



**Dorset Waste Treatment Project**

Dorset County Council

Expression of Interest  
For PFI Credits

**Final Version**

28 March 2008

# Dorset County Council Expression of Interest to WIDP March 2008

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## 1 Executive Summary

### 1.1 Introduction

- 1.11. Dorset County Council, together with our six Waste Collection Authorities, are pleased to submit this Expression of Interest to the Department for Environment, Food and Rural Affairs (DEFRA) for Private Finance Initiative (PFI) credits to contribute 50% of the capital costs of a waste treatment plant and additional infrastructure amounting to capital costs of between £130 and £140 million to enable the County to meet its long-term obligations under the Landfill Allowance Trading Scheme (LATS).
- 1.12. The range of £130 to £140 million includes the estimated capital cost of a 100,000 tonne per annum direct energy from waste plant plus further infrastructure. This draft configuration emanates from a technical options appraisal (**annex 7**) and a waste logistics study (**annex 10**) carried out on behalf of the Council by DEFRA's advisor, Enviro and will be further developed and refined as the OBC is prepared.
- 1.13. Like all other waste disposal authorities in England, Dorset has been set specific limits of biodegradable municipal waste (BMW) that we can send to landfill between 2005/6 and 2019/20 and beyond. If we exceed these annually reducing limits, we will either need to buy landfill allowances from other authorities in surplus at the market price or, if no allowances are available, pay fines of £150 per tonne for every tonne of BMW that we send to landfill over and above our annual limits. Our aim is to ensure that we continue to increase the amount of BMW diverted from landfill each year so that we eliminate the risk of having to buy landfill allowances or pay fines.
- 1.14. Our waste strategy which is designed to optimise waste reduction and reuse, recycling and recovery in line with the waste hierarchy, is currently delivering excellent results at each level of the hierarchy, as follows:

#### **Waste Minimisation, Reduction & Reuse:**

- WRAP home composting partner since 2004 (over 60,000 home composters sold since 2000).
- Dedicated waste minimisation team producing excellent results
- DEFRA's waste minimisation research partner for the last 3 years
- Effective engagement with community sector (42 community champions recruited and trained)
- Effective engagement with schools (75 school visits since 2005 reaching ca 10,000 children)
- Impressive success on furniture reuse project

#### **Household Recycling Centres (HRCs):**

- 11 Household Recycling Centres each with a rolling improvement programme.
- 71% recycling and composting rate (2006/7)
- 75% recovery rate (2006/7)
- New recycling contract with target in increase recycling by ½% p.a.

#### **District Recycling & Composting:**

- Current recycling / composting rate of 44%

- 97% of households provided with kerbside recycling
- Alternate weekly collections in 3 out of 6 districts
- Kitchen waste collections in 4 districts - 25% household coverage
- Objective to achieve 60-80% kitchen waste collections by 2010
- Up to 1,000 tonnes street sweepings composted in 2006/7
- Project underway to enhance kerbside recycling in conjunction with Dorset's Pathfinder status.

**Recovery:**

- Joint contract with Bournemouth Borough Council (BBC) to mechanically-biologically treat waste at local treatment supplier, New Earth Solutions (NES) from 2009/10 to 2011/12.
  - NES have an annually renewable exemption from the requirement for a waste management licence to spread the compost-like output from their facility as a remediation material on specified landfill sites. This reduces the exposure of both authorities to landfill tax and LATS and ensures that as much recovery is achieved as possible.
  - Option for BBC and County Council to extend NES contract until 2014/5
  - NES shortly to apply for planning permission for additional treatment capacity.
  - Dorset's current tender for waste disposal also contains requests for proposals for additional composting capacity and for treating wood and residual waste.
- 1.15. Officers estimate that this impressive array of waste reduction, reuse, recycling and recovery strategies will ensure that Dorset remains in LATS surplus up to and including 2009/10. The continuation of the waste reduction and reuse programme, the continuous improvements to the HRCs, the enhanced kerbside collection project in conjunction with Pathfinder and the implementation of the additional recovery options listed in 1.14 are likely to provide the County with LATS compliance for a number of years following 2009/10
- 1.16. However, Dorset realised early on that these initiatives alone will not provide the County with LATS compliance or reduce the environmental impacts of landfill over the next 25 to 30 years. Since 2003, therefore, officers have been engaged in the implementation of the County's joint municipal waste management strategy which includes the Recovery, Treatment and Disposal (RTD) Project designed to provide the County with additional waste treatment facilities that will guarantee the achievement of our LATS obligations fulfilling the requirements of the EU Landfill Directive.
- 1.17. The County's municipal waste management strategy that emerged from extensive public consultation in 2002/3 approved as their preferred technology mechanical biological treatment (MBT) producing refuse-derived fuel (RDF) that would be combusted in an energy-from-waste plant to produce electricity, and usable heat if practicable.
- 1.18. This preference was used as the reference project which was the subject of an OBC PFI application to DEFRA in 2005.

**PFI Application History**

- 1.19. The OBC submitted to DEFRA in 2005 was a joint submission by a partnership between the County Council and Bournemouth Borough Council. The reference project consisted of two MBT plants each with 120,000 tonnes capacity and each supported by a 55,000 tonne energy-from-waste plant for treating the RDF and composting capacity of 65,000 tonnes per year.

- 1.20. The OBC described a disaggregated RTD project that excluded waste collections and concentrated solely on the treatment of residual waste. DEFRA's initial impression of the OBC was that it required additional work in terms of stretched recycling targets and gate-fee calculations pertaining to residual waste treatment.
- 1.21. In the course of carrying out further work on the OBC in the latter half of 2005, the Partnership compared a PFI procurement using the value of credits on offer at that time, with a "Public Sector Service Solution" (PSSS) and concluded that PSSS was the more favourable procurement route, especially in terms of the flexibility it offered with respect to the phasing in of several plants over a number of years.
- 1.22. The decision by the Partnership not to pursue a PFI procurement led in 2006 to an options appraisal in which a long list of 20 procurement options was reduced to a short list of two. In June 2006 the Project Board approved the following recommendations:-
- the DIY procurement solution be used as the basis for the production of an outline business case; and
  - the potential value and involvement of a partner in this project be further evaluated.
- 1.23. Since that time the following events have caused the Council to rethink its options regarding the way forward for the RTD project:-
- Waste Strategy 2007
  - Energy White Paper
  - CSR07 approving an increase in PFI credits to 50% of capital cost
  - Technical options appraisal by Enviros
  - Need to review Dorset's Municipal Waste Management Strategy
- 1.24. In addition in October 2007 Bournemouth Borough Council decided not to remain a formal partner with Dorset in the RTD project, but to retain the option of re-entering the partnership at a later date, if the project proves to be a cost-effective solution to achieve long-term LATS compliance in comparison to other options available.
- 1.25. The effect of Bournemouth leaving the formal partnership coupled with our recycling and waste minimisation success and general national slowdown in waste growth has led to the belief that Dorset needs only one site. Other due diligence work is being carried out to help support this view.
- 1.26. In the light of DEFRA's consultation paper on Prudential Borrowing issued in December 2007 which suggests that "Prudential Borrowing is most likely to be suitable for low risk assets" whereas, "Private finance is the most appropriate method of funding for large-scale residual waste infrastructure, particularly projects involving process technologies or combustion engineering", the County Council together with Dorset's six District Councils wish to submit this expression of interest to maintain the possibility of applying for PFI credits.
- 1.27. We have reviewed DEFRA's criteria for securing PFI credits and attach **annex 1** which shows our response to each of the criteria. The exercise identified a number of issues that we need to address in the course of the OBC preparation.

## 2 Background

### Characteristics of the WDA

- 2.1 Dorset is renowned for the quality and diversity of its landscape with over half of its land area designated as Areas of Outstanding Natural Beauty and most of its coastline a World Heritage site. Safeguarding Dorset's unique environment is a core part of the Dorset authorities' Community Strategy and sustainable waste management is recognised as one of the most important aspects of it.
- 2.2 Politically, the authority has 45 elected members (23 Conservative, 14 Liberal Democrats, 4 Labour and 1 Independent). Working in partnership with the districts, borough, town and parish councils, as well as the voluntary sector and other partners, Dorset is a community leader for its local people. We strive to get the fundamentals right - high quality, affordable services, which meet customer needs and respond to the diversity of our community.
- 2.3 Dorset County Council has been identified as one of the top three star councils by the Audit Commission in its Comprehensive Performance Assessment (CPA). The CPA process also demands that councils set themselves tough improvement plans to strive for continuing improvement in services. To this end, the Waste Management Division is committed to maintaining the Council's status by continuing to improve its waste management solutions.
- 2.4 Dorset is a two-tier authority with six District/Boroughs collecting waste as Waste Collection Authorities (WCAs) with the Waste Disposal Authority, Dorset County Council, responsible for the disposal of residual waste and the provision of the 11 HRCs. The population of Dorset is 403,000 (2006), excluding Poole and Bournemouth, and is dispersed over a predominantly rural area.
- 2.5 The six WCAs are:-
- Christchurch Borough Council
  - East Dorset District Council
  - North Dorset District Council
  - Purbeck District Council
  - West Dorset District Council
  - Weymouth and Portland Borough Council
- 2.6 Currently the County Council's working relationship with the WCAs is underpinned by a joint waste management strategy and Memorandum of Understanding (**annex 2**). From an operational viewpoint the Dorset authorities have to date met every six weeks as the Strategic Implementation Group (SIG).
- 2.7 More recently the Dorset authorities have achieved Pathfinder status to look at new and improved ways of working in multi-tier local government areas. Waste Management has been selected as a key component of the Pathfinder. The options being looked at for new working arrangements are described in **annex 3**. These are:
- Two joint waste collection authorities, keeping disposal the same;
  - Single joint waste collection authority, keeping disposal the same;
  - Single joint waste authority for rural Dorset, combining collection, disposal and street cleaning;
  - Single joint waste authority for Bournemouth, Poole and Dorset County Council;
  - Wider, more regional, joint working, merging counties

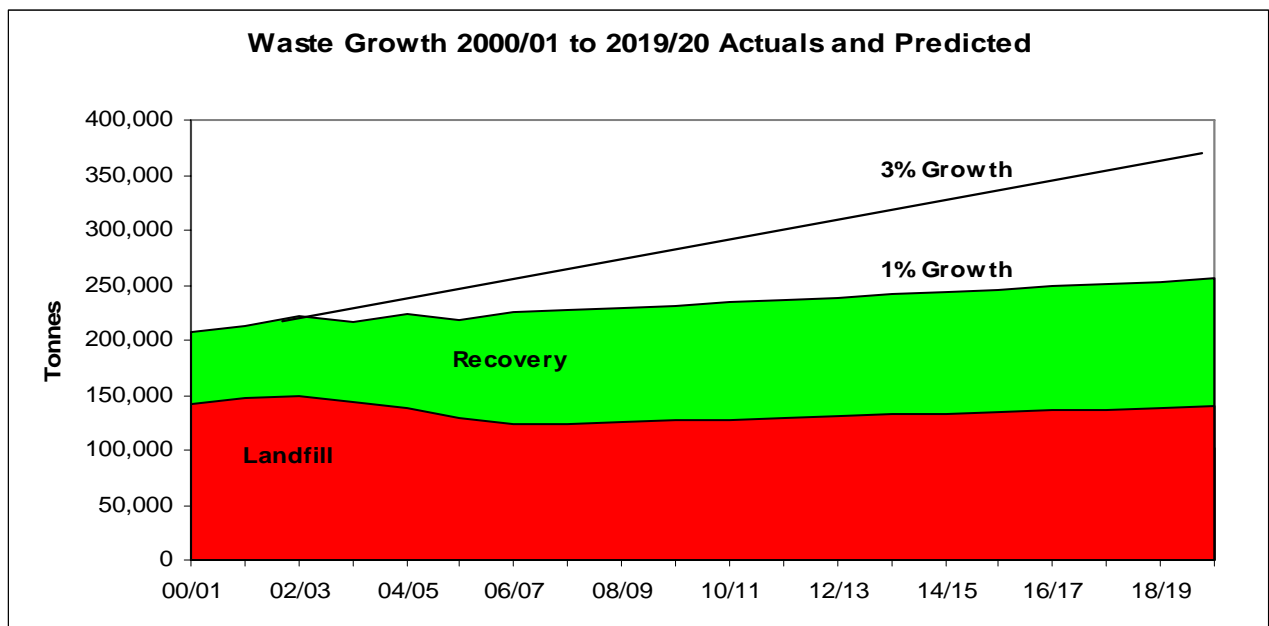
A joint waste authority for Dorset is a serious consideration through the formal Pathfinder regime. It is feasible that the emergence of a strong partnership could

impact positively on a PFI application in that greater collaboration between the councils may lead to a realignment of depots and logistics, resulting in the possible need for new transfer and bulking stations and a vehicle fleet for recyclates collection.

These options will be developed further as the Pathfinder project progresses.

### Waste Analysis and Growth

- 2.8 Dorset has always been at the forefront of municipal waste management in England. For many years, Dorset has been at the top of the recycling tables and is recognised as a leader in waste minimisation (see para 3.15). In addition, Dorset is keen to assist businesses with the management of their waste through providing support and advice and facilitating trials of innovative collection methods (see para 2.23).
- 2.9 In 2004 following the allocation of LATS allowances, Dorset established the Recovery, Treatment and Disposal (RTD) project to develop a long-term solution to meet the requirements of the Landfill Directive and LATS. At this time waste growth was between 3%-4% per annum and this led to assumptions of up three plants being required to treat Dorset and Bournemouth's waste by 2020. Since 2003, waste growth has slowed in Dorset (and nationally) and our current modelling is based on a 1% growth rate. Predicting waste growth is an inexact science and we consider 1% to be a precautionary rate based on recent trends. It is also in line with the assumptions made in Waste Strategy 2007.
- 2.10 The graph below shows the scenario variation of 1% and 3% growth and the County continuing to landfill without the intervention of a waste treatment solution. (For comparison purposes, please see the graph in 4.17 showing long-term diversion required.)



- 2.11 As with most of England, Dorset is expected to have an expanding population over the next 25 years and this will lead to increases in waste growth. The Office for National Statistics has predicted a 17.0% increase in population over the period 2004-2029, a compound rate of 0.63% per annum. Over the period from 2002/3-2007/8, Dorset's compound rate of waste growth has been 0.5%.
- 2.12 It would appear from this that waste arisings from population growth have been offset by the waste reduction initiatives in place in Dorset and/or that waste growth is not

intrinsically linked to population growth. In view of this, an estimated 1% compound growth to 2019/20 is a precautionary rate and Dorset could, in fact, achieve a lower rate. After all, population growth is linked to the ability to provide housing and with much of Dorset designated as protected land, the delivery of housing will be challenging.

- 2.13 Dorset is a rural area with little manufacturing industry. The high quality natural environment in Dorset has led to the development of a thriving tourism industry providing hotels, restaurants and other services. This dictates the quantity and nature of commercial and industrial waste produced in Dorset.
- 2.14 Dorset as a WDA has no statutory requirement to provide for commercial and industrial waste. However, we do have an economic and social responsibility to help facilitate sustainable waste management practice in the commercial and industrial sectors. DCC takes a lead role in this area, providing advice to businesses on waste management and through the Bioenergy Working Group is aiming to develop waste treatment facilities that use waste as a renewable energy resource.
- 2.15 Quantification of waste from these sectors is limited at present and waste analysis is based on dated assumptions by the Environment Agency. In simple terms, it is understood that roughly 392K tonnes of commercial waste is produced in Dorset annually (includes the Bournemouth and Poole area) and it is considered of a similar composition to municipal waste. Little is known about the composition of industrial waste and it is estimated that roughly 471k tonnes is produced annually in the wider Dorset area.
- 2.16 To assist with developing infrastructure for treating commercial and industrial waste, the Bioenergy Working Group through funding from BREW, is currently carrying out a study of biodegradable waste produced by businesses in Dorset. This study will help to inform the business case for the RTD contract, as any waste infrastructure development is likely to include provision for commercial and industrial waste.
- 2.17 Two of Dorset's WCAs carry out commercial waste collection – North Dorset and West Dorset District Councils. These are only small-scale operations and only approximately 2,000 tonnes are collected annually (see para 2.23).
- 2.18 Dorset's WCAs have been carrying out waste analysis for a number of years (**see annex 4**). In addition, in 2006 with support from Defra's LASU programme, the consultants MEL carried out a waste analysis of five of the six WCAs' residual waste and residual waste skips from Household Recycling Centres (**see annex 5**). This analysis assists Dorset in designing and assessing the future requirements for Dorset's municipal waste.
- 2.19 In the light of this analysis and the recognition the contribution that kerbside collection of biodegradable waste can make to meeting LATS allowances, DCC with its partner WCAs, is investigating the feasibility of enhancing kerbside collections to target biodegradable waste. This is associated with our work on the Pathfinder project (see para 2.7).

#### Current Kerbside Collection Arrangements

- 2.20 The kerbside collection of waste is carried out by Direct Service Organisations in five of the six WCAs and by SITA in Purbeck District Council's area.
- 2.21 Currently there is no uniform collection of materials via the kerbside across the County. However, all properties that receive a kerbside recycling service (97% of properties) receive collections of newspapers and magazines, mixed cans and glass

bottles. Glass bottles are not collected in the area of North Dorset that still operates a co-mingled collection – however, recycling banks are provided for glass bottles in this area. Some areas also receive collections of plastic bottles, lightweight card, brown cardboard or textiles. Some WCAs have also started to introduce kerbside-recycling collections of kitchen waste and green waste. The table below illustrates what the WCAs are currently collecting (green squares) and where this is limited to numbers of households or on a trial basis.

Households	Christchurch 20,612	East Dorset 35,668	North Dorset 25,248	Purbeck 18,804	West Dorset 40,510	Weymouth & Portland 27,156
<b>Materials</b>						
Newspapers and Magazines						
Light Card						
Cardboard						
Cans						
Glass						
Plastic Bottles	700					
Textiles						
Kitchen Waste	700	13,000	6,000			25,000
Green Waste (free)	700	13,000				
Green Waste (charged)						
Residual	Weekly	Weekly	Weekly/AWC in kitchen trial	AWC	Weekly	AWC
<b>Recycling Rate (06/07)</b>	<b>22.8%</b>	<b>31.5%</b>	<b>31.7%</b>	<b>30.4%</b>	<b>27.3%</b>	<b>34.3%</b>

2.22 With high participation rates and the commitment of residents, high recycling levels continue to be achieved (see table above). The cost-effective contribution kerbside collections make to diverting Biodegradable Municipal Waste (BMW) from landfill is increasingly being recognised and a project to standardise and enhance the kerbside collections is currently underway. It is our intention to maximise the kerbside collection of organic waste and therefore reduce the capacity requirement for municipal waste treatment infrastructure and provide more capacity for commercial and industrial waste.

2.23 As per paragraph 2.17 above, two of Dorset's WCAs also carry out limited collections of waste from businesses. North Dorset provides collections for residual waste and is operating a trial organic waste collections service funded by BREW. West Dorset provides a residual waste collection service to businesses and is also trialling a paper and card collection service for businesses in the Sherborne area (funded by BREW). If successful, it is our intention to expand these trials of biodegradable waste collection more widely, however, due to the implications on our LATS allowances, no plans are in place to expand the current collections of residual business waste more widely.

2.24 The WCAs are responsible for delivering residual waste to agreed landfill sites or transfer stations. The locations of some of the landfill sites necessitate waste to be transported by WCAs outside of their district/borough boundary. Where unreasonable transport distances are incurred, WCAs are compensated by way of 'tipping away payments', based on the additional mileage that waste is transported beyond 16 kilometres of the centre of population.

#### Current Waste Infrastructure Provided by Dorset County Council

- 2.25 DCC provides 11 Household Recycling Centres (civic amenity sites) for its residents. This is a comprehensive service with 86% of our residents living within 5 miles of a site and 48% within 2 miles. These centres recycle a multitude of wastes and have very impressive diversion from landfill performance, currently recovering an average of 76% of the approximately 65,000 tonne annual throughput which represents ca. 30% of Dorset's household waste arisings. (**See annex 6a on HRC performance**)
- 2.26 Two of the 11 Household Recycling Centres – Blandford and Sherborne also operate as waste management centres providing bulking and transfer of waste both for recycling and disposal.
- 2.27 DCC also provides two separate facilities for the bulking, transfer and limited sorting of waste from kerbside recycling collections – Hybris near Dorchester and Hurn near Bournemouth.
- 2.28 All facilities are operated by Weymouth and Sherborne Recycling (W&S) apart from the Waste Management Centres at Blandford and Sherborne that are operated by SITA until August 2008 when W&S take over their management. The contract for their operation was let in 2006 and runs until 2013 (2016 with extensions).

#### Current Disposal Arrangements

- 2.29 Current disposal arrangements make use of the wealth of landfill sites to be found in Dorset. (**See annex 6b**). The current contract for disposal is held by SITA who have exclusivity over the waste; however this contract expires in August 2008. We are currently re-letting this contract and the new contract will take advantage of the number of waste management companies operating within Dorset. The contract includes provision for composting, wood recycling, recovery and landfill.
- 2.30 In order to capitalise on the innovative solutions for landfill diversion that may be available to the Council, the contract includes an option for companies to tender for treatment of residual waste to help provide LATS compliance. In order to encourage competitive pricing for each waste type, there is no guarantee of exclusivity over the waste nor minimum tonnages within the new contract. The contract is due to commence on 27<sup>th</sup> August 2008.
- 2.31 The new contract will be for a period of eight years (2008-2016) with the option of up to 4 years' extension. This will fill the gap between now and when we intend to have a long-term treatment solution in place.
- 2.32 This contract excludes the provision we have been able to secure through Bournemouth Borough Council's (BBC) contract with New Earth Solutions Limited (NES) for treatment of residual waste at NES's MBT facility at Canford, Poole. Due to the current capacity of NES's facility (50,000 tpa) Dorset is limited to the following input of waste to this facility:-
- 2009/10 10,000 tonnes
  - 2010/11 20,000 tonnes
  - 2011/12 15,000 tonnes
- 2.33 This treatment at NES's facility enables Dorset to meet its 2009/10 LATS allowance. However, additional diversion capacity and/or improved BMW diversion through enhanced recycling of biodegradable material will still be required to meet LATS allowances from 2010/11 and beyond – hence the inclusion of treatment within the re-letting of the interim contract.

### Costs

2.34 Costs for waste management – as reported under BVPI 87 – were £52.18 per tonne for 2006/07, up from £46.40 in 2004/05. Most of this cost increase is attributable to the landfill tax escalator and includes efficiency savings that were made as a result of re-letting the Household Recycling Centre Contract (see para 2.28). We have been striving for a number of years to make efficiency savings in waste management and the re-let disposal contract is expected to deliver further savings. Despite this, rises in landfill tax will continue to push up the cost of waste disposal and, when coupled with potential LATS costs/penalties and higher gate-fees for new treatment infrastructure, the waste management budget has been identified as a priority area for the authority.

## **3 Waste Management Strategy**

3.1 Dorset County Council and its partner district and borough councils adopted their current Joint Municipal Waste Strategy in April 2003. This strategy contains 14 key policies and 22 supplementary policies covering a 30-year period. The strategy follows the principles of the waste hierarchy ‘Reduce, Reuse, Recycle, Recover, Landfill’ and covers both the collection and disposal of waste. The strategy was compiled based on the requirements of the National Waste Strategy 2000; the recycling and recovery targets of that time and the requirements of the Landfill Directive.

3.2 To meet the requirements of the Landfill Directive and the Waste and Emissions Trading Act’s LATS allocation to Dorset, the strategy adopted a policy of developing up to three MBT facilities with downstream Refuse Derived Fuel (RDF) plants. Assumptions made regarding waste growth (see para 2.11), the ability to divert BMW from landfill through recycling limited to approximately 40%, and LATS penalties of £150/tonne led to this adopted policy.

3.3 Government has now reviewed its strategy and subsequently published Waste Strategy 2007. This contains revised policies and targets for waste management in the UK as well as closer links between energy and waste. For the first time the Government has given positive encouragement regarding energy from waste and actively promoted its use, describing it as an essential part of the process. The EU Thematic Strategy also continues to be developed.

3.4 Through Defra’s LASU programme, Enviros Consulting carried out a technical options appraisal of waste treatment technology for Dorset in 2007 – **see annex 7**. The appraisal looked at four technology options:-

- ‘Composting’ MBT with the production of RDF for energy recovery through dedicated EfW plants and the landfill of the stabilised organic residue;
- Bio-drying MBT for the production of RDF for energy recovery through dedicated EfW plants;
- ‘Composting’ MBT with the landfill of all stabilised residues (no RDF production); and,
- Combustion of all residual MSW through dedicated EfW plants.

3.5 The main recommendations of this appraisal were:-

- EfW is a strong performing option and should be carefully considered before being dismissed on account of potential public resistance due to negative perceptions of its impacts;
- ‘Composting’ with landfill should be considered as an affordable option that may provide a faster planning and procurement route and good BMW diversion; and

- MBT options reliant upon RDF production should only be considered if outlets for the RDF can be secured or EfW capacity is installed in parallel or at least shortly after their installation.
- 3.6 In April 2007 it was announced that the landfill tax escalator would rise from the previous £3/tonne/annum to £8/tonne/annum from April 2008 rising to a total of £48/tonne in 2010/11 when it would be reviewed again. This increase had an effect on the economic viability of MBT processes that were modelled by Enviros that had an element of landfilling bio-stabilised residues from the process.
- 3.7 A variety of changes at national and local level, including the Waste Strategy 2007; the recommendations within the Enviros technical options appraisal; changes in our assumptions on waste growth; recycling and LATS; improvements in our information/knowledge base; and the requirement of Dorset's Joint Municipal Waste Management Strategy to be reviewed every five years or prior to major investment in waste treatment infrastructure; have led us to the decision, which Dorset's Cabinet approved in October 2007, to review the County's Municipal Waste Management Strategy.

#### Review of the Joint Municipal Waste Management Strategy

- 3.8 The review of the Joint Municipal Waste Strategy for Dorset will entail analysing all areas of the waste hierarchy and re-assessing all of the current policies. The principle of the waste hierarchy 'Reduce, Reuse, Recycle, Recover, Landfill' will continue to be fully embraced as part of the revised waste strategy and the updated policies will reflect this.
- 3.9 The current strategy details a recycling target of 40%; however Dorset is currently achieving a rate of 44%. It is evident that the target within the waste strategy needs to be reviewed with a view to increasing it to a much higher and challenging level and in order to meet the targets for recycling and recovery in Waste Strategy 2007. It is our opinion that between 55-60% recycling may be possible from evidence of high performing WCAs in Dorset and elsewhere. If these levels can be achieved, this further reduces our requirement for treatment capacity and potentially delays the date for when a facility will be required.
- 3.10 The use of recovery options will also be re-assessed as part of the waste strategy review. More information is now available on the range of technologies available to treat waste. This all needs to be taken into account in the review to ensure a robust solution for Dorset's waste is achieved. The continued use and role of landfill will also need to be assessed. In addition the emerging EU Thematic Strategy will inform the development of the County's new strategy.
- 3.11 As part of the review a Sustainability Appraisal (SA) incorporating a Strategic Environmental Assessment will be undertaken. As a minimum, the Environment Agency's WRATE life-cycle analysis tool will be used to assess the environmental impact and carbon efficiency of each technology and policy option. The findings of the SA will be consulted on with the public.
- 3.12 Public consultation is a fundamental component in the development of the waste strategy review. It is essential that the public are fully engaged in the process and a general consensus established for our future plans. A full public consultation will be held to ask for views on the draft strategy and a range of technology options. This consultation will detail options for dealing with Dorset's waste and the environmental, social and economic implications of each. This will be based upon a detailed communications plan to inform both the public and elected members of the key issues. The communications plan includes activities such as roadshows across the

County, regular member briefings, production of factsheets, questionnaires, website information, focus groups and press releases.

- 3.13 In February 2008 a tender exercise was initiated to select external consultants to carry out the review. The successful consultant has now been appointed and our aim is to complete the review by December 2008.
- 3.14 It should be noted that at this stage it is not our intention to select a specific technology option for adoption within the revised strategy. Rather, it is hoped the revised strategy will keep our options on technology open (as per DEFRA's Waste Strategy 2007) and the strategy will adopt general principles on waste management. The final solution for Dorset's waste will then be decided upon through the procurement stage of this project. This will ensure that Dorset achieves a solution that represents value for money to council taxpayers, meets our LATS requirements and is sustainable in the long-term.

#### Waste Minimisation

- 3.15 Dorset is a leader in the field of waste minimisation. We have been a WRAP home composting partner since 2004, selling 38,000 compost bins since this date. Prior to this Dorset was one of the first authorities to subsidise compost bins and from 2000 to 2004 sold over 27,000 bins. This means that almost one in every three Dorset households now has a compost bin to divert BMW from the waste stream.
- 3.16 In addition, Dorset County Council has a dedicated waste minimisation team. This team implements the Waste Reduction and Reuse Strategy and carries out various activities, both innovative and proven, to minimise Dorset's waste. Part of their role is engagement with the community sector and their support of furniture reuse projects in particular has delivered substantial success.
- 3.17 Finally, Dorset has been funded by Defra's research arm for the last three years to evaluate the impact of waste minimisation measures with a view to implementing successful activities nationally. The final report is currently being drafted.
- 3.18 Despite not being able to categorically state that the waste minimisation activities carried out in Dorset have led to the reduction in waste growth experienced over the last few years (see para 2.11), it can be assumed that these activities have contributed to the deceleration in growth. It is Dorset's intention to continue implementing policies on waste minimisation that have proven successful, particularly those relating to BMW.

## **4 Procurement Strategy**

- 4.1 Dorset started the Recovery Treatment and Disposal (RTD) project to meet its LATS diversion requirements in 2004. Originally this was a partnership project with Bournemouth Borough Council (BBC) to take advantage of the economies of scale the added waste would bring in procuring treatment facilities. Since the inception of the project a great deal has changed in waste management nationally and locally and the project has had to adapt to these changes. The major changes can be summarised as follows:-
- Waste growth has slowed from 3-4% to an estimated 1% (less in Bournemouth);
  - Kerbside recycling in Dorset and Bournemouth has outstripped expectations leading to reduced waste for disposal;
  - The Dorset and Bournemouth Partnership had an OBC for PFI credits turned down by Defra in 2005;

- NES have developed a 50,000 tpa MBT facility in Dorset and Bournemouth is contracted to use this facility until 2011 and Dorset from 2009-2011, with the possibility of three annual extensions until 2014– this has reduced the diversion requirements of BBC in particular;
- Waste Strategy 2007 has been published with revised recycling and recovery targets and a strong link to energy policy;
- Although collaboration between Dorset and BBC continues at various levels in waste, the formal partnership between Dorset and BBC on the RTD project has been dissolved, as the respective timetables and diversion requirements of the partners are less compatible than they were; and,
- The landfill tax escalator has been reviewed making some diversion technologies less competitive in cost terms than others;

#### Plant Capacity

- 4.2 In view of the above, Dorset has revised its residual treatment requirement from 2-3 sites treating 220,000 tonnes of waste (Dorset and Bournemouth) to possibly one site treating between 90-120,000 tonnes of municipal waste with capacity for additional commercial and industrial waste – up to 50,000 tonnes – **making a total capacity of between 140-170,000 tonnes**. Depending on the technology this will divert between 70-120,000 tonnes of BMW from landfill.
- 4.3 Dorset currently produces around 230,000 tonnes of municipal waste annually. In addition, it is estimated<sup>1</sup> that approximately 392,000 tonnes of commercial waste and 471,000 tonnes of industrial waste is produced in the wider Dorset area (including Bournemouth and Poole unitary areas). Of this commercial and industrial waste, 235,000 tonnes and 123,000 tonnes respectively, is disposed of to landfill, making a total of 358,000 tonnes that could potentially be treated in a facility.
- 4.4 Work carried out by SLR consulting funded by BREW examining the amount of organic waste produced by the commercial sector in Dorset, estimated that up to 56% of the total commercial waste produced was organic. This includes waste that is already recovered by some means; recycling of green waste and recovery as animal feeds for example.
- 4.5 We are under no illusions however, that the commercial and industrial waste sector is fickle with short term contracts and waste travelling to the cheapest facility. Therefore, our assumptions regarding the amount of commercial and industrial waste we should be making provision for are cautious and currently limited to a maximum of 50,000 tonnes per annum. However, it would be our intention to prioritise the use of this capacity, making a proportion of it available to neighbouring authorities (see para 4.13) prior to making it available to the commercial and industrial sector.

#### Household Recycling Centre (HRC) Residual Waste

- 4.6 We currently collect nearly 20,000 tonnes annually of HRC residual waste. The composition of this waste varies greatly. Waste analysis that Dorset has had carried out by MEL consultants (**see annex 5**) suggested that as much as 42% of the residual waste collected at HRCs was similar in composition to kerbside collected residual waste. It should be born in mind that waste analysis of HRC residual waste is an inexact science and it is challenging to obtain a representative result from a small sample. The composition of a skip can vary greatly and data is easily skewed by large volumes of specific waste. For example, a skip full of carpets or mattresses skews data and makes extrapolating data unreliable.

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<sup>1</sup> From Environment Agency estimates 2002/03

- 4.7 Through discussions with Hampshire County Council who currently make use of three energy from waste facilities to treat their residual waste, we understand that they are able to treat HRC residual waste in these facilities providing large objects are removed and the remainder goes through a basic shredder to reduce the diameter of the waste.
- 4.8 In view of the above, Dorset intends to deal with the treatment of HRC residual waste with caution when submitting our OBC. We are aware that most treatment processes are unable to effectively deal with HRC residual waste without pre-treatment and it may be more cost-effective to send this material straight to landfill. However, we are keen to divert as much waste as possible from landfill and propose to work with treatment suppliers to ensure any proposed facilities are capable of pre-treating HRC residual waste prior to final treatment. For the purposes of our modelling, we consider it prudent to assume that only 50% of the HRC residual waste will be suitable – following some form of pre-treatment – for final treatment. This equates to approximately 10,000 tonnes per annum.

#### LATS Allowances

- 4.9 There are a number of options available when dealing with LATS allowances. It may be possible for an authority to 'do nothing' and continue to landfill waste, purchasing allowances from other authorities to ensure compliance with the WET Act. To some, this may be the most cost-effective means of complying particularly because, as the treatment capacity within England grows, the cost of allowances is likely to fall.
- 4.10 It is Dorset's view that there are additional reasons to divert waste from landfill. Waste Strategy 2007 indicated that, whilst landfill may still be required for some waste or for outputs from waste treatment plants, measures may be put in place to reduce the use of landfill that go beyond LATS. In addition, the Strategy also highlighted the environmental - particularly carbon - problems of continuing to landfill biodegradable waste.
- 4.11 The cost of landfill is also escalating despite Dorset's fortunate position of abundant void capacity. DEFRA and the Treasury have decided on the landfill tax escalator out to 2010/11. However, it is considered prudent to assume that future rises are likely to continue to ensure waste is driven away from landfill and to facilitate behavioural change.
- 4.12 In view of the above, apart from the residues from any treatment process, the ability of a facility to treat HRC residual waste and any other wastes not suitable for treatment (some hazardous waste for example), Dorset will endeavour to divert as much waste as possible from landfill and will not make use of its LATS allowances except where required.

#### Neighbouring Authorities

- 4.13 Despite Dorset not currently working in partnership with any neighbouring authority (see para 4.44), treatment capacity may still be required by some to meet current and future targets. Bournemouth in particular currently has no firm strategy or contracts in place to meet targets beyond 2015, and, with future targets likely to preclude the use of landfill for biodegradable waste, even authorities with measures in place to achieve LATS diversion out to 2020, may require additional capacity from this date.
- 4.14 Modelling suggests that by 2020, with an assumed growth rate of 1% per annum and recycling at 50% Dorset will require a facility capable of treating approximately 108,000 tonnes of residual municipal waste.

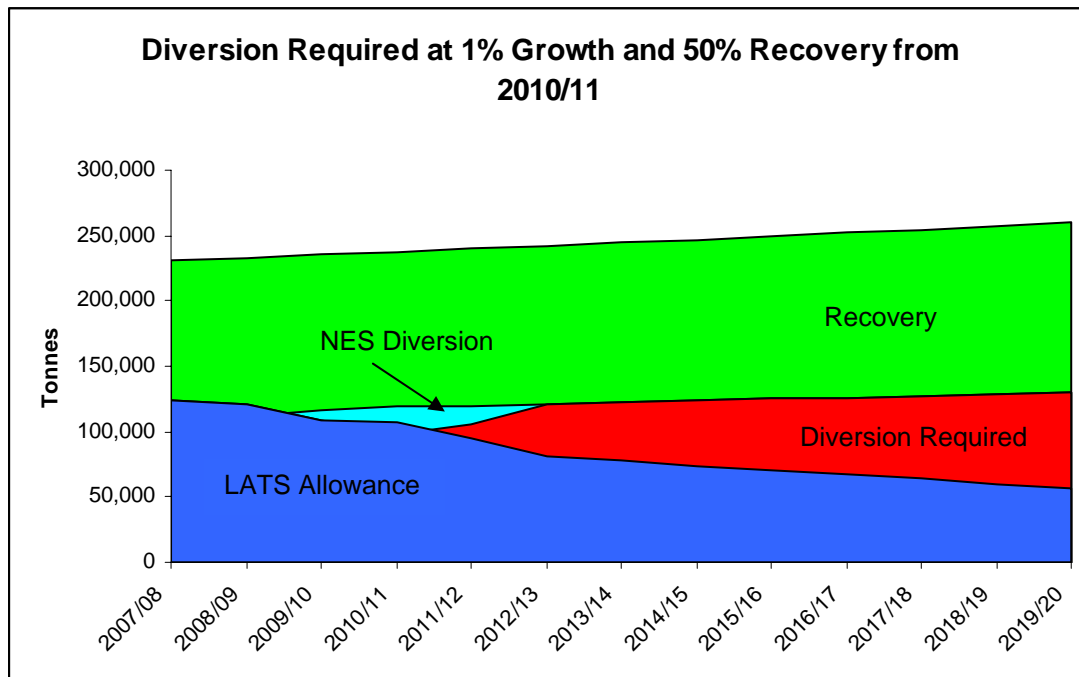
- 4.15 If recycling were to be at 60%, this would obviously reduce the amount of residual waste requiring treatment. Our calculations suggest 82,000 tonnes would still require treatment annually. And, of course, waste growth due in particular to in-migration to Dorset could lead to higher growth rates, or existing and future waste minimisation initiatives may have a marked impact on waste collected.
- 4.16 When Dorset’s municipal waste is combined with the large volume of commercial and industrial waste produced and the requirement to provide some capacity for neighbouring authorities; either to provide for future need from changes to policy or, at times of emergency (plant failure etc), Dorset consider it prudent to plan for a facility of **150,000 tonnes per annum capacity** and for the purposes of this Eol, this is the basis upon which our assumptions will be modelled

The basis of this capacity is shown below:-

Kerbside Residual Waste – depending on recycling performance	80-110,000 tonnes
HRC Residual Waste – following pre-treatment	10,000 tonnes
Capacity for Commercial Waste or Neighbouring Authority(s)	50,000 tonnes
<b>Plant Capacity</b>	<b>140-170,000 tonnes</b>

4.17 The minimum treatment requirement at 1% waste growth can be seen below in **graph 2**. It should be borne in mind that this is a relative simplistic representation based on the following:-

- Recovery has been increased to 50% in 2010/11 based on enhanced kerbside collection of biodegradable waste;
- A limited quantity of waste is treated by NES from 2009-2012 (see para 2.32);
- Landfill is utilised up to our LATS allowance – as discussed in paragraph 4.12 this is not our intention; and,
- Basic assumptions have been made regarding the MSW/BMW proportion and correlation.



4.18 As can be seen from the graph, despite improvements to recovery through enhanced recycling and some treatment of waste at NES’s facility, Dorset requires additional diversion capacity from 2010/11 onwards.

- 4.19 Based on the above requirements, the Council estimates that it would be prudent to plan for a waste treatment plant of 150,000 tonnes per year in order to provide capacity not only for municipal waste but also for waste from neighbouring authorities and commercial waste.
- 4.20 To achieve this mix of treatment (municipal and commercial) during procurement and bid invitation we will advertise for a mix of treatment to be provided by bidders. We would also encourage the competitive dialogue participants to come forward with their own proposals for dealing with commercial waste as a means of reducing costs through variant bids.
- 4.21 We are aware that DEFRA has restrictions on PFI capital credits for the treatment of commercial waste (i.e. credits are only available on the municipal element) and these restrictions are built into our business planning.

#### Planned Procurement Activity

- 4.22 The RTD project has a timetable of tasks to be completed to enable the delivery of a long-term treatment solution for residual waste by 2016 – **see annex 8**. The date of 2016 includes provision for judicial review of the preferred bidder's planning application. If this risk does not materialise, then the plant is likely to be operational sooner than 2016.
- 4.23 A number of the tasks on the timetable have been completed – Technical Options Appraisal (see para 3.4) and waste transport/logistics appraisal, however a number are still to be completed prior to procurement being commenced. The most notable of these is the Review of the Joint Waste Management Strategy see para 3.7).
- 4.24 The following indicates the key tasks to be completed prior to commencement of procurement for the waste treatment facility in September 2009 and the key dates:-
- |  |                 |
|--|-----------------|
| • Review Joint Municipal Waste Management Strategy | Mar '08-Jan '09 |
| • Appoint technical advisor                        | Apr '08-May '08 |
| • Prepare PFI OBC and gain Cabinet approval        | Jan 09 -Mar '09 |
| • Soft market testing of technology suppliers      | Nov' 07-Sep '09 |
- 4.25 It is our intention that the contract to provide a long-term treatment facility will not include the disposal of any residues from the treatment process. We wish to maintain flexibility within our disposal options and due to the competitive nature of landfilling in Dorset consider that we may achieve better value for money if a separate contract is let. Likewise, the RTD contract will exclude any of the other waste functions carried out by the authority – e.g. HRC management -, although with the development of Pathfinder (see para 2.7) the PFI application may include the cost of new transfer and bulking stations and a vehicle fleet for recyclates collection

#### Procurement Options

- 4.26 In 2005 when Dorset, in partnership with Bournemouth, submitted an unsuccessful OBC for PFI credits, there were concerns at the time from both our financial advisors (KPMG) and Dorset's internal finance officers, that PFI may not be as affordable as other funding routes. To some extent these fears have been allayed by DEFRA's increase in PFI credits announced in CSR 07.
- 4.27 In view of this increase in PFI credits, Dorset considers it prudent to ensure that the option of securing PFI credits as a means of financing the project remains available to the authority – hence this EoI. However, Dorset will continue to review its financing options both internally and with its financial advisors. We would hope that this would

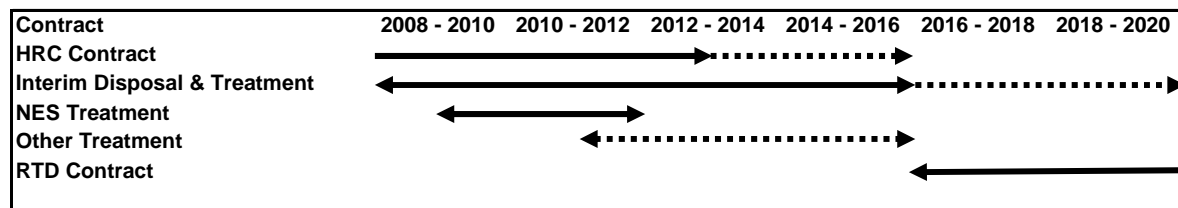
not prejudice our application but demonstrate prudence and due diligence in ensuring that the most effective and flexible solution is delivered for Dorset's residents that also represents value for money for council tax payers.

- 4.28 In addition, the choice of technology that is chosen will influence the funding option due to the risks associated with certain technologies. As the review of the waste strategy will (hopefully) keep all technology options open it is also necessary to keep all funding options open until the procurement options appraisal delivers the most suitable procurement strategy for the County.

#### Interim Arrangements

- 4.29 Dorset will require interim treatment of residual waste to meet LATS allowances from 2010 until 2016 when it is anticipated that the long-term facility will become operational. We currently have out to tender a contract that includes options for interim treatment (see para 2.30). However, if this does not provide suitable options then it is likely that we would approach the market again for options to divert waste from landfill.
- 4.30 We are given to understand that New Earth Solutions (NES) will shortly be requesting planning permission for an extra 50,000 t/pa facility at their existing site and we are aware that they are also looking at the possibility of developing a similar facility at a further site in Dorset. It may be possible for Dorset to make use of some or all of this capacity – particularly as we have recently contracted with them to treat waste from 2009/10-2011/12 (see paras 2.32 & 2.33)
- 4.31 If we are not successful in securing additional treatment at an appropriate cost then our fall-back position is to purchase LATS permits from the marketplace. It is our view that, certainly in the early target years, sufficient capacity will be available to make LATS permits an economic option for compliance. We regularly review the LATS market and have approached various authorities with a view to purchasing permits for a number of years. To date, those authorities with permits to sell do not hold the same view as ourselves as to the value of these permits.

- 4.32 The diagram below demonstrates the relationship of current and future contracts:-



#### Enhanced Recycling

- 4.33 In May 2007 Dorset's Cabinet approved in principle to support the WCA's kerbside recycling schemes with a view to diverting more BMW from landfill. We have been working closely with WCA officers with support from WRAP's ROTATE team and the consultants ERM and Eunomia to develop the business case. Modelling suggests that performance of 55-60% recycling may be possible with the implementation of appropriate collection schemes. This has an important impact on the amount of residual waste that would require treatment.
- 4.34 This work is integral to both the Dorset Pathfinder (see para 2.7) and this project. The more BMW that can be diverted from landfill at the front end, the less treatment is required of residual waste, the further waste is driven up the waste hierarchy and the greater the carbon savings.

- 4.35 The enhancement of collections across the WCA areas may also lead to financial savings to the Dorset taxpayer as a whole rather than on the basis of WDA/WCA. For this reason, the cost of waste management as a whole (collection, treatment and disposal) is being looked at as part of this project and the Pathfinder (see para 2.7). In addition, any outcomes or recommendations that come from this project that have implications for the RTD project will be carefully reviewed to ensure compatibility.

#### Feasibility Studies

- 4.36 As above (see para 3.4) we have had a Technical Options Appraisal carried out by Enviro. This in part led to the decision to carry out a review of the Joint Waste Strategy (see para 3.7) and the appraisal will also be used extensively to assist in the procurement of a suitable treatment technology.
- 4.37 Dorset has also had a Waste Transport and Logistics Appraisal carried out by Enviro with support from Defra's LASU. The purpose of this appraisal was to model waste flows across the county and help identify – from the sites identified in the Waste Local Plan – the most appropriate site for a treatment facility and any transfer station requirements. **(See annex 10)**
- 4.38 This study outlines the waste miles and costs of a combination of transfer and waste treatment facilities and will be used to help identify the preferred site for a treatment facility. The first draft of the report and initial modelling suggest that a site in the east of the county (Bournemouth Airport and Ferndown sites) are preferential in waste miles and logistics costs terms than a site further west (Winfrith). This is because of the greater concentration of settlements in the east. This initial conclusion is reinforced by the greater concentration of commercial waste arisings in the east and the proximity to our former partners, Bournemouth.
- 4.39 It should be remembered that waste miles and logistics costs are only one element of the decision-making process in determining which site to acquire. To this end, the project board, with steering from the Waste Liaison Panel, will shortly be making a full evaluation of the sites – based on all available criteria – to determine which site to actively pursue. The outcome of this process will be included in the OBC, by which time we aim to have acquired a site or secured an option to acquire a site.
- 4.40 In addition to the feasibility studies that have already been completed, we intend to carry out a study into the feasibility of the sites identified in the WLP for the utilisation of combined heat and power (CHP). We recognise the environmental, financial and public relations importance of CHP and the higher energy efficiencies CHP can achieve. The feasibility study will identify the potential of each of the sites for CHP and this information will be used as part of the decision-making criteria in choosing a preferred site for acquisition
- 4.41 The Council is also about to start an invitation to tender to select a partner to assist in the provision of highways maintenance & improvements and the construction of waste management sites. In addition to these tender objectives the Council has added the following:
- Assist in the recycling of highways material
  - Recycling of waste from Council treatment process.

The invitation to tender will be conducted using the competitive dialogue process partly with the aim of generating feasible proposals from bidders for the use of such output from waste treatment processes as solid recovered fuel and / or compost-like

output. The results of the tender are likely to provide valuable information about possible markets for these products.

#### External Advisors

4.42 In 2005 Dorset carried out a procurement exercise to appoint external advisors. With the exception of the technical advisor (Mouchel Parkman), these advisors have been retained. The advisors are as follows:-

- KPMG - Financial
- Woolf - Project Management
- Nabarro Nathansan - Legal

4.43 It is our intention to appoint a technical advisor by May 2008. For communications, in the near term to cover the review of the municipal waste strategy, following a competitive tender, we have just appointed the advisor, Gifford FT. In addition a fulltime internal communications officer will be appointed to work on the strategy review, Pathfinder and other aspects of waste communications.

#### Neighbouring Authorities

4.44 Despite a southern coastline Dorset has a remarkable number of neighbouring authorities – six. This is in part due to local government reorganisation in 1990 when the boroughs of Poole and Bournemouth were established from within Dorset.

4.45 **Bournemouth Borough Council** – When the project was originally established in 2003 it was on the basis of a partnership between Dorset and Bournemouth. The partnership was considered necessary to ensure suitable economies of scale for treatment facilities and to save money and reduce risk to the authorities. Dorset and Bournemouth's timetable for when landfill diversion would be required were also fairly well aligned, creating an opportunity for a partnership.

4.46 This partnership submitted an unsuccessful OBC for PFI credits in 2005 on the basis of providing between two and three treatment facilities on a staged basis as the need dictated.

4.47 Since establishing the partnership Dorset and Bournemouth's timetable has diverged and NES have developed a treatment facility in Poole (see para 2.32). Bournemouth has improved its recycling rate to 36.3% and this has dramatically reduced the amount of residual waste that now requires treatment. Coupled with their recent contract with NES for the treatment of residual waste, Bournemouth do not now require treatment until a later date than Dorset. In view of this, the formal partnership has now dissolved.

4.48 In place of the formal partnership is a looser arrangement between the authorities. Bournemouth is kept in touch with progress on the project and is invited to project board meetings when tasks involving joint working are on the agenda. This enables Bournemouth to keep open the option of joining the project at a later date with the mutual agreement of both authorities.

4.49 At key dates during the progress of the project, i.e. on completion of the waste strategy review, before a site is about to be acquired and during the preparation of the procurement when plant capacity needs to be determined, Dorset intends to provide Bournemouth with the opportunity of joining the project.

4.50 **Borough of Poole** – Poole recently (2006) signed a 20-year contract with Viridor which includes treatment of some residual waste at the EfW facility at Slough. In view of this, Poole now considers their waste disposal arrangements and LATS diversion

requirements to be confirmed and the scope for partnership working is therefore limited in this respect.

- 4.51 However, there is some collaboration between both Dorset and Bournemouth with Poole. The three authorities are reviewing their waste strategies and attempting to align them as far as possible. In addition, Bournemouth is working with Poole to potentially develop a material recovery facility in the Borough.
- 4.52 **Devon County Council** – Devon is established in a partnership with Plymouth and Torbay city councils with a view to procuring a facility in Plymouth. They are currently preparing their OBC for submission to DEFRA. In addition, Devon has recently signed a contract for a 60,000 t/pa EfW facility in Exeter (on the site of a former EfW facility) which will go some way to meeting their diversion requirements in the short-term.
- 4.53 In view of this, there is considered to be little scope for developing partnership arrangements with Devon, except perhaps for both Devon and Dorset to provide one another with emergency treatment capacity if either plant fails.
- 4.54 **Somerset County Council** – Somerset has recently introduced a comprehensive kerbside collection scheme across the county. This scheme will enable them to push out their requirement for a treatment solution further than that which is required by Dorset. This is not currently compatible with Dorset's timetable. Nevertheless, partnership arrangements will continue to be explored with Somerset where appropriate.
- 4.55 **Wiltshire County Council** – Wiltshire is making use of an RDF output from an MBT facility to provide fuel to a local cement kiln in Westbury. The remainder of their residual waste – 50,000 tonnes – is contracted to go to the EfW facility at Slough. Wiltshire already works in partnership with Swindon Borough Council and the scope for partnership working is seen as limited.
- 4.56 **Hampshire County Council** – Hampshire has a network of three incinerators through Veolia. Discussions with Hampshire continue regarding the possibility of Dorset making use of any spare capacity and/or purchasing LATS allowances as an interim option. Currently there is no spare capacity at the plants.
- 4.57 The scope for formal partnerships to develop joint facilities is seen as limited in the region. However, Dorset is keen to develop other forms of partnership working and is assisting LIFT SW (formerly the South West Centre of Excellence) in a proposal to develop spare capacity for use by regional partners in proposed waste treatment facilities. The purposes of this are two-fold:-
- Spare capacity could be utilised by a partner authority in an emergency – for example, if a plant had an operational problem or if a severe event in the region produced substantial quantities of waste to be treated; and,
  - Providing spare capacity at neighbouring plants would possibly reduce the cost of outsourcing the risk of operational problems occurring at one's own facilities. If, for example, a plant is non-operational for a period of time, the spare capacity at partner facilities could be utilised. This would provide a solution to disaster recovery for all authorities collaborating in such a scheme and therefore design out a high impact risk and associated cost that authorities would normally pay to outsource to the private sector.
- 4.58 This proposal is at only an early stage of development and Dorset would be interested in DEFRA's views on this subject.

## 5 Risk Management, Risk Allocation and Contractual Structures

- 5.1 Dorset in partnership with Bournemouth submitted an unsuccessful OBC for PFI credits to Defra in 2005. This contained a full risk register; consideration of all identified risks, their likelihood and impact, and any mitigation measures. In view of this, we are very aware of the risks involved in the project and this existing risk register has been adapted and updated to take into account the current arrangement between Dorset and Bournemouth.
- 5.2 Risks within the register have been grouped under the following headings (note – in no specific order):-
- |                |                  |
|----------------|------------------|
| - Planning     | - Residual value |
| - Design       | - Financial      |
| - Political    | - Performance    |
| - Construction | - Demand         |
| - Operational  | - Regulatory     |
- 5.3 Many of these risks have already been addressed in quite considerable detail and mitigation measures put in place to alleviate where possible. The following headings cover, in more detail, some of the major risks associated with the project.

### Political Risk

- 5.4 No project involving the treatment of municipal waste is without risk from local politics. In Dorset this is no different and the project team have been aware of these risks from the inception of the project and have put in place measures to help minimise these risks from an early stage. Senior council Members are represented on our Project Board (see para 6.1) and keep the Cabinet and other colleagues informed of all developments.
- 5.5 We have recently re-introduced a Members' Waste Liaison Panel. This panel has representatives from all the local authorities of Dorset and seeks consensus from all levels for the implementation of the revised waste strategy. The purpose of this panel is in part to steer the waste element of Dorset's Pathfinder project (see para 2.7) which is intrinsically linked to this project, and in part to help steer and appraise the review of the municipal waste strategy, again integral to this project.
- 5.6 There are local elections planned for May 2009 in Dorset and following the review of the municipal waste management strategy, waste could feature in these elections. To reduce the risk of waste management becoming an election issue, we will involve elected members in the consultation process and keep them informed of the facts regarding the project by means of an extensive and ongoing communications plan – beginning with the review of the strategy and public consultation. We have planned for the purdah period prior to these elections when it may not be possible for decisions to be made by either the project board or Dorset's local authority cabinets.

### Planning Risk

- 5.7 Gaining planning permission for waste infrastructure is challenging. Much of Dorset is covered by various protection measures – AONB, SSSI, Green Belt, Heritage Coast etc. However, sites suitable for large-scale waste treatment facilities have been allocated in the Waste Local Plan (WLP). Despite these allocations, it is still necessary to obtain planning permission for facilities.

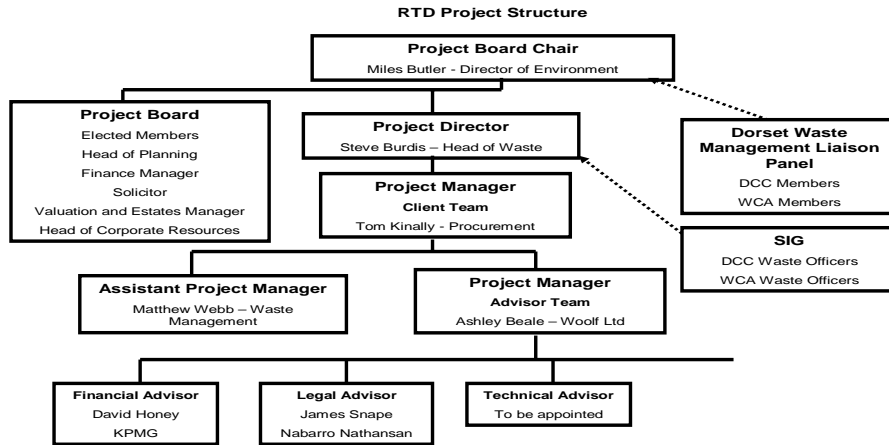
- 5.8 In view of the fact that Dorset wishes to conduct its procurement with all technology options open, based on advice from our internal planning and legal officers, it is the authority's preferred position that planning permission for the site will be applied for by the successful contractor following procurement. Dorset intends to purchase a site – negotiations are on-going with landowners – and we have a site acquisition strategy to achieve this.
- 5.9 The WLP was the subject of a Public Inquiry in 2005 which reduces the risk of planning failure. However, Dorset is well aware of the inherent planning risks of some waste technologies and these risks will be used as part of the evaluation criteria for selecting the preferred bidder during procurement. Again, extensive communication with stakeholders and the public will take place to help reduce the planning risk.

#### Operational Risk

- 5.10 Some technology solutions are less proven than others and all technological solutions contain inherent risk of failure. In view of this, reliability will be used as an assessment criterion when evaluating bids in the procurement; technical advisors will be appointed to assist in the procurement; soft-market testing will be carried out with technology suppliers; and, suitable insurance or guarantee (through financial bond or by other means) will be an explicit requirement of the contract.
- 5.11 As before, the technology choice, due in part to the risk associated with some technologies, may dictate the financing of the project and thus reduce the risk to Dorset.
- 5.12 As a result of the Dorset and Bournemouth Partnership's decision in 2005 to consider procurement options other than PFI, there followed in 2006 a robust appraisal of 20 different procurement options, each supported by a contractual structure proposed by the Partnership's legal advisor, Nabarro Nathanson and intended to minimize operational risk. **(See annex 9)**
- 5.13 In addition, Dorset is working with LIFT SW in an attempt to build in excess capacity to proposed facilities in the south west region to reduce the cost of paying for the outsourcing of operational risks in contracts (see para 4.57).

## **6 Project Team and Governance**

- 6.1 With the establishment of the project in 2004 a project structure was developed on the basis of Prince 2 project management principles. The project structure is as



f

ollows:-

6.2 Dorset works closely on a number of levels with its partner WCAs. The following gives a breakdown of the various groups that are involved in waste management in Dorset:-

Group	Reports to
<ul style="list-style-type: none"> <li>- <b>Member Panel</b></li> <li>- 2 members from all authorities</li> <li>- Rotating chair (currently County)</li> <li>- Steers waste Pathfinder</li> <li>- Oversees strategy review</li> </ul>	- Chief Executives and Leaders
<ul style="list-style-type: none"> <li>- <b>Strategy Implementation Group (SIG)</b></li> <li>- Senior waste officers</li> <li>- Implements waste Pathfinder</li> <li>- Develops strategy review</li> </ul>	- Directors, chief executives and members
<ul style="list-style-type: none"> <li>- <b>Reduction and Recycling Group</b></li> <li>- Waste officers</li> <li>- Develops and implements strategy</li> </ul>	- Parent authorities
<ul style="list-style-type: none"> <li>- <b>Dorset Strategic Partnership</b></li> <li>- Wide range of organisation and groups</li> <li>- Community Strategy Delivery Group</li> <li>- Bridging Group</li> <li>- 10 Theme Groups</li> </ul>	- Parent organisations
<ul style="list-style-type: none"> <li>- <b>Pathfinder Support Group</b></li> <li>- Waste officers</li> <li>- Supports implementation of Pathfinder</li> </ul>	- Parent authorities

6.3 The above structure and associated groups help to achieve full buy-in from all the WCAs in Dorset. The WCAs are critical to diverting BMW from landfill at the front end – i.e. through enhanced recovery - and this is an area that all the groups are focusing on. Dorset has a strong track record of working effectively as a partnership of local authorities and this is set to be enhanced through the waste element of Pathfinder.

6.4 Dorset's portfolio holders for Environment and Resources are members of the Project Board. However, project governance requires approval from Dorset's Cabinet and the Cabinets of the WCAs, as part of Pathfinder and joint working, of key project gateways, i.e. the OBC, acquiring sites; the results of the waste strategy review; key

decisions in the procurement process; approving major investments; signing of contracts; and the FBC.

- 6.5 The groups described in 6.2, particularly the Member Panel and SIG and the Project Board Chair and Director, ensure that all members of the authorities are kept informed of progress on the project. The project team is aware of the reporting deadlines for cabinets where decisions or approvals have to be made and these are factored into the project planning.

## **7 Sites, Planning and Design**

- 7.1 Together, the Regional Spatial Strategy (formerly RPG10), the Structure Plan, the District and Borough Local Plans and the Dorset Minerals and Waste Local Plan make up the 'Development Plan' for Dorset. Work is underway on a replacement suite of documents.

### Regional Spatial Strategy

- 7.2 The draft Regional Spatial Strategy (RSS) was published in June 2006 for public consultation. This was followed by examination in public (EiP) of the draft strategy in 2007. A panel appointed by the Secretary of State has recommended various amendments to the draft strategy and following these amendments, the strategy is likely to be formally adopted later this year. The RSS has identified the need to make provision for waste management facilities and provides County targets and criteria to guide the selection of suitable sites.
- 7.3 Dorset has been extensively involved with the development of the RSS at various levels. Dorset's leader is a member of the South West Regional Assembly and members are also represented on sub-committees. Dorset County Council officers have been involved in technical groups advising the secretariat at the SWDA on the development of the strategy for the assembly's approval and have provided statutory sub regional advice where required. Dorset's officers have also helped facilitate the consultation in addition to being statutory consultees, and have given evidence at the EiP. For waste specific issues, Dorset's Head of Planning and his officers have represented the Council on formal technical groups.
- 7.4 Of importance to this project, the draft strategy includes the recommendation that the green-belt boundary, which resulted in one of the proposed sites for waste treatment being deleted, drawn from the Waste Local Plan, be re-drawn to accommodate proposed new development levels. Subject to the detailed boundary being re-drawn in the East Dorset Local Development Plan, this site could become available for a waste treatment facility.
- 7.5 Due to the uncertainty on the eventual content of draft RSS and the need to accommodate the changing requirements of national guidance East Dorset District Council have delayed work on the new Local Development Framework. The Core Strategy is likely to be submitted in 2009 and the Allocations document in 2010. Adoption of the full suite of documents is expected in 2011. Until adoption of each new document, the existing local plan remains in force. The Local Development Frameworks of the other five district/borough authorities are also to be reviewed. Actual timing will vary, although most are operating to broadly similar timescales. In all cases work on Core Strategies will take precedence, with Allocations Documents following on.

## Waste Local Plan

- 7.6 The Bournemouth, Dorset and Poole Waste Local Plan (WLP) was adopted in June 2006 following a full Public Inquiry chaired by an independent inspector (see <http://www.dorsetforyou.com/index.jsp?articleid=326147>). The plan proposed three sites for MBT with attached RDF facilities near Winfrith Technology Centre, at Bournemouth Airport and Blunts Farm, Ferndown. After hearing evidence from the authorities, interested groups and individuals, the Inspector approved the first two sites as suitable (Winfrith and Hurn), but rejected the Ferndown site due to it being located within green-belt. However, the inspector noted that there was no reason to conclude that a satisfactory development could not be created at this location.
- 7.7 The WLP will remain valid until June 2009. The Secretary of State can save policies beyond this date and it is expected that this will be the case in Dorset. Preparation of a replacement Waste Development Plan Document will commence after the new regulations and guidance come into force (expected May 2008). Adoption of the replacement Waste Plan is anticipated by 2012, when it will replace the adopted WLP.
- 7.8 As far as the site at Ferndown is concerned, the RSS proposed that the green-belt boundary precluding its adoption in the WLP be re-drawn (see para 7.4). The detailed green-belt boundary is a matter for East Dorset's Local Development Plan Document (LDPD) which is to be reviewed in 2009. In view of this, the project team are liaising with East Dorset planning officers to help ensure the LDPD represents the waste management needs of the RSS and Dorset's waste strategy. We are aware that the site is allocated for employment use and that a waste treatment facility does not provide the levels of employment that may be required. However, waste infrastructure does provide employment as well as an essential service for other employment uses. Other benefits that a waste facility provides -the possibility of producing renewable energy (heat and power) for example - may help to outweigh this constraint in any planning submission.
- 7.9 As far as the site at Bournemouth Airport is concerned, we are engaged in a negotiation process with the owners – Manchester Airport Developments Limited (MADL). MADL have expressed a preference to provide a long-lease (125yrs) for the site. We have carried out a comparison of the Net Present Value of purchasing the freehold of the site versus a long lease. It is apparent that it represents far better value for money to purchase the freehold of the site. To this end, we are continuing to negotiate with MADL for the purchase of the freehold. MADL are aware that if satisfactory agreement cannot be reached, Dorset may issue a Compulsory Purchase Order (CPO) for the site. It must be stressed that this would be our fallback position as the process could add considerable delay to the project timetable.
- 7.10 Considering the site at Winfrith, the potential exists to develop the site, or an adjacent site in the same area. In view of this, discussions are continuing with the owners of both sites regarding the potential to purchase either an option or the freehold.
- 7.11 Dorset's planning department are important members of the Project Board (see para 6.1) and regular dialogue is maintained between the project team and planning officers through meetings and the exchange of information. Papers that are presented to the board are circulated and, where they relate to sites and planning, their accuracy is checked by planning officers before submission. This dialogue helps to improve the quality and efficiency of the decision making process and also ensures that the requirements and needs of the planning system with regard to applications are comprehensively addressed.

- 7.12 In addition, in view of the interaction between the review of the waste strategy and development plans, planning officers are represented on the strategy review steering group to ensure effective joint working.
- 7.13 We have taken note of WIDP's Planning Health Framework questionnaire and attach our responses to each of the questions in **annex 11**. One point that the exercise has identified as an issue is the effect on the timetable of the planning application being submitted by the preferred bidder, rather than in advance by the Council, and the relatively short time remaining after planning permission for construction and commissioning of the treatment plant based on DEFRA's timetable for draw-down of PFI credits. We would like to seek WIDP's advice on this subject.

## 8 Costs and Budgets

- 8.1 With regard to procurement costs, the project team reports regularly to the project board on the status of the project budget. This ensures that board members (this includes the portfolio holder for resources) are kept abreast of budget pressures. The budget for procurement, including advisor costs, communications, including the review of the waste strategy, has been agreed and for the project plan period from 2005/6 to 2014/15 is as follows:-

Forecast costs in £'000	2005/6- to date	2008/9	2009/10	2010/11	2011/12	2012/13 -14/15	Totals
Direct staff	£552	£196	£202	£208	£214	£680	£2,052
Consultancy	£862	£97	£707	£186			£1,852
Incidentals	£344	£270	£51	£33	£225	£89	£1,012
Recovered	-£302						-£302
Totals	£1,456	£563	£960	£427	£439	£769	£4,614

- 8.2 With regard to the capital and operating costs of the various technology options under consideration, the OBC prepared by the Dorset and Bournemouth Partnership and submitted to DEFRA in 2005 contained forecast costs for a reference project based on 2 MBT plants each of 120 ktpa capacity and each supported by an energy from waste plant of 55ktpa which were intended to create electricity to be fed into the National Grid.
- 8.3 Further work has been done on the Council's behalf in the form of a technology options appraisal carried out by the advisor, Enviro, comparing the costs of 3 MBT technologies and incineration. The appraisal is attached as **annex 7**
- 8.4 The Council has given recognition to potential cost increases associated with waste treatment by adding the following statement to its annual accounts report for 2006/7:

“The County Council's waste strategy is critical to the achievement of its corporate aims. As a result of the proposal to defer the Mechanical Biological Treatment (MBT) Private Finance Initiative (PFI) proposal, there will be a need to let a series of shorter-term waste disposal contracts from August 2008. This will add up to a significant piece of work and if not let appropriately, may cause an interruption to service delivery. The strategy for letting the recovery, treatment and disposal (RTD) contract is dependent on a number of factors and the County Council's Waste Strategy will be reviewed and overseen by the Cabinet in the light of these.....In the meantime negotiations will continue to secure the major sites identified in the Waste Local Plan for disposal facilities”

## 9 Stakeholder Consultation

- 9.1 From the establishment of the project in 2004 and the subsequent unsuccessful submission of an OBC to Defra in 2005, the project team have identified and have actively engaged with all stakeholders. Many of the stakeholders are kept up to date and are actively engaged in the process through the project team and governance working groups (see para 6.2). This includes elected members and the WCAs. Regular contact is also maintained with representatives of the Regional Development Agency, the Government Office of the South West and LIFT SW (formerly the South West Centre of Excellence).
- 9.2 The communications plan associated with the review of the joint municipal waste strategy will maintain engagement with all stakeholders including community groups and residents. This will ensure that the views and aspirations of local communities are reflected in the strategy review and this project. Following completion of the review, communication with stakeholders will be maintained as an integral part of the project. The project board and Dorset's Cabinet have been informed of the requirement and budget implications of carrying on with extensive communications work and have approved the recommendation to do this.
- 9.3 To assist in the development of the project and to ensure sufficient interest from both the waste industry operating within the UK and overseas, the project team intends to issue a regular project newsletter to suppliers. We also intend to maintain informal soft market testing with suppliers and a more formal industry day before submission of the OBC.
- 9.4 Ensuring that we keep all stakeholders, including Dorset residents and elected members, fully informed about the project has been recognised from its inception as integral to its success. Discussions with other authorities who have been down this route have confirmed that communications can make the difference between success and failure of a major waste project.

## 10 Timetables

- 10.1 The issue for the Council is that the project plan is running ca. 6 months behind DEFRA's 30<sup>th</sup> October deadline for submission of the OBC required to achieve a successful application for PFI credits, as follows.

<i>Activity</i>	<i>Council's key date</i>
Eol submission by	31 <sup>st</sup> March 2008
Cabinet approval of waste strategy review	3 <sup>rd</sup> December 2008
<b>OBC submission by</b>	<b>31<sup>st</sup> March 2009</b>
OBC approval by	30 <sup>th</sup> September 2009
OJEU by	1 <sup>st</sup> October 2009
Contract signature by	31 <sup>st</sup> July 2011
Plant operational by	June 2016

- 10.2 The outcome of the waste strategy review is needed in order to provide essential information for the OBC which DEFRA will then use to determine whether the Council's procurement strategy is sufficiently robust to merit PFI credits, in particular with regard to the reference project.

- 10.3 As the waste strategy review will only be partially complete by the end of October this year, it has been intimated by the Council's advisor from WIDP that DEFRA may grant a time extension to enable the OBC to be submitted in accordance with the Council's key dates as shown in the timetable in 10.2 above. The Council would therefore like to discuss this subject with DEFRA.
- 10.4 As indicated in the self-assessment on PFI criteria (**annex 1**), bearing planning risks in mind, the Council would also like to seek DEFRA's advice on the likely operational date of the waste treatment plant.