



Report of the Director Environment and Neighbourhoods

Executive Board

Date: 12th February 2010

Subject: Waste Solution for Leeds – Residual Waste Treatment PFI Project – Results of Detailed Solutions stage

Electoral Wards Affected:
All

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

This report contains appendices which are Exempt / Confidential under access to Information Procedure Rule 10.4 (3)

EXECUTIVE SUMMARY

1. Appendices B and C to this report contain exempt information under Access to Information Rule 10.4 (3) as it contains information that is commercially sensitive relating to the Council's ongoing waste PFI procurement and the financial and business affairs of Bidders, where the benefit of keeping the information confidential is considered greater than that of allowing public access to the information.
2. The report provides Members with an update on the progress of the Residual Waste Treatment PFI project since the Executive Board approval of the evaluation methodology in November 2008.
3. The report recommends that Executive Board:
 - a) Approve the exclusion of the residual waste transfer station from the scope of the Residual Waste Treatment PFI project;

- b) Approve the proposal not to develop a dedicated residual waste transfer station, with the result that all residual waste for treatment under the PFI contract will be delivered directly to the main residual waste treatment facility once the operational phase of the PFI contract commences;
 - c) Note the continued requirement for the provision at Evanston Avenue of a household waste sorting site (HWSS) and the existing level of waste transfer capacity for a range of materials, and the intention to bring a further report to the Executive Board on the proposed city-wide HWSS strategy, which will expand on the strategy for redevelopment of the Evanston Avenue site
4. The report also provides information on the outcome of the evaluation of the Detailed Solutions stage of the procurement, which is now complete, and the Bidders that will be invited to advance to the next stage of the Competitive Dialogue procurement. Further detail will be provided in Confidential Appendix C.
5. Issues relating to project affordability are contained in Confidential Appendix B.
6. The report provides a summary of the strategy for project communications.

1.0 Purpose of This Report

1.1 The purpose of this report is to:

- (a) Inform Members of the outcome of the evaluation of bids at the Detailed Solutions stage of the procurement prior to the commencement of the next phase of the procurement, Invitation to Submit Refined Solutions (ISRS), and provide an update on the progress of the Residual Waste Treatment PFI Project since the Executive Board paper in November 2008;
- (b) Revises the project scope;
- (c) Provides a summary of the on the findings of options appraisal work to assess the value for money of developing a dedicated waste transfer station (WTS) for residual waste to be treated under the PFI contract;
- (d) Provide an outline of the proposed communications strategy in support of the procurement process; and
- (e) Update Members on project affordability.

2.0 Background Information

- 2.1 In July 2008 the Executive Board authorised Officers to begin procurement of the Residual Waste Treatment PFI Project through the placement of an OJEU and other contract notices, as well as giving approval to the principles of the methodology to be used to evaluate the bids received.
- 2.2 In November 2008 the Executive Board authorised Officers to open the Competitive Dialogue phase of the procurement and approved the detail of the evaluation criteria to be used to evaluate the bids received for the duration of the procurement. This report deals with the progress of the procurement since this time.

3.0 Contract Objectives (including Waste Transfer Station)

- 3.1 The proposed contract will consist of providing treatment for the Council's residual waste. It will not cover the collection of waste, or the processing of recycling streams segregated for recycling by householders, required to achieve a minimum of 50% recycling of household waste. However, the evaluation framework has incentivised additional recycling that can be achieved through the treatment of residual waste and bidders have responded to this opportunity.
- 3.2 The option to develop a residual waste transfer station (WTS) was incorporated within the scope of the Residual Waste Treatment PFI project based primarily on the efficiencies that could be realised for the refuse collection service through tipping at two points within the City rather than delivering directly to the main treatment facility. The reference site for the WTS agreed by Executive Board in November 2008 was the site of the existing facility on Evanston Avenue, off Kirkstall Road, which incorporates a Household Waste Sorting Site (HWSS) operated by the City Council in addition to a transfer operation for a range of recyclable materials and other specialist wastes.
- 3.3 Having now received indicative costs from PFI bidders for the WTS element of their proposals alongside their main detailed bid submissions, the Council has now finalised the following assessments:
- a) Analysis of efficiency impacts for the refuse collection service;
 - b) Analysis of WTS cost information from the PFI bidders;
 - c) Independent assessment of the costs to the Council of redeveloping the Evanston Avenue site outside of the PFI project; and
 - d) Assessment of any risks and other non-financial issues associated with the development of a dedicated WTS for residual waste.
- 3.4 The Council has commissioned an independent analysis of the costs to the Council of redeveloping the Evanston Avenue site to assess whether developing a dedicated residual represents better value for money. This exercise assessed two scenarios:
- Scenario A Full redevelopment of the Evanston Avenue site to provide a dedicated WTS for 50% of the City's residual waste, and to include a redeveloped HWSS and the existing WTS capacity for a range of materials;
- Scenario B Redevelopment of the Evanston Avenue site to include only a redeveloped HWSS and the existing WTS capacity for a range of materials
- 3.5 The difference in cost of the two scenarios above was then considered alongside the savings to the refuse collection service that could be anticipated through having the dedicated residual WTS, and this is set out in Table 1 below. Redevelopment costs are shown as current costs.

Table 1

Current Costs	£000
Total annual cost of Scenario A	1,413
Total annual cost of Scenario B	(704)
Additional Service Collection Costs (by not having a dedicated residual WTS)	(285)
Additional annual cost of Scenario A compared to Scenario B	424

- 3.6 In summary, these findings indicate a potential additional cost of £424,000 to the Council of developing a dedicated residual WTS at Evanston Avenue, compared to delivering residual waste for treatment directly to the main treatment facility.
- 3.7 An analysis of the traffic impacts associated with either developing a dedicated WTS for residual waste at Evanston Avenue or directly delivering all residual waste to the main treatment facility has also been completed using route planning software. It should be noted that these vehicle movements in general are taking place across the city and whilst the use of different disposal points for refuse collection vehicles will have some impact on routing, this will not result in an increase in the total number of vehicle movements city-wide.
- 3.8 Also, it should be noted that approximately 86% of residual waste collected from the kerbside is currently delivered directly to the Skelton Grange landfill site in South East Leeds, in close proximity to the two possible sites for the proposed treatment facility. In addition the vast majority of these vehicle trips take place outside of the morning and evening peak traffic periods.
- 3.9 Data from Highways Planning indicates that on average there are approximately 9,700 daily vehicle trips between 7.00am and 7:00pm along the East Leeds Link Road (ELLR) in both directions. The capacity of ELLR to accommodate vehicle movements associated with the direct delivery of all residual waste to the main treatment facility is far in excess of this requirement.
- 3.10 In addition, the new ELLR connects to the A1/M1 Link Road, the M621 and the Inner Ring Road at either end, and will therefore be accessed from major arterial routes. There are also weight restrictions for refuse collection vehicles and other HGVs through areas that provide access to the ELLR from the A64 via East End Park, and through Osmondthorpe and Halton Moor from Osmondthorpe Lane/Halton Moor Road, thus preventing use of routes through more residential areas, and it is within the control of the Council to ensure that this is adhered to by the refuse collection service.
- 3.11 The potential risk of challenge from bidders resulting from the exclusion of the WTS from the scope of the PFI project has been assessed. Whilst the consequences of any challenge are potentially serious, the Project Team consider that the chances of this occurring are low and have been mitigated as far as possible through the original wording of the OJEU notice and the level of communication and consultation with bidders on this issue through the dialogue process.
- 3.12 In consideration of the factors above, whilst there are some issues that will need to be addressed through the development of the PFI contract and the implementation of the wider waste strategy, there is a clear case for directly delivering residual waste to the main treatment facility as opposed to developing a dedicated residual WTS at Evanston Avenue.
- 3.13 However, the continued use of this site as an HWSS and for the bulking and storage for onward transfer of a range of materials remains necessary. Work is currently in progress to prepare a further report to Executive Board describing the future strategy for HWSSs city-wide, and this report will expand on the proposed strategy for the Evanston Avenue site.

4.0 Residual Waste Treatment Project Progress

- 4.1 The procurement commenced when the Official Journal of The European Union (OJEU) notice was released on Wednesday 30th July 2008. Thirteen bidders participated in this project stage and evaluation subsequently reduced these to nine bidders who progressed to the next bid stage.

- 4.2 The Invitation to Submit Outline Solutions (ISOS) stage was issued to bidders on 13th November 2008 as the initial stage of the competitive dialogue procurement and bids were returned on 21st January 2009. Nine bidders participated in this bid stage and these were subsequently reduced to four bidders following evaluation of the bids received and the withdrawal of one of the bidders prior to the finalisation of the evaluation.
- 4.3 The Invitation to Submit Detailed Solutions (ISDS) stage was issued to bidders on 24th June 2009 and bids were returned on 21st October 2009.
- 4.4 The following table lists the 4 bidders that participated at the ISDS stage:

	Consortia
	Aire Valley Environmental, a joint venture between Covanta Energy Ltd and Kelda Water Services Ltd.
	Joint venture between Interserve Investments Ltd and United Utilities PLC
	MVV Umwelt GmbH
	Veolia ES Aurora

- 4.5 Of the bidders listed above MVV Umwelt GmbH (MVV) withdrew from the procurement just prior to the commencement of the ISDS bid stage. Submissions were received from three bidders and evaluated in accordance with the City Council's evaluation methodology approved by the Executive Board in November 2008.
- 4.6 The evaluation was undertaken using a series of subgroups that analysed each aspect of the bid submissions in accordance with the evaluation methodology. In addition the subgroups raised a significant number of clarification questions with each bidder to ensure that the bids were fully understood and that scores were assessed objectively based upon clear information.
- 4.7 The approved evaluation methodology considers a range of factors . These are:

Criteria	% Score Allocated
Quality Score	60%
Price Score	40%
Total	100%

Quality Criteria	Allocation
Sustainability	36%
Bid Integrity	4.5%
Commercial and legal	9%
Finance and Corporate Structure	6%
Payment mechanism	4.5%
Total	60%

The bidder that has the lowest score and has therefore been unsuccessful in the evaluation is the joint venture between Interserve Investments Ltd and United Utilities PLC. This bidder scored less favourably across the majority of these criteria, including the overall assessment of quality and price, but were not excluded for any specific difficulty with their proposal. Further details regarding the evaluation will be provided to Executive Board members in a Confidential Appendix C at the Executive Board Meeting

- 4.8 The results of the evaluation were reported to the Residual Waste PFI Project Board at its meeting on 14th January 2010 and the results of the evaluation were confirmed and
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recommended for approval by the Project Board and the Director of Environment and Neighbourhoods has approved the Delegated Decision. It was agreed that the 2 highest scoring bidders would be taken forward to the subsequent Invitation to Submit Refined Solutions (ISRS) stage of the procurement and highlights of these bids are shown in the table below.

4.9 The two Bidders to be taken forward to the ISRS stage are:

- Aire Valley Environmental and
- Veolia ES Aurora

Key data regarding the bids which will move forward to the next bid stage is provided below.

Bidder Name	Aire Valley Environmental is a joint venture between Kelda Water Services and Covanta Energy Limited.
Site	On part of the Knostrop Wastewater Treatment Works (Knostrop WwTW)
Capacity	Approximately 230,000 Tonnes per annum (tpa)
Funding	Project Finance – bidder finances the majority of the funding through a project specific bank loan

Bidder Name	Veolia ES Aurora Ltd
Site	Former wholesale market site on Pontefract Lane, Cross Green.
Capacity	Approximately 190,000 tpa
Funding	Corporate Finance - bidder finances the project from its own balance sheet

The following information applies to both bidders

Technology	Mechanical pre-treatment to extract recyclates followed by Energy from Waste process.
Use of Third Party waste	Third party waste from the Leeds area will be used to maintain plant inputs if City Council waste volumes fluctuate or decline. Each Bidder is proposing to provide some merchant capacity to process Leeds commercial waste in addition to Council waste capacity. This will be sourced locally so that the plant does not add to the volume of waste being processed in Leeds.
Maximum height of building	Approximately 40m
Recycling Level	Approximately 8% of the household waste input to the facility. This is in addition to the Council's existing and future recycling from kerbside collections and household waste recycling sites that aims to achieve a minimum of 50% recycling.
Products	The plant will generate a significant amount of electricity and recyclates obtained will be sent for further processing locally. Ash created by the Energy from Waste process will be treated off site in the case of AVE,

	Veolia will treat the Ash onsite. Both will send a small quantity of residual material which cannot be processed or recycled to landfill.
Emissions	The technology will be fully compliant with the Waste Incineration Directive (WID), with actual emission levels based upon the final technology parameters.
Minimum Tonnage	A minimum tonnage of waste is required within the contract which the Council will have to provide to the Contractors. This is expected to be 70-75 % of the Council's maximum predicted input tonnage of 163,000 tonnes having already achieved 50% recycling. The Council can therefore still aspire to further increase recycling above 50% and beyond the additional recycling provided by the facility.

4.10 A drawing showing the site locations is attached at Appendix A.

5.0 Financial Implications

See Confidential Appendix B

6.0 Programme

6.1 The future programme and the proposed levels of delegation in respect of the decisions necessary to progress the procurement is shown below, together with those decisions already taken, which are shown with a grey background. The table assumes that the detailed evaluation of bids at each stage and the recommendations as to which bidder is deselected is considered by the Project Board and decided by the Director of Environment and Neighbourhoods:

Decision	Estimated Date	Decision Making Body
Commencement of procurement (OJEU notice)	July 2008	Executive Board
Outcome of PQQ evaluation	October 2008	Project Board
Approval of detailed evaluation criteria and sub-criteria	November 2008	Executive Board
Approval of full evaluation methodology and minimum price threshold	November 2008 – May 2009	Project Board
Approval to proceed to the ISDS stage	May 2009	Project Board
Approval to the outcome of the ISDS evaluation and approval to proceed to the ISRS stage	January 2010	Director of Environment and Neighbourhoods (under delegated powers)
Support for proceeding to the Invitation to Submit Refined Solutions (ISRS) stage	February 2010	Executive Board
Call for Final Tender – leading to Preferred Bidder	October 2010	Director of Environment and Neighbourhoods (under delegated powers)
Authority to contract with preferred bidder	November 2010	Director of Environment and Neighbourhoods (under delegated powers)

Decision	Estimated Date	Decision Making Body
Support for proceeding to Preferred Bidder stage	November 2010	Executive Board
Contract finalisation and award	March 2011	Director of Environment and Neighbourhoods (under delegated powers)
Final approval of project funding	March 2011	DEFRA
Planning permission	Late 2011	Plans panel

7.0 Communications Strategy

7.1 The forward communications and engagement strategy was agreed with the Project Board and communicated via the Area Committees in March and April 2009. Feedback received through the Area Committee process was used to refine the communications and engagement strategy.

7.2 Communications and education to date

7.2.1. Between September 2009 and February 2010 the following elements of the communications and engagement strategy have been delivered:

- All Area Committees received a presentation describing the project in September 2009.
- Information leaflets have been produced on the following topics: 'What is Leeds doing with its waste?'; 'The City's Waste Solution – technologies and bidders'; 'The City's Waste Solution – your questions answered'.
- A Member's information pack was produced and distributed in October 2009. It included the information leaflets above, a briefing on health implications of incineration technologies, and a CDROM copy of the presentation.
- A household information pack was produced and distributed in December 2009 to 12,075 households within the identified 'footprint' area. It included the information leaflets above and a reply paid postcard to register for further information or attend a briefing session.
- Posters were distributed with registration postcards in key community locations during December 2009, such as one stop shops, to further publicise the opportunity to register for further information
- A further 180 households were 'door-knocked' in the 'Neville's' area of Osmondthorpe during December to further encourage residents to register. Thirty Eight households were spoken to.
- A full page article was included in 'Recycling and Waste News', which was distributed to all households in Leeds during December, asking residents citywide to register to receive more information.
- To date (19th January 2010) 129 residents have registered to receive further information with 90 of these having registered to attend a briefing event.
- 690 businesses local to the proposed sites have been identified and sent information packs in January 2010, and encouraged to register for information or attend briefing sessions.
- The Councils representatives have met with a range of other interest groups in order to provide further information, including Friends of the Earth.

7.2.2 During February the following activities will be delivered:

- The project is in the process of providing a further update to the four key Area Committees, East Outer, East Inner, South Inner and, North West Inner during the February 2010 Committee cycle. This information includes an update on communications and engagement activity, further information about predicted traffic movements at

proposed locations for facilities, further detail about the forward timetable and, in particular, the formal planning process.

- Briefing sessions will be delivered to registered residents and businesses during late January and February.
- The two bidders who have been selected to be taken forward to the next stage of the procurement process will be announced publicly through a press release, and through this Executive Board report, utilising the information as set out in 4.8 above.
- This information will also be sent to residents and businesses in the identified 'footprint' area during February.

7.3 Proposed Forward Communications and Consultation Programme

7.3.1 Over the next four months, bidders will be producing further submissions which will be used to inform the community engagement from June to Autumn 2010

7.4 Community engagement on the proposals from the final two bidders (June to Autumn 2010);

7.4.1 The Council will begin a further round of community engagement, to further involve residents and businesses local to the identified sites in a dialogue about the remaining two proposed solutions. This will target residents who have registered to receive information, but will also seek to encourage further interest from those residents who have not registered, through a further round of communications activity, including where necessary 'door-knocking' in local areas.

7.4.2 The intention of this stage is to provide further, more detailed, information to residents and businesses about the final two technology types and site options, to enable feed-back on issues with particular bids and sites, and address any of these prior to the start of the formal planning process. This stage will directly involve the final two bidders to make sure that they get feedback 'first-hand' in order that they can act on it effectively.

7.4.3 The Council will also use this stage to identify any opportunities for benefits to the local community which could arise from the Residual Waste Treatment Facility, such as amenity value, or economic development.

7.4.4 A similar approach to that described in 7.2 above will be taken, inviting residents to be involved in facilitated sessions in the local areas most affected by proposals. We expect that this stage will lead to the inception of a formal community liaison group to be continued for the duration of the project.

7.4.5 The preferred bidder will be announced in November 2010.

7.5 Statutory consultation process for planning permission for a Residual Waste Treatment Facility (early 2011 onwards);

7.5.1 We currently expect that the preferred bidder will apply for planning permission in late 2010. At this stage the Council will support the bidder to undertake a formal consultation, in line with the statutory planning process, on the Council's preferred technology and site.

7.5.2 A decision on planning permission will be taken in late 2011.

8.0 Recommendations

8.1 Members of the Executive Board are recommended to:

- a) Note the contents of this report, including its appendices;

- b) Approve the exclusion of the residual waste transfer station from the scope of the Residual Waste Treatment PFI project;
- c) Approve the proposal not to develop a dedicated residual waste transfer station, with the result that all residual waste for treatment under the PFI contract will be delivered directly to the main residual waste treatment facility once the operational phase of the PFI contract commences;
- d) Note the continued requirement for the provision at Evanston Avenue of a household waste sorting site (HWSS) and the existing level of waste transfer capacity for a range of materials, and the intention to bring a further report to the Executive Board on the proposed city-wide HWSS strategy, which will expand on the strategy for redevelopment of the Evanston Avenue site
- e) Note the programme going forwards to complete the Residual Waste procurement and award the contract;
- f) Note the communications strategy going forward; and
- g) Note the affordability issues detailed in the confidential section of this report and approve that the Price Ceiling will be calculated based upon the methodology set out in Appendix B paragraphs 1.6 and 1.7 until the selection of Preferred Bidder.

Background Papers

Report of the Director Environment and Neighbourhoods to Executive Board, 14th November 2007: *“Waste Solution for Leeds – Submission of the Outline Business Case for the Residual Waste Treatment Project”*.

Report of the Director Environment and Neighbourhoods to Executive Board, 16th July 2008: *“Waste Solution for Leeds – Residual Waste Treatment PFI project - Evaluation Methodology and Update”*.

Report of the Director Environment and Neighbourhoods to Executive Board 5th November 2008: *“Waste Solution for Leeds – Residual Waste Treatment PFI Project - Evaluation Methodology and Update”*

Appendix A

