonnage (see waste flow assumptions). **Sweeptech**

Cost item	Nominal cost (£) after risk adjustment Option 1	 Option 3	Assumption
			The initial cost per tonne for the Sweeptech site is from the SCC Waste Monitoring spreadsheet [location – *'Rates'!D52:D53*]. The value is £[redacted] real as at 1 April 2015. Costs per tonne inflate with the contract inflation index from 1 April 2016 until the end of the model timeline. The cost per tonne is multiplied by the Sweeptech tonnage (see waste flow assumptions).
Bulk haulage - landfill	[redacted]	[redacted]	The initial cost per tonne for bulk haulage landfill is from the SCC waste monitoring spreadsheet, [location – *'Rates'!D11:D12*]. The value is £[redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. No risk adjustment assumed as there is a good supplier market The cost per tonne is multiplied by the landfill tonnage (see waste flow assumptions).
Bulk haulage - recycling	[redacted]	[redacted]	Bulk haulage for recycling is a direct nominal input from the SCC waste monitoring spreadsheet for the entire evaluation period, [location – *'New Budget Summary'!J54:AJ54*]. Note, although this is tonnage dependent the actual cost per tonne varies and is not traceable to a specific waste flow.
Bulk haulage - Allington	[redacted]	[redacted]	The initial cost per tonne for bulk haulage to Allington is from the SCC waste monitoring spreadsheet, [location – *'Rates'!D38:D39*]. The value is £[redacted] real as at 1 April 2015. The cost per tonne is subject to contract inflation from 1 April 2016. The cost per tonne is multiplied by the Allington EFW tonnage (see waste flow assumptions).
Additional Capex for Option 3	-	(3,134,139)	Option 3 includes additional capital costs to reflect the costs of developing Slyfield if SCC terminates the contract. The costs are an input from the 25-year Sita model from the Slyfield RTS and CA sites. This development would take place under the Sita contract under Option 1 and hence be included in T. The financing cost of the council funding this development themselves is assumed 3.25%.

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
Recycling credits	(345,338,515)	(345,338,515)	The initial recycling credit per tonne is from the SCC Waste Monitoring spreadsheet, [location – *'Rates'!D2*]. The value is £57.16 real as at 1 April 2015. Recycling credit per tonne inflates with the recycling credit inflation index from 1 April 2016 until the end of the model timeline. The cost per tonne is multiplied by the WCA waste recycled (excluding food) tonnage (see waste flow assumptions).
Other central costs			Central costs are direct nominal inputs from the SCC Waste Monitoring spreadsheet for the entire evaluation period. The location of each input is set out below.
Central support costs	(1,364,738)	(1,364,738)	Location – *'New Budget Summary'!J62:AJ62*
Commercial waste	40,185,601	40,185,601	Location – *'New Budget Summary'!J9:AJ9*
Closed landfill	(6,516,344)	(6,516,344)	Location – *'New Budget Summary'!J61:AJ61*
Waste minimisation project money	(6,831,553)	(6,831,553)	Location – *'New Budget Summary'!J60:AJ60*
Waste management team - salaries budget	(26,017,874)	(26,771,981)	Location – *'Waste Group'!E4:AE4* Option 3 has an additional 10% uplift added to the waste management salary costs to reflect the fact that any replacement contract is likely to be shorter and require greater client input , for example as a result of procurement and market testing every 5 years. This 10% uplift has also been applied to the post concession period of option 1.
Waste management	(471,958)	(471,958)	Location – *'Waste Group'!E5:AE5*

Page 44

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
team - non-salaries budget			
Non contract costs			With the exception of Other waste – food site facilities, the following non-contract other waste costs direct nominal inputs from the SCC Waste Monitoring spreadsheet between 2015/16 and 2024/25, the concession end. From 1 April 2025 until the end of the model timeline, these costs are inflated: the indices and sources of the inputs are listed below
Other Waste - WCA Food Incentive	(35,338,475)	(35,338,475)	Other waste – WCA food incentive (fixed), no inflation applied, [location – *'New Budget Summary'!K10:T11*].
Other Waste – Merchant AD	([redacted]) See risk 3	([redacted]) See risk 3	The initial cost per tonne for Merchant AD is from the SCC waste monitoring spreadsheet, [location – *'Rates'!D43:D47*]. The value is £[redacted] real as at 1 April 2015, comprising £[redacted] haulage and £[redacted] gate fee. The cost per tonne is subject to contract inflation until 31 March 17. On 1 April 2017 the cost per tonne is set to £[redacted] in nominal terms, comprising a [redacted] gate fee of £[redacted] (real) and the haulage fee of £[redacted] (real) inflated for 2 years at 2.5%. The [redacted] gate fee is used because SCC have assumed the current price they have secured for two years [redacted]. The adjustment in 2017/18 brings the cost in line with the UK median gate fee per the WRAP report (£41). The revised cost per tonne is inflated from 1 April 2017 using contract inflation. The cost per tonne is multiplied by the AD tonnages (see waste flow assumptions). Note that food waste recycling tonnages go to the Sita AD in Option 1 from 2017/18. In all other options, the tonnages continue to the food site facilities. **Risk adjustment** See risk area 3 for risk adjustment applied.
Other Waste - Contingency	-	-	Other waste – Contingency, no inflation applied, [location – *'New Budget Summary'!K46:T46*].

Cost item	Nominal cost (£) after risk adjustment		Assumption
	Option 1	Option 3	
Other Waste - Clinical	(2,790,905)	(2,790,905)	Other waste – Clinical, no inflation applied, [location – *'New Budget Summary'!K63:T63*].
Other Waste - Out County Income	570,747	570,747	Other Waste - Out County Income, general index applied from 1 April 2025 until the end of the model timeline, [location – *'New Budget Summary'!K66:T66*].
Tipping Away	(2,680,170)	(2,680,170)	Other waste – tipping away, no inflation applied, [location – *'New Budget Summary'!K13:T13*].
Contribution to WCA recycling credits	(3,569,331)	(3,569,331)	Contribution to WCA recycling credits, recycling credit inflation index applied from 1 April 2025 until the end of the model timeline, [location – *'New Budget Summary'!K14:T14*].
Additional costs			
Termination Payment	-	([redacted]) See risk 4	In Option 3 where the contract terminates, the termination payment is calculated in accordance with Schedule 9 (part ii) of the Project Agreement, which sets out the equation to be used under Voluntary Termination. The calculation and the inputs are shown in Appendix 3. The value of the payment has been calculated as £[redacted]. Termination payment is due 1 year after the contract is terminated or 1 April 2016, no inflation is applied. [redacted] Option 1 has no termination costs. **Risk adjustment** See risk area 4 for risk adjustment applied.

Page 46

Cost item	Nominal cost (£) after risk adjustment Option 1	Option 3	Assumption
Procurement Costs	(1,750,000)	(2,500,000)	**Option 1** Procurement costs associated with the end of the contract are a direct nominal input from the SCC Waste Monitoring spreadsheet, [location – *'New Budget Summary'!J48:AJ48*] **Option 3** Procurement costs associated with termination of the Sita contract are a direct user input; this is £1.5 million in 2015/16 comprising £1 million internal procurement related costs and £500,000 of external legal and other advisor costs. After 1 April 2016 there is an additional £250,000 cost incurred every 5 years until the end of the evaluation period. This recurring costs represents the activity the Council would need to undertake to re-procure the operating contract for the waste treatment facilities every 5 years.
[redacted]	[redacted]	-	[redacted]

Page 47

8. Risk adjustments

8.1. Risk workshop

In order for the Council to financially quantify specific risks as key element of the value for money analysis (in line with HM Treasury Green Book guidance), we facilitated a risk workshop on 13 March 2015 with the Council and Mott MacDonald (their technical advisors). At the workshop the Council reviewed all risk areas previously identified at the risk workshops held on 4 June 2013 and 27 October 2013 and considered any new risks arising in the intervening period.

To quantify the level of risk, the Council used a three point estimate approach.

The risks considered are documented in the SCC Risk Assumptions document, along with the rationale for the adjustments made.

9. PFI credits

9.1. Future PFI credits

Future PFI credits is a source of income for option 1 only up to the end of the SITA contract (19 September 2024).

The Options Spreadsheet has annual inputs which have been provided by SCC in the PFI credits spreadsheet.

9.2. Claw Back of PFI Credits already received

There is potential for SCC to be liable for the PFI Credits which they have already received if they terminate the contract with Sita. Consequently, SCC have provided annual inputs for the cost of this claw-back over the 25 years in the PFI credits spreadsheet. This affects Option 3 only.

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
Risk 1 Eco-park capex escalation	There is a risk that, under the contract, Sita could increase the agreed capital price between NTP1 and NTP2. SCC bears the risk of this price increase.	**No longer applicable** The price offered by Sita and the contractor is now final as the time between this analysis and the NTP2 date is very short. There is now negligible risk of the capital price changing.	**None**
Risk 2 Contract cost T payments (excluding eco-park costs) and contract cost P payments	T payments and P prices are fixed during the concession period. There is a risk that SCC would need to procure operators for all the waste treatment sites outside of the Sita contract and they may not achieve the same price through a re-procurement. This affects Option 1 post concession and Option 3 post termination.	**During concession** Option 1 During the concession period under Option 1, the Council would receive a guaranteed service for a pre-determined price from Sita. This provides certainty for the Council and therefore Option 1 has no risk adjustment in this period. Option 3 Under Option 3, the Council would need to re-procure the equivalent service either from Sita or another provider. There is a risk that the Council will not be able to secure the same prices that they have currently agreed with Sita in starting a new procurement. Using the HMT Green Book guidance, the maximum risk (upper limit) would be 41% as operating expenditure on outsourced contracts. The 4 elements of the 41% (with their respective weightings) are: client specific risk (inadequacy of business case) – 52% client specific risk (poor project intelligence) – 32% external influences (technology) - 9% Project specific (other) – 3%	**During concession** Option 1 – no risk adjustment Option 3 – 17.22% increase to T and P **Post concession** Option 1 – 8.61% increase to T and P Option 3 – 17.22% increase to T and P

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
		The Council determined only client specific risks are applicable to this project. Therefore the maximum risk adjustment is 34.44% ((32% + 52%) * 41%). With regards to Option 3, the council considered the risks outlined above to be high because: • a business case to terminate and re-procure a 25 year solution to deliver the CRC and RTS facilities had not been developed and considered at a sufficiently detailed business case level to mitigate all risks; and • the Council do not have sufficient market intelligence with regards to the attractiveness to the market place to deliver the CRC and RTS facilities without the Eco-Park and whether or not this service is deliverable over a 25 year contract. Therefore, the Council applied a 50% risk factor to the above maximum risk giving a risk adjustment in Option 3 of 17.22% for the concession period based on the following three point estimates: Lower case - no increase in costs Most likely 17.2% increase in costs Upper case 34.4% increase in costs **Post concession** For Option 3, there is no distinction in arrangements over the evaluation period and so the same level of risk adjustment is applied as for during the concession period i.e. 17.22% For Option 1, the risks outlined above are applicable after the contract with Sita ends in 2024. However, the Council believes that the risks post concession are mitigated because Sita will have been providing the service up until contract expiry and so the Council have the benefit of operating the facilities for a longer period of time and developing efficiencies in operation. The risk adjustment is therefore assumed to be 50% of the Option 3 risk i.e. 50% x 17.22% = 8.61% based on the following three point estimates: Lower case - no increase in costs Most likely 8.6% increase in costs Upper case 17.2% increase in costs	

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
Risk 3 Pass through costs	The Sita model includes several price assumptions for processes that the Council pay for as 'pass-through' costs. The Council bare the risk of price increases in these elements of the model. These have a differential impact on the options due to the different waste flows under the options.	**Landfill tax** In light of recent announcements from the Chancellor regarding landfill tax, the Council do not expect any increases to the tax level, other than RPI inflation, until 2017/18. Based on technical advice from Mott MacDonald, the Council believe that future changes to legislation will dis-incentivise the use of landfill (be it through taxation or some other mechanism). Mott MacDonald advised the Council that the cost of landfill could be as much as double in real terms by the year 2040 and there is almost no possibility of any reduction to the current level. Using a three point estimate the expected value of the landfill tax was calculated in 2040 as: Lower limit - £82.60 (current price) Most likely - £82.60 (current price) Upper limit - £165.20 (twice current price) Expected value - £110.13 in real terms (the average of the three points above). The difference between the current gate fee (82.60) and the expected value (110.13) is 27.53. The Council felt they could not predict the timing of any future legislative changes so assumed that the price will increase linearly in real terms from 1 April 2017 for 23 years to 2040; therefore a real increase of £1.20 (27.53/23) per tonne per annum.	**Landfill tax** All options - £1.20 per tonne per annum increase
		Land fill gate fee Landfill gate fees often require guaranteed volumes of waste to achieve the best prices in the market. Sita process additional landfill waste other than the waste provided by the Council, therefore, under Option 1 the contract provides the Council with the benefit of Sita's purchasing power to give the best price. Despite this mitigation, the Council still bears the risk of price increases during the concession period.	**Landfill gate fee** Option 1 during concession – real increase of £0.39 per tonne per annum Option 3 (and Option 1 post concession) – real increase of £0.47 per tonne per annum

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
		Under Option 3 for the entire evaluation period, and Option 1 post concession, the Council do not benefit from Sita's purchasing power for landfill waste exposing the Council to risk of price increases. The Council have calculated the risk adjustments using three point estimates set out below. Mott MacDonald advised that landfill is only likely to get more expensive in the future due to regulation, increase in alternatives, especially EFW, and capacity constraints. The estimates below represent the values in 2040. ***Option 1 during concession*** Lower Limit - £[redacted]/tonne (current price) Most likely value - £22/tonne (WRAP median price) Upper limit - £49/tonne (WRAP upper price) Expected value is therefore £[redacted]per tonne in 2040. Assuming a linear increase per annum the risk adjustment is therefore £[redacted]per tonne per annum increase to the landfill gate fee (calculated as £[redacted] less £[redacted] divided by 25 years). ***Option 3 (and Option 1 after concession)*** Lower Limit - £[redacted]tonne (estimated price without purchasing power under the contract) Most likely value - £[redacted]tonne (as above) Upper limit - £[redacted]tonne (as above) Expected value is therefore £[redacted] per tonne. Assuming a linear increase per annum this is a risk adjustment is therefore £[redacted]per tonne per annum increase to the landfill gate fee (calculated as £[redacted] less current price £[redacted] divided by 25 years).	

Page 52

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
		Merchant EFW Merchant EFW is the direct alternative to the gasifier in the Sita contract. The Council assume that the price of EFW cannot exceed landfill, as the market would never pay more than this price (as they would use the landfill option if it were cheaper). Mott MacDonald advised the council that the cost of merchant EFW is therefore most likely to track the cost of landfill (including tax, gate fees and haulage) at approximately [redacted]% below. At the time of the risk workshop, the council had an offer from Sita to dispose of waste through Merchant EFW sites for £[redacted] per tonne including haulage until 31 March 2017. The adjustment applied is therefore to adopt the price of £[redacted], inflated until 31 March 2017 using contract inflation, and then to peg the EFW price at [redacted]% below the cost of landfill from 1 April 2017 until the end of the evaluation period.	**Merchant EFW gate fee** Track the cost of landfill at [redacted]% below from 1 April 2017

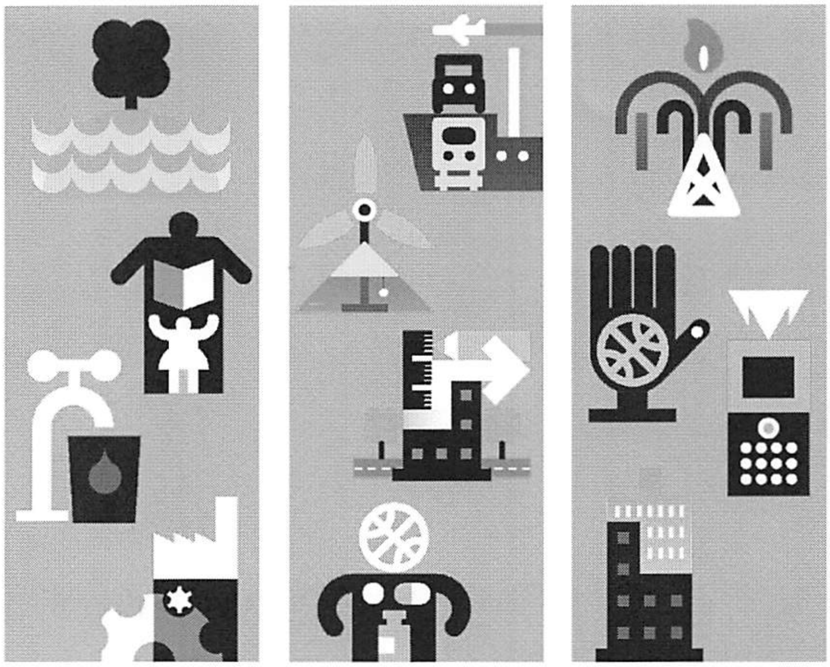
Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
		Merchant AD Merchant AD is the direct alternative to the Sita AD in the contract. As above for the gasifier, under Option 1 during concession, the AD site would be fully utilised and the price paid by the Council would be fixed in the contract (therefore, no risk adjustment required). Under Option 3 (for the whole evaluation period) and Option 1 (post concession), the cost per tonne of AD is subject to market risk. The Council have developed a three point estimate for the risk adjustment as: Lower limit – £19/tonne (lower price per WRAP's report) Most likely - £41/tonne (median price per WRAP's report) Upper limit - £[redacted]onne (Mott MacDonald advise that this is a reasonable estimate for the upper range) Expected value is therefore £[redacted]per tonne. The Council have a contract price secured until 1 April 2017 and therefore the adjustment has been applied from that point. The model base assumption is that the gate fee will[redacted]per tonne (in real terms) on 1 April 2017 and the adjustment is therefore a £[redacted] to the gate fee to reflect the expected value above.	**Merchant AD gate fee** Option 1 post concession – gate fee [redacted]per tonne (real) Option 3 – gate fee [redacted]per tonne after 1 April 2017 (real)

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
Risk 4 SITA Contract Termination Costs	There is considerable uncertainty over the termination payment calculation and hence amount. There is therefore a risk to the Council that the costs to terminate are higher than expected.	The termination payment due to Sita under Option 3 is subject to uncertainty due to the ambiguous wording of the termination clauses in the contract. In October 2013, the Council obtained legal advice from Simmons and Simmons that in the event of termination in advance of signing the Deed of Variation, a 'no fault' termination event should apply including loss of future profits. In light of recent experience of PFIs that terminate early, many of which have included some level of loss of profits, the termination payment risk assumptions were reviewed, and the Council determined that the analysis should include a risk for loss of profits on equity invested to date. The Council therefore calculated a risk adjustment for the termination payment as: Lower limit - £[redacted](current estimation method including loss of profits on sub-contracted activities) Most likely - £[redacted](as above) Upper limit - £[redacted](current estimate including loss of profits and an additional [redacted]% return on the group undertaking ([redacted]) which is Sita's expected return on its net investment to date). Risk adjusted value is therefore £[redacted]	Option 3 only – termination calculation set to £[redacted]
Risk 5 Capex rebasing	Due to the delay in NTP2, Sita have the option to rebase the capital expenditure to reach NTP2 (estimated as £60m) from February 2014 to the actual NTP2 date. This would increase the value of T for the concession period.	**No longer applicable** The price offered by Sita and the contractor is now final as the time between this analysis and the NTP2 date is very short. There is now negligible risk of the capital price changing.	**None**

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
Risk 6a Additional delay costs	There is a risk that there are further delays to the contract and the Council do not meet the NTP2 date of April 2014. This will result in an increase in delay costs in the model.	**No longer applicable** The price offered by Sita and the contractor is now final as the time between this analysis and the NTP2 date is very short. There is now negligible risk of the capital price changing.	**None**
Risk 6b Additional delay costs: Do not reach NTP 2	There is also a risk that, due to planning objections or judicial reviews, the delay in construction could go beyond the longstop date in the contract.	**No longer applicable** The longstop date has been exceeded. The price offered by Sita and the contractor is now final as the time between this analysis and the NTP2 date is very short. There is now negligible risk of the capital price changing.	**None**
Risk 7 Swap rate uncertainty	SCC bears the risk of changes to swap rate up to the NTP2 date when the swap will be finalised.	No adjustment – sensitivities run.	**None**
Risk 8 Foreign Exchange uncertainty	The Council retains FX risk on Sita's EUR and USD capital expenditure until Sita enter into a swap to fix the FX rates.	No adjustment – it is assumed there is a symmetrical uncertainty distribution around the FX rate	**None**
Risk 9 Air Pollution Control Residues disposal tonnage costs	Due to the hazardous nature of APCR, there is a risk that the cost of disposal could increase after the concession period.	Mott MacDonald advised that the cost included by Sita for APCR disposal is [redacted]/tonne and a more reasonable estimate could be [redacted] The Council therefore assumed that the cost should be risk adjusted (post concession only) using the following three point estimate: Lower limit - £[redacted] ([redacted])	**Option 1 only** £[redacted] per tonne [redacted] cost of APCR disposal post concession

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
		Most likely - £[redacted]/tonne Upper limit - £[redacted]tonne Risk adjusted value is therefore £[redacted] ([redacted]). This is applicable to Option 1 post concession.	
Risk 10 Third Party Income and costs	The Council are at risk of increases to "other waste elements" in the Sita model that are pass through costs with a[redacted]% margin. They are also at risk for[redacted]% of the movement in recyclate disposal (income and costs).	No adjustment, the Council assumed the uncertainty in these income and cost items is symmetrical and so there is no net risk adjustment to the expected value.	**None**
Risk 11 Delay caused by sub-contractor or SITA	There is a risk that delays caused by the sub-contractors could increase the cost of the contract to SCC.	No adjustment, the Council assumed that a delay could be managed through the existing Waste Disposal Project Agreement with no additional cost to SCC	**None**
Risk 12 Residual value of plant	Sita will hand over operation of the site after concession 10 years into the expected useful economic life of 25 years for the facility. There is a risk that the asset may be impaired on handover and not capable of operating for 15 more years.	No adjustment, the Council have already applied a risk adjustment in Option 1 for T-payments that include maintenance costs. The Council also have contractual protections in relation to asset maintenance.	**None**

Risk Area	Description of the risk	Assumption and rationale	Risk adjustment applied
Risk 13 Electricity price uncertainty	The Council bears the risk of energy prices	Based on DEFRA's review of the Council's quantitative value for money analysis undertaken in July 2013, electricity price sensitivities have been run to provide an indication of the potential impact on the VFM analysis.	**None**
Risk 14 ROC achievement uncertainty	There is a risk that the advanced thermal treatment facility will not qualify for the incentive scheme of Renewable Obligation Certificates ("ROCs"). This would result in a loss of income.	No adjustment – it is not possible to estimate probability of not achieving ROC accreditation, so sensitivities have been run	**None**



Eco Park - Charlton Lane, Shepperton

Qualitative assessment

February 2015

Surrey County Council

Mott MacDonald

Eco Park - Charlton Lane, Shepperton

Qualitative assessment

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Surrey County Council

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Issue and revision record

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1	04/02/2015	[redacted]	[redacted]	[redacted]	Draft report for discussion	
2	24/02/2015	[redacted]	[redacted]	[redacted]	Final Report	

Contents

1 Introduction

As part of a Value for Money exercise being undertaken by Surrey County Council in respect to the development of the Charlton Lane Eco-Park, Mott MacDonald Ltd has been commissioned to undertake a qualitative benefit assessment. The aim is for this assessment to sit alongside the Value for Money report and to analyse the technical and environmental aspects of the development in conjunction with their costs.

This report concentrates on whether/how the Eco-Park meets the terms of local and regional policy documents and the non-financial impacts of the Eco-Park.

The Waste Management 'Eco Park' comprises:

- Gasification Facility;
- Anaerobic Digestion Facility;
- Community Recycling Facility;
- Recyclables Bulking Facility;
- Education / Visitor Centre and Offices;
- Other Associated Infrastructure including Infiltration Basin and Landscaping; and
- Diversion of Public Footpath 70.

1.1 Relevant policy documents

The following policy documents were reviewed:

- South East Plan
- Surrey Waste Plan (SWP) 2008
- Joint Municipal Waste Management Strategy (JMWMS)

The Secretary of State published the final version of the South East Plan (also known as the Regional Spatial Strategy for the South East) on May 6 2009. In May 2010, the Government announced its intention to abolish Regional Strategies, including the South East Plan. In February 2013, CLG published the Post Adoption Statement for the Plan to revoke the South East Plan. This was a requirement of the strategic environmental assessment process to which the Plan to Revoke the South East Plan has been subject.

The laying of The Regional Strategy for the South East (Partial Revocation) Order 2013 to formally abolish the South East Plan was published in parallel with the Post Adoption Statement and came into force on 25 March 2013. As a consequence, the South East Plan is now revoked except for Policy NRM6 which relates to new residential development close to the Thames Basin Heaths Special Protection Area.

There is, therefore, no requirement to meet the policies in the South East Plan, but as the local strategy documents refer to the plan, these are discussed for completeness.

The relevant policies have been extracted from the various documents and included as appendices. The South East Plan policies are included as Appendix A, the Surrey Waste Plan policies as Appendix B and the Joint Municipal Waste Management Strategy policies as Appendix C.

2 Project Background

The policies can be split into three major topics, although there is some cross-over between these overall topics:

- Location of facilities and improving waste management infrastructure
- Self-sufficiency
- Diversion from landfill

2.1 Location of facilities and improving waste management infrastructure

Policy W7 of the South East Regional Plan requires an appropriate mix of development opportunities to achieve targets identified elsewhere within the Regional Plan.

To achieve capacity requirements it is important to take into account the nature of the surrounding land when determining the type, size and mix of facilities required. It is recommended that for major new developments consideration is given to identifying sites for integrated resource recovery facilities and new resource parks accommodating a mix of activities where they meet environmental, technical and operational objectives.

Policy W16 of the South East Regional Plan proposes waste bulking and transfer facilities should be identified and safeguarded for the purpose. Policy W17 makes specific reference to expanding suitable sites with an existing waste management use and good transport links.

The Surrey Waste Plan sets out across several policies, the requirements for locating and safeguarding sites for waste use.

The majority of the proposed Eco Park (4.5 ha) is an allocated site in the Surrey Waste Plan (SWP 2008), under Policies WD1, WD2 and WD5; however a larger area of 7.7 ha for significant landscaping (Environmental Enhancement Area - EEA) remains outside the allocated area in the SWP.

The site was considered to be a suitable location when compared against the site key development criteria (KDC) contained in the SWP 2008, and the locational criteria in the South East Plan 2009 (SEP 2009). The site lies within the Green Belt. The Surrey Waste Plan any developer is required to demonstrate very special circumstances in accordance with the provisions of Policy CW6 (Development in the Green Belt) of the SWP 2008.

In the Planning & Regulatory Committee Report, dated 30 June 2011 officers considered that there were a number of factors, which together constitute very special circumstances that clearly outweigh the harm to the Green Belt by reason of inappropriateness and other harm, and which justify the grant of planning permission. These factors were:

(1) the lack of alternative suitable sites in or outside of the Green Belt;
(2) the need for the County to increase waste recycling / recovery and landfill diversion to contribute to agreed targets;
(3) the close proximity of the site to the arisings of waste;

(4) the characteristics and suitability of the site for the scale of waste operation proposed given the existing waste management use;
(5) the unique benefits of co-location at Charlton Lane;
(6) the wider environmental and economic benefits of sustainable waste management, including the need for a range of sites;
(7) the provision of renewable energy generation capacity; and
(8) environmental enhancement measures for adjoining land.

These factors combined were considered by the officers to demonstrate very special circumstances, as required by SWP 2008 Policy CW6, and clearly outweigh the harm resulting from the proposal. Therefore, the officers recommended that an exception to Green Belt policy in PPG2, the South East Plan May 2009 Policy SP5, and Spelthorne Borough Local Plan Policy GB1 should be made and planning permission be granted subject to conditions.

2.2 Self-sufficiency

The revised JMWMS states that the new approach for management of Surrey's waste is to provide recycling, composting and residual waste treatment facilities within the county for the county to be net self-sufficient to meet the requirements of Policy 1 of the JMWMS, through Action A1.

Other policies include Policies W3 and W4 of the South East Plan, which relate to Regional Self-Sufficiency and Sub-Regional Self-Sufficiency respectively. The basis of the Surrey Waste Plan relates to the provision of facilities within the county to meet the local needs, although self-sufficiency is not specifically stated in any of the Plan's policies.

Table 2.1: Summary waste treatment flow model

	Tonnes
2009/10 quantity of municipal waste	557,500
Operational solutions	(15,000)
Reduce and reuse Solutions	(15,000)
	527,500
Recycling Solutions Community Recycling Centres (70%) District and Borough Recycling (60%) New Technologies (7%) Total recycling (70%)	(369,250)
Residual waste treatment requirement	158,250
Gasification	(60,000)
Interim Energy from Waste (EfW)	(98,250)
Household waste to landfill (assumes all ash is recycled)	Nil

Action Plan A1 of the revised JMWMS states that Surrey will plan for 'net self-sufficiency' by providing waste management capacity equivalent to MSW arising i.e. the aim is to be self-sufficient in terms of managing the waste that arises within Surrey, within its boundaries, where appropriate. The table above quantifies the World Class Waste Solutions (WCWS - Action Plan for the JMWMS Officer Report to Cabinet dated 2 February 2010) plan, though it will require all WCAs to be collecting food waste in order to achieve the 70% recycling objective. If the solutions referred to and 70% recycling are achieved, there will be a need for approximately 158,250 tonnes of residual waste treatment capacity within Surrey.

At 70% recycling, the 60,000tpa capacity of the gasification plant would be taken up as follows:

Table 2.2: Source of wastes for the proposed gasifier

Source of Waste of Residual MSW	Tonnes
Elmbridge, Runnymede and Spelthorne (direct collections)	38,500
Local trade waste	8,000
Internal transfer from Charlton Lane CRC	6,250
Internal Transfer from AD	2,000
External CRC	5,250
Total	60,000

Options have also been considered should the 70% recycling target not be achieved. This would mean that greater proportions of the feedstock waste would come from the collections from the local authorities and there would be reduced amounts coming from the local trade waste and external CRC facilities.

2.3 Diversion from landfill

Following national legislative requirements, required policies and proposals put in place should contribute to the delivery of landfill diversion targets. The optimal management solution would vary according to the material resource streams, but will involve:

i. Re-use
ii. Recycling
iii. Mechanical/biological processing
iv. Thermal treatment

Priority will be given to processes higher up the waste hierarchy.

The strategy employed by Surrey Authorities for meeting and exceeding the regulatory targets for landfill diversion are expressed throughout the policy documents. These are based on delivering 70% recycling, treatment of the residual wastes and recycling value from the bi-products of the treatment processes.

2.3.1 Recycling

Policy 4 of the JMWMS is to improve recycling and composting to meet and exceed the aspirational and ambitious targets of 70%. This will be achieved through improvements to the kerbside recycling collection services provided by the constituent collection authorities of Surrey and through the provision of

Community Recycling Centres. The Community Recycling centre at the Eco Park will be retained and improved with the provision of new canopies, and minor modifications would be made to the layout and site access road. This facility is anticipated to handle approximately 25,000 tonnes of waste from the neighbouring community.

In order to achieve this target all WCAs will need to collect food waste. To enable the county to be self-sufficient, treatment of the food wastes will be undertaken in the anaerobic digestion facility at the Eco Park. This facility would treat up to 40,000 tonnes of food waste from the northern and central Boroughs of the County, converting it into methane and carbon dioxide, which is used to produce electricity (1.4MW) via the combined heat and power gas turbine engines.

The revised JMWMS, targets the provision of a series of facilities for the bulking and baling of dry recyclables at strategic locations (based around the existing waste transfer station network) across the County, to be developed alongside revised collection and source segregation schemes undertaken by the waste collection authorities. The bulking facility would comprise: 16 bulking bays, bulk storage building and a baler. The facility is anticipated to handle approximately 42,750 tpa of recyclables, 27,000 tpa would be externally delivered from elsewhere in Surrey and 15,750 tpa internally transferred from the Community Recycling Centre.

2.3.2 Recovery

The table below shows that Charlton Lane currently recovers some 35% of its waste throughput with 65% going to landfill. The proposed Eco Park development would increase the recovery to some 58%, which significantly increases the diversion from landfill, helping to meet diversion from landfill targets. The remaining 42% would be treated by way of the gasification facility, with energy recovery.

The table below also notes that within the remaining 42% there would be a residue from the Gasification process, which would include both bottom ash and fly ash (fly ash also known as Flue Gas Treatment residue – FGT). It is expected that up to 12,000tpa of bottom ash would be transferred to either:

a) bottom ash recycling facilities within London, Kent and Essex; or
b) disposed of at landfill, at Redhill (Surrey), Packington (Warwickshire) or Lydsey (West Sussex).

However, were the bottom ash recycled the overall material recovery would increase by approximately 8%. The FGT residue would go to an appropriate hazardous landfill disposal facility.

Table 2.3: Charlton Lane – management of waste throughput (shown in tonnes per annum)

	Waste handled	Recovered	Landfilled
Existing Charlton Lane site (2009/10)	149,900	52,750 (35%)	97,150 (65%)

Page 68

	Waste handled	Recovered	Disposal with energy recovery
Proposed Eco Park	143,750	83,750 (58%) (AD, RBF & CRC)	60,000 (42%) (Gasification) Residues: 12,000 and 1,800 of fly ash

The proposed gasification and AD facilities would treat residual municipal waste and food waste materials respectively that would otherwise be sent to landfill.

Whilst the gasification is viewed as disposal under the Waste Framework Directive, it nonetheless constitutes the provision for energy recovery in accordance with criterion (ii) of Policy WD5 of the SWP2008. Recyclable waste material received at the Charlton Lane CRC and RBF would be bulked up for temporary storage prior to export from the site. A proportion of the residual municipal waste that would be treated in the proposed gasification facility and all of the food waste to be treated in the proposed AD facility would be classified as biomass.

2.3.3 Materials recycled

The South East Regional Plan, Policy W8 identified that authorities should provide for a wide collection of recyclable and compostable materials as soon as possible.

Policy action A20 requires that a wide range of recyclable materials will be collected.

The Surrey County Council websites identifies the measures that should be taken by residents to manage the following materials:

- Abandoned vehicles
- Absorbent Hygiene Products (AHP)
- Aerosols
- Aluminium cans/foil
- Animal bedding and pet waste
- Appliances
- Asbestos
- Ash
- Automotive
- Batteries
- Bedding and blankets
- Beds
- Bicycles
- Birthday cards
- Biscuit tins
- DIY waste
- Doors
- Drinks cans
- Drinks cartons
- Duvets and pillows
- DVDs /CDs/videos/records
- Egg cartons (Plastic) (Cardboard)
- Egg shells
- Electrical goods, Electrical and Electronic Equipment
- End of life vehicles
- Energy-saving light bulbs
- Engine oil
- Envelopes
- Explosives
- Eye glasses
- Medicines
- Metal
- Milk bottles (Plastic) (Glass)
- Mobile phones
- Nappies
- Newspaper
- Office equipment and furniture
- Office paper
- Oil
- Organic waste
- Packaging (Plastic) (Paper) (Glass) (Metal)
- Paint
- Paper and card
- Pesticides
- Pet waste

- Bones
- Books
- Bottles and jars
- Bras
- Brochures
- Bubble wrap
- Building materials
- Bulky rigid plastics
- Business waste
- Cans
- Cardboard and paper
- Cards
- Carpets
- Carrier bags
- Cars
- Car batteries
- Car parts
- Cartons
- Catalogues
- Ceramics
- Cereal boxes
- CDs/DVDs/videos/records
- Chemicals
- Children's toys
- China
- Chlorofluorocarbons(CFCs)
- Christmas cards
- Christmas trees
- Cling film
- Clinical waste
- Clothing
- Clothes hangers
- Coins
- Compost
- Computers
- Computer consumables
- Confidential papers
- Construction waste
- Cooking oil
- Cork
- Cosmetics and toiletries
- Crockery
- Curtains
- Feminine hygiene products
- Fencing panel and posts
- Fire extinguishers
- Fireworks
- Fitted furniture (e.g. wardrobes, kitchen cupboards)
- Flooring
- Feminine hygiene products
- Fencing panel and posts
- Fire extinguishers
- Fireworks
- Fitted furniture (e.g. wardrobes, kitchen cupboards)
- Flooring
- Fluorescent light tubes
- Foil
- Food waste
- Foreign currency
- Fridge/freezers
- Fruit and vegetable peelings
- Furniture
- Games and toys
- Garden furniture (Plastic) (Metal) (Wood)
- Garden chemicals
- Garden shed
- Garden waste
- Gas bottles
- Glass
- Glasses
- Greetings cards
- Gypsum
- Hangers
- Hardcore
- Hazardous waste
- Healthcare waste
- Hearing aids
- Household chemicals
- Incontinence pads
- Ink cartridges
- Japanese knotweed
- Jars
- Jigsaws
- Junk mail
- Kitchen foil
- Kitchen waste
- Plasterboard
- Plastics
- Polystyrene
- Printer cartridges
- Pyrex
- Quilts
- Radios
- Rags
- Ragwort
- Razor blades
- Records, tapes, CDs, DVDs
- Refrigerators and freezers
- Scrap metal
- Scrap vehicles
- Smart phones
- Sharps (Clinical) (Other)
- Shoes
- Shredded paper
- Soil
- Spectacles
- Stamps
- Syringes
- Takeaway food containers (Plastic) (Foil)
- Telephone directories
- Telephones
- Televisions
- Tetra Paks
- Textiles
- Timber
- Toner cartridges
- Toys and games
- Tyres
- Underlay
- Unwanted mail
- Vegetable and fruit peelings
- Video and cassette tapes
- Waste paper
- Water Filters
- WEEE – Waste Electrical and Electronic Equipment
- White goods
- Wires
- Wood
- Wool

- Currency
- Cutlery
- Dead animals
- Diesel
- Directories
- Diseased plants
- Disposable nappies
- Knives
- Laptops
- Leaves/leaf mulch
- Light bulbs
- Magazines
- MDF
- Medical equipment
- Wrapping paper
- Xmas Trees
- Yellow Pages
- Yew Clippings
- Yoghurt Pots
- Zinc Batteries

2.3.4 Climate change

Climate change is considered through the adoption of various policies including those that would reduce the impact from the effects of climate change, such as the strategic location of developments and those that would cut greenhouse gas emissions such as the diversion of wastes from landfill.

2.4 Summary

The development of the Eco Park has been undertaken to meet policies on a regional and local basis. It addresses key criteria relating to locating the site:

- improving the waste infrastructure
- allowing for management of wastes to be undertaken in an integrated manner whilst moving up the waste hierarchy
- providing improved self-sufficiency for managing wastes generated in the county
- reducing the quantity of waste materials delivered to landfill
- changing the biodegradable nature of the materials where landfill disposal is necessary.

3 Qualitative Benefits of the Eco Park

The Waste Strategy is based on recycling and composting as much waste as feasible, anaerobic digestion of food wastes and gasification of the residual wastes.

If achieved, the recycling and composting targets proposed would make Surrey County Council a leading authority with respect to this aspect.

All existing waste management and treatment options have a residue. It is possible to send this residual waste to landfill but there are environmental and material benefits in diverting the material to produce power and potentially useful outputs.

3.1 Innovation and Delivery

All existing waste management and treatment options have a residue. It is possible to send this residual waste to landfill but there are environmental and materials benefits in diverting the material to produce power and potentially useful outputs.

The development of the Eco-Park enables existing offtake arrangements with markets to be utilised as well as the option to use technologies that enable bottom ash materials to be recycled and diverted from landfill. This not only allows Surrey to lead the way in integrated waste management but also extracts additional benefits and added value from the contract.

3.2 Robustness of Contract

The contract that Surrey has with SITA is a mature one which has been in operation since 1999. In working with SITA, the County is contracting with one of the largest waste management contractors in Europe who has a proven track record of technology delivery. In progressing through the existing contract, the Council can progress without further procurement as the contract is already in operation.

Within the main project agreement there is an existing performance management framework which is already in operation. As part of this arrangement SITA and Surrey have signed up to the Treasury Operational Savings Initiative, which works to identify additional savings within the contracts. This has been possible due to the mature relationship between the parties and could be more difficult with a new contractor.

Business Continuity is important in waste management and having the project operating under a main contract allows for best practice processes to develop and maintain a capability to plan for and respond to incidents and business interruptions. This enables business operations to continue and ensure minimal disruptions to any operations within the contract that SITA undertakes. Business Continuity Management is a requirement enabling systems to be constantly updated and improved to meet changing client needs and provide the foundation for monitoring and evaluating strategies and the ability to manage unexpected events.

The provision of a plant with a 25-year operational period will have a minimum of 17 years of life left at the end of the contract with SITA. This would allow Surrey to procure an Operations and Maintenance (O&M) contract for the operation of this plant together with a simpler contractual structure than the current contract to process the remaining waste that will require to be processed.

Having the Engineering Procurement Construction (EPC) contract within the existing waste management contract provides additional contractual protection to the Council. Should the option to progress a new contract be developed outside of the one currently provided by SITA there is a potential for the security of the existing contract to be lost and there would be uncertainty with respect to the new contractor and their ability to deliver.

3.3 Benefits of the Eco Park

Charlton Lane is a named site in the Surrey Waste Plan which was adopted by Surrey County Council in 2009 for the provision of Civic Amenity Sites (Policy WD1), Recycling Storage and Transfer of Waste, Materials Recovery and Processing Facility (Policy WD2) and Thermal Treatment (Policy WD5). The proposed Eco Park will use the site for waste management purposes and is therefore supported by the Surrey Waste Plan as well as the Joint Municipal Waste Management Strategy. The Eco Park uses technologies to maximise recycling in the County. The Anaerobic Digestion (AD) facility will allow food waste to be used to produce renewable power and a useable product. The digestate potentially benefits farmers and land users by producing a soil improver to approved standards (BSI PAS 110).

BSI PAS 110 covers all AD systems that accept source-segregated biowastes. It specifies:
- Controls on input materials and the management system for the process of anaerobic digestion and associated technologies
- Minimum quality of whole digestate, separated fibre and separated liquor
- Information that is required to be supplied to the digestate recipient

The digestate has proven benefits such as improved water retention and reduction in the use of inorganic fertilisers. This helps the council to achieve its vision statement which states that "by 2026 the environment will be protected and enhanced for future generations".

The Eco Park will deliver benefits to the local economy in terms of the construction and operation of the facilities. In addition to the economic premium given during construction, the facility is predicted to bring 42 permanent jobs to Surrey. If waste is exported out of the County and no new facilities are constructed then the economic and employment benefits would be lost. Through the use of mechanical treatment and AD the requirement for residual waste treatment is minimised, as the process will provide additional recycling and composting opportunities, which will result in a smaller scale combustion technology than conventional combustion. This ensures that the option corresponds with the waste hierarchy and minimises impacts such as the footprint of the plant required.

The AD process allows food waste to be used to produce biogas, which can be combusted to generate heat and power. The electricity can be used to power the plant and be exported to the national grid.

The bio-degradable element of waste qualifies as renewable energy and is therefore eligible for government related grants, e.g. Renewable Obligation Certificates (ROCS) or Contracts for Difference (CfDs). CfDs will gradually replace ROCS as the government incentive for this type of project, after 31st March 2017 ROCs will no longer be available to new applicants. Continuing the existing contract with SITA therefore may allow the site to be eligible for ROCs rather than CfDs. Although the level of financial support provided by CfDs would be equivalent to that provided by ROCs; as ROCs are well established and understood using this would reduce the risk associated with the novelty of a new system. There is also the potential benefit for the use of heat generated by the plant.

By treating waste in a multi-purpose Eco-Park, this provides a significant reduction in waste transportation on the final tonnage of material being transported, the haulage of material is reduced and fewer vehicles will use the road system, which is already congested within Surrey and the surrounding counties.

Development of the Eco-Park will enable Surrey to be more self-sufficient with respect to its waste management services, rather than delivering all of the residual waste to an out-of-county solution. Use of an existing out-of-county solution does not provide any new development, or the associated employment and environmental benefits.

There is a reduced tonnage of residual waste requiring treatment (approximately 60,000tpa), which means that most conventional thermal treatment technologies would be too large to economically treat Surrey's waste alone. Using gasification allows a technology which is designed to treat smaller tonnages of waste without the need to import material from surrounding authorities.

3.4 Summary

The Qualitative Assessment supports the VFM report that has been undertaken by Deloitte for an Eco-Park to be developed at Charlton Lane through a variation to the current contractual arrangement that is in place with SITA.

4 Conclusion

This Qualitative Assessment of the proposed Eco Park development discussed the technical impacts taking into consideration the relevant local and regional policy documents and the potential benefits of the technologies to be used.

The proposal submitted by SITA, clearly shows technical benefits of the Eco-Park in comparison to the current practices through treating waste within Surrey, providing employment and moving waste up the Waste Hierarchy.

Mott MacDonald

Appendices

Appendix A. South East Plan Policies

The following policies have been extracted from the South East Plan. Only policies that are relevant to the development of the Eco-Park are included.

POLICY CC2: CLIMATE CHANGE

Measures to mitigate and adapt to current and forecast effects of climate change will be implemented through application of local planning policy and other mechanisms. Behavioural change will be essential in implementing this policy and the measures identified.

In addition, and in respect of carbon dioxide emissions, regional and local authorities, agencies and others will include policies and proposals in their plans, strategies and investment programmes to help reduce the region's carbon dioxide emissions by at least 20% below 1990 levels by 2010, by at least 25% below 1990 levels by 2015 and by 80% by 2050. A target for 2026 will be developed and incorporated in the first review of the Plan.

Adaptation to risks and opportunities will be achieved through:

- (i) guiding strategic development to locations offering greater protection from impacts such as flooding, erosion, storms, water shortages and subsidence
- (ii) ensuring new and existing building stock is more resilient to climate change impacts
- (iii) incorporating sustainable drainage measures and high standards of water efficiency in new and existing building stock
- (iv) increasing flood storage capacity and developing sustainable new water resources
- (v) ensuring that opportunities and options for sustainable flood management and migration of habitats and species are actively promoted.

Mitigation, through reducing greenhouse gas emissions, will primarily be addressed through greater resource efficiency including:

- (i) improving the energy efficiency and carbon performance of new and existing buildings and influencing the behaviour of occupants
- (ii) reducing the need to travel and ensuring good accessibility to public and other sustainable modes of transport
- (iii) promoting land use that acts as carbon sinks
- (iv) encouraging development and use of renewable energy
- (v) reducing the amount of biodegradable waste landfilled.

POLICY W3: REGIONAL SELF-SUFFICIENCY

Waste authorities and waste management companies should provide management capacity equivalent to the amount of waste arising and requiring management within the region's boundaries, plus a declining amount of waste from London. Provision of capacity for rapidly increasing recycling, composting and recovery should be made reflecting the targets and requirements set out in this chapter.

POLICY W4: SUB-REGIONAL SELF-SUFFICIENCY

Waste planning authorities (WPAs) will plan for net self-sufficiency through provision for management capacity equivalent to the amount of waste arising and requiring management within their boundaries. A degree of flexibility should be used in applying the sub-regional self-sufficiency concept. Where appropriate and consistently with Policy W3, capacity should also be provided for:

(i) waste from London
(ii) waste from adjoining sub-regions (waste planning authority area within or adjoining the region).

WPAs should collaborate in the preparation of plans, including identifying and making provision for potential flows across the regional and sub-regional boundaries, and identifying possible sites that could be served by sustainable transport modes. Co-operation will be encouraged between county councils and unitary authorities at the sub-regional level, particularly in respect of meeting the needs of the region's strategic growth areas.

POLICY W5: TARGETS FOR DIVERSION FROM LANDFILL

A substantial increase in recovery of waste and a commensurate reduction in landfill is required in the region. (Reference is then made to specific regional targets for municipal and construction and demolition wastes).

Waste planning authorities (WPAs) should ensure that policies and proposals are in place to contribute to the delivery of these targets, and waste management companies should take them into account in their commercial decisions. The optimal management solution will vary according to the individual material resource streams and local circumstances and will usually involve one or more of the following processes:

(i) re-use
(ii) recycling
(iii) mechanical and/or biological processing (to recover materials and produce compost,
(iv) soil conditioner or inert residue)
(v) thermal treatment (to recover energy)

Priority will be given to processes higher up this waste hierarchy.

WPAs should continue to provide sufficient landfill capacity to process residues and waste that cannot practicably be recovered.

POLICY W6: RECYCLING AND COMPOSTING

The following targets for recycling and composting should be achieved in the region:

(Specific targets are then provided for the entire region)

Waste authorities should adopt policies and proposals to assist delivery of these targets and waste management companies should take them into account in their commercial decisions.

POLICY W7: WASTE MANAGEMENT CAPACITY REQUIREMENTS

Waste planning authorities (WPAs) will provide for an appropriate mix of development opportunities to support the waste management facilities required to achieve the targets set out in this strategy. The annual rates of waste to be managed as shown in the table below provide benchmarks for the preparation of development plan documents and annual monitoring.

Waste Authority Area	Waste Type	2008-2010	2011-2015	2016-2020	2021-2025
Surrey	MSW	638	694	755	813
	C&I	830	903	982	1042

Average Tonnages to be Managed (thousand tonnes)

In bringing forward and safeguarding sites for waste management facilities, WPAs should consider the type, size and mix of facilities that will be required, taking into account:

- activities requiring largely open sites, such as aggregate recycling and open windrow composting
- activities of an industrial nature dealing with largely segregated materials and requiring enclosed premises, such as materials recovery facilities, dis-assembly and re-manufacturing plants, and reprocessing industries
- activities dealing with mixed materials requiring enclosed industrial premises, such as mechanical-biological treatment, anaerobic digestion and energy from waste facilities
- hybrid activities requiring sites with buildings and open storage areas, including re-use facilities and enclosed composting systems.

In areas of major new developments consideration should be given to identifying sites for integrated resource recovery facilities and new resource parks accommodating a mix of activities where they meet environmental, technical and operational objectives.

The figures in the above table should be used as a benchmark for the production and testing of development plan documents, but WPAs should use more recent data where this is available in order to assess and plan for capacity. Any major changes to the figures may dictate a need to reconsider the apportionment through a review of the RSS.

POLICY W8: WASTE SEPARATION

Waste collection authorities and waste management companies should provide separate collections of recyclable and compostable materials as widely and as soon as practicably possible. Householders and small and medium-sized businesses should be encouraged to separate waste for collection by such schemes through information and promotional campaigns. **Civic amenity sites should be organised to encourage separation of materials for re-use and recycling.**

POLICY W11: BIOMASS

Waste collection, planning and disposal authorities should encourage the separation of biomass waste, as defined in the Renewables Obligation, and consider its use as a fuel in biomass energy plants where this does not discourage recycling and composting.

POLICY W12: OTHER RECOVERY AND DIVERSION TECHNOLOGIES

The regional planning body, SEEDA, the Environment Agency and the regional partners will promote and encourage the development and demonstration of anaerobic digestion and advanced recovery technologies that will be expected to make a growing contribution towards the delivery of the regional targets for recovery, diversion from landfill, and renewable energy generation over the period of the Plan.

Waste development documents and municipal waste management strategies should only include energy from waste as part of an integrated approach to management. All proposed waste facilities should:

(i) operate to the required pollution control standard
(ii) include measures to ensure that appropriate materials are recycled, composted and recovered where this has not been carried out elsewhere.

Proposed thermal facilities should, wherever possible, aim to incorporate combined generation and distribution of heat and power.

POLICY W16: WASTE TRANSPORT INFRASTRUCTURE

Waste development documents should identify infrastructure facilities, including sites for waste transfer and bulking facilities, essential for the sustainable transport of waste materials. These sites and facilities should be safeguarded in local development documents. Policies should aim to reduce the transport and associated impacts of waste movement. Use of rail and water-borne transport with appropriate depot and wharf provision should be encouraged wherever possible, particularly for large facilities.

POLICY W17: LOCATION OF WASTE MANAGEMENT FACILITIES

Waste development documents will, in identifying locations for waste management facilities, give priority to safeguarding and expanding suitable sites with an existing waste management use and good transport connections. The suitability of existing sites and potential new sites should be assessed on the basis of the following characteristics:

- (i) good accessibility from existing urban areas or major new or planned development
- (ii) good transport connections including, where possible, rail or water
- (iii) compatible land uses, namely:
  - active mineral working sites
  - previous or existing industrial land use
  - contaminated or derelict land
  - land adjoining sewage treatment works
  - redundant farm buildings and their curtilages
- (iv) be capable of meeting a range of locally based environmental and amenity criteria.

Waste management facilities should not be precluded from the Green Belt. Small-scale waste management facilities for local needs should not be precluded from Areas of Outstanding Natural Beauty and National Parks where the development would not compromise the objectives of the designation.

Appendix B. Surrey Waste Plan Policies

The following policies have been extracted from the Surrey Waste Plan. Only policies that are relevant to the development of the Eco-Park are included.

The plan was adopted on 6 May 2008, but was subsequently amended by order of the High Court on 5 March 2009.

Policy CW4: Waste Management Capacity

Planning permissions will be granted to enable sufficient waste management capacity to be provided to:

(i) manage the equivalent of the waste arising in Surrey, together with a contribution to meeting the declining landfill needs of residual wastes arising in and exported from London; and
(ii) achieve the regional targets for recycling, composting, recovery and diversion from landfill by ensuring a range of facilities is permitted.

Policy CW5: Location of Waste Facilities

Sites will be allocated, and proposals for waste facilities on unallocated sites will be considered in accordance with the following principles:

(i) priority will be given to industrial/ employment sites, particularly those in urban areas, and to any other suitable urban sites and then to sites close to urban areas and to sites easily accessible by the strategic road network;
(ii) priority will be given over greenfield land to previously developed land, contaminated, derelict or disturbed land, redundant agricultural buildings and their curtilages, mineral workings and land in waste management use;
(iii) Areas of Outstanding Natural Beauty, Areas of Great Landscape Value, and sites with or close to international and national nature conservation designations should be avoided; and
(iv) the larger the scale of development and traffic generation, the more important is a location well served by the strategic road network or accessible by alternative means of transport.

Policy CW6: Development in the Green Belt

There will be a presumption against inappropriate waste related development in the Green Belt except in very special circumstances. Very special circumstances to justify inappropriate development of waste management facilities in the Green Belt will not exist unless the harm by reason of inappropriateness, and any other harm, is clearly outweighed by other considerations.

The following considerations may contribute to very special circumstances:

(i) the lack of suitable non-Green Belt sites
(ii) the need to find locations well related to the source of waste arisings;
(iii) the characteristics of the site; and
(iv) the wider environmental and economic benefits of sustainable waste management, including the need for a range of sites.

Policy WD1: Civic Amenity Sites

Planning permissions for the improvement or extension of existing civic amenity sites or the provision of new sites will be granted:

(i) on land that is, or has been used, or is allocated in a Local Plan or development plan document, or has planning permission for general industrial or storage purposes;

(ii) at existing or proposed waste management sites, subject in the case of landfill and landraising sites or other temporary facilities, to the civic amenity use being limited to the life of the landfill, landraising or other temporary facility; and

(iii) at the following sites:

- Lyne Lane, Chertsey
- Charlton Lane, Shepperton
- Petworth Road, Witley (improvements)
- Martyrs Lane, Woking
- Earlswood, Redhill
- Randalls Road, Leatherhead (extensions)

provided that the development proposed meets the key development criteria set out at the Site Boundary Maps and where very special circumstances can be demonstrated in accordance with the provisions of Policy CW6 for Development in the Green Belt.

Policy WD2: Recycling, Storage, Transfer, Materials Recovery and Processing Facilities (Excluding Thermal Treatment)

Planning permissions for development involving the recycling, storage, transfer, materials recovery and processing (including in-vessel composting but excluding thermal treatment) of waste will be granted:

(i) on land that is, or has been used, or is allocated in a Local Plan or Development Plan Document, or has planning permission for industrial or storage purposes;

(ii) the proposed development is at one of the following sites as shown on the Site Boundary Maps:

- Slyfield Industrial Estate: Land to the North East
- Charlton Lane, Shepperton
- Copyhold Works, Redhill
- Land at Earlswood Depot and Sewage Treatment Works, Redhill
- Heather Farm, Horsell
- Martyrs Lane, Woking
- Land at Randalls Road, Leatherhead
- Land adjacent to Trumps Farm, Longcross
- Weylands Treatment Works, Hersham
- Land at former airfield, Wisley
- Lyne Lane, Chertsey: former compost site
- Oak Leaf Farm, Horton Road, Stanwell Moor

- Reigate Road Quarry, Betchworth

provided that the development proposed meets the key development criteria and where very special circumstances can be demonstrated in accordance with the provisions of Policy CW6 for Development in the Green Belt; and

(iii) at existing or proposed waste management sites, subject in the case of landfill and landraising sites or other temporary facilities, to the waste use being limited to the life of the landfill, landraising or other temporary facility.

Policy WD5: Thermal Treatment Facilities

Planning permissions for development involving the thermal treatment of waste will be granted provided:

(i) the waste to be treated cannot practically and reasonably be reused, recycled or processed to recover materials;

(ii) provision is made for energy recovery;

(iii) the proposed development is at one of the following sites, as shown on the Site Boundary Maps:

- Charlton Lane, Shepperton
- Martyrs Lane, Woking
- Land adjacent to Trumps Farm, Longcross
- Land at former airfield, Wisley

provided the development proposed meets the key development criteria and where very special circumstances can be demonstrated in accordance with the provisions of Policy CW6 for Development in the Green Belt.

Policy DC1: Safeguarding Sites

The following sites, which may be required for waste management use will be safeguarded:

(i) the sites named in Policies WD1, WD2 and WD5; and

(ii) existing sites in waste use including waste water and sewage treatment works.

Policy DC3: General Considerations

Planning permissions for waste related development will be granted provided it can be demonstrated by the provision of appropriate information to support a planning application that any impacts of the development can be controlled to achieve levels that will not significantly adversely affect people, land, infrastructure and resources.

The information supporting the planning application must include, where relevant to a development proposal, assessment of the following matters and where necessary, appropriate mitigation should be identified so as to minimise or avoid any material adverse impact and compensate for any loss:

(i) the release of polluting substances to the atmosphere or land arising from facilities and transport;
(ii) the amount of greenhouse gases produced;
(iii) the contamination of ground and surface water;
(iv) the drainage of the site and adjoining land and the risk of flooding;
(v) water consumption requirements and consideration of water management within operational plant;
(vi) groundwater conditions and the hydrogeology of the locality;
(vii) the visual and landscape impact of the development on the site and surrounding land including townscape;
(viii) in the case of buildings, demonstration of high quality of design;
(ix) adverse effects on neighbouring amenity including noise, fumes, vibration, glare, dust, litter, odour, vermin and transport impacts;
(x) traffic generation, access and the suitability of the highway network in the vicinity, including access to and from the motorway and the primary route network;
(xi) adverse effects on open spaces, settlements, agriculture and other rural economic activity, woodland, or existing or potential outdoor recreation uses, including Public Rights of Way;
(xii) the loss or damage to flora and fauna and their respective habitats at the site or on adjoining land including linear or other features which facilitate the dispersal of species;
(xiii) the loss or damage to archaeological resources or historic landscapes;
(xiv) potential danger to aircraft from birdstrike and structures;
(xv) scope for limiting the duration of use;
(xvi) any health impacts; and
(xvii) the management arrangements for residues arising from any waste management facility.

Appendix C. Joint Municipal Waste Management Strategy

The following policies and policy actions have been extracted from the Joint Municipal Waste Management Strategy.

Five policies and thirty four policy actions were identified. The five principal policies were:

- **Policy 1** - We will work in partnership with each other and other stakeholders in order to promote sustainable waste and resources management in Surrey, and support national and regional policies for carbon reduction and mitigation as well as net self-sufficiency
- **Policy 2** - We will work in partnership to develop and deliver a coordinated waste education and awareness programme, which focuses on all aspects of sustainable waste management, in line with the priorities of the waste hierarchy
- **Policy 3** - We will vigorously pursue the prevention of waste to achieve a continued reduction in residual waste, through common messages, lobbying retailers and enforcement activities
- **Policy 4** - We will commit significant efforts and resources to achieve and exceed household recycling and composting targets of 70% by 2013/14
- **Policy 5** - We will adhere to the waste hierarchy, with residual waste treatment preferred to landfill. Recovery and disposal facilities will be delivered to ensure compliance with the Landfill Directive. We will restrict the use of landfill to 0% by 2013/14

The policies relevant to the development of an Eco-Park are Policy No. 1, 4 and 5.

The specific actions under these policies are as follows:

Policy 1

- **A1 - We will plan for net self-sufficiency for dealing with waste in Surrey, through the provision of waste management capacity equivalent to the amount of municipal waste arisings**
- *A2 - We will identify mechanisms for the implementation and monitoring of the Joint Municipal Waste Management Strategy*
- A3 - We will develop mechanisms and opportunities for joint working between the authorities
- A4 - We will seek partnerships with the community and waste industry
- *A5 - We will seek joint opportunities for external funding to implement the objectives of the Joint Municipal Waste Management Strategy, and review financial arrangement among the partners*
- *A6 - We will compile and review an annual report on progress made and obstacles encountered, and publish Policy Actions (Numbers are for reference only) a plan of action for the year ahead*
- *A7 - The Strategy will be reviewed in the light of any future local government re-organisation*

Policy 4

- **A18 - We will commit significant efforts and resources to achieve or exceed overall household recycling and composting targets of 70% by 2013/14**
- *A19 - Borough and district partners to develop affordable kerbside and bring site collection schemes designed to achieve or exceed recycling and composting rates of 60% by 2013/14*
- **A20 - We will collect a wide range of recyclable materials, consistent with the development of efficient and effective solutions considering collection, processing and materials value**
- *A21 - We will liaise with our partners before introducing or changing kerbside collection systems*
- **A22 - We will develop systems to collect both garden waste and food waste from householders by the year 2013**
- *A23 - We will continue to promote the use of alternate weekly collections and other suitable means to reduce household residual waste*
- *A24 - Wherever possible, we will seek to align collection arrangements. For example, with food waste collections that are being introduced*
- A25 - We will investigate opportunities to recycle commercial waste collected by authorities
- *A26 - We will monitor waste arisings and composition in order to ensure continued service improvement*
- *A27 - We will investigate and support options for maximising the re-use and landfill diversion of bulky items*
- A28 - We will investigate opportunities to recycle commercial waste collected by authorities, and to lobby the manufacturing/retail sector and national Government, in particular to tackle the issue of retail packaging
- **A29 - The Waste Disposal Authority will continue to provide and develop appropriate facilities for bulking and baling of dry recyclables**
- *A30 - The Waste Disposal Authority will continue to provide and develop composting capacity for garden waste by 2013/14*
- **A31 - The Waste Disposal Authority will continue to provide and develop compost and digester capacity for food waste 2013/14 with preference for anaerobic digestion**
- **A32 - The Waste Disposal Authority will improve the Community Recycling Centre provision with the aim to achieve diversion rates of at least 70% by 2013/14**

Policy 5

- **A33 - The Waste Disposal Authority will provide improved waste transfer stations and bulking facilities to reduce the haulage on transporting municipal waste. Safe, efficient and appropriate transportation is an important consideration**
- **A34 - Where there is no reasonable prospect that waste can be recycled or composted, the Waste Disposal Authority will develop new treatment facilities, including those to increase**

materials recovery and recover energy from waste; such as advanced thermal treatment for treating residual waste and anaerobic digestion with gas capture for food waste

CABINET – 28 APRIL 2015

PROCEDURAL MATTERS

Public Questions

Question (1) from Peter Crews:

The Value for Money assessment for the Charlton Lane project considers only two options:

1. To build the Eco Park.
2. To terminate the contract with SITA and procure a new contract using merchant energy from waste capacity outside of Surrey.

As I understand it, the cost of each option is being estimated as the total cost of operating Surrey's waste disposal programme over the next 25 years, expressed at a net present value.

My questions are:

1. How can an assessment based on these two options alone demonstrate that the Eco Park represents Value for Money? Option 2 is not a proper yardstick against which to assess Value for Money because it includes the punitive costs associated with termination of a 25-year PFI contract. An assessment based on Options 1 and 2 can only come to one conclusion: it is better to build almost anything rather than terminate SITA's contract. That is not a meaningful Value for Money assessment for the proposed works.

2. Will Option 1 increase the current overall cost of Surrey's annual waste disposal programme (which has considerably reduced the amount of landfill)? Surely the only way the Charlton Lane project can provide Value for Money is if the cost of waste disposal using the plant is less than disposing of the same waste by any other means. In other words, the Value for Money assessment should demonstrate that the construction of the Eco Park will reduce the overall cost of Surrey's annual waste disposal programme. If this is not the case, Option 1 delivers negative value for money and the project should not be built.

Reply:

1. The assessment has focussed on the two lowest costs viable options identified in earlier assessments and has followed methodology approved by our external financial advisor.

2. The options available to the council are to build the Eco Park as part of the SITA contract or to terminate the SITA contract and re-procure a new contract including merchant waste treatment capacity. The annual cost of dealing with waste in both of these options is expected to increase compared with the current position as a result of market forces, inflation and waste volume pressures. However as set out in the Cabinet report, in quantitative terms, there is not considered to be any material difference in the value for money of the two options.

Mr Mike Goodman
Cabinet Member for Environment and Planning
28 April 2015

Question (2) from Brian Catt:

My question requires context, so this comes first:

The financial assessment, presented to you today, includes three assertions regarding the Eco Park that I question the fact of the DEFRA grant, the risk assessment and the conclusions from them.

The report states that we have real alternatives elsewhere, at a similar cost, with better energy recovery. I suggest this makes the safe and proven alternative clearly the best value at the lowest risk.

We simply do not need a risky gasinerator to get the job done best.

Yet the risky option is recommended, with another £8.5m in ROC downsides undetermined, and without delivery risk as a serious consideration, rather the relative suitability of the provider.

It seems irrational to prefer untried experiments in municipal waste disposal to proven alternative solutions at a similar cost, solutions that can already deliver DEFRA approved energy recovery levels in safe and proven facilities, with no actual delivery risk, with qualifying energy recovery levels - at a similar NPV. This is your responsibility in this decision.

Why take such a large and avoidable financial risk that has no upside for Surrey County Council and a £8.5m possible downside TBD?

N.B. There is NO evidence that the Outotec design will be any safer or more functional than the former Dargavel design, also recommended to you by officers as "safe and proven".

Waste legislation, and SCC's own Waste Plan, justified this plan. This expects R1 qualifying energy recovery from the waste fuel to justify such an investment, not available from the inefficient disposal design proposed at Charlton Lane.

Secondly, it is stated that the rough NPV parity between options makes the retention of DEFRA's waste support grant a relevant "qualitative" matter in this decision.

In fact, appropriate waste treatment alternatives to the gasifier at the Eco Park ARE acceptable to DEFRA as a basis for paying the balance of their grant to Surrey, per DEFRA's own clear public and FOI statements on the matter, details recently supplied to you individually.

There is no hard connection between delivering the gasifier, or the Eco Park, and the DEFRA grant, only qualifying infrastructure. So:

QUESTION: As in paragraph 54, Councillors have a fiduciary responsibility to take a prudent and reasonable decision on this matter.

Will the Cabinet consider the best value for Surrey based on the report's relative cost and risks of delivering a safe, proven, risk free and technically superior service elsewhere to an equally expensive, risky and ultimately unnecessary experiment at the Eco Park, excluding the DEFRA waste grant from the judgement, and in the knowledge that the Eco Park carries an extra £8.5m in downside risk if ROCs are not awarded? This award yet to even be preaccredited, 2 years after the initial application. I suggest this loss is probable, in my professional opinion, based on OFGEM's specification.

Reply:

The Cabinet will consider best value for Surrey as set out in the report. As the report details the Eco Park is not significantly different in financial value for money terms to the other option considered when excluding the Waste Infrastructure Grant but is clearly the best option when taking into account other relevant qualitative factors and the risks associated with them. The report makes clear that there is a reasonable expectation of receipt of ROCS and that even if this were not the case this is unlikely to make a material difference to the Value for Money position .

Mr Mike Goodman
Cabinet Member for Environment and Planning
28 April 2015

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