

COUNCIL:

23 OCTOBER 2014

CABINET PROPOSAL

AGENDA ITEM: 10

**CARDIFF ORGANIC WASTE TREATMENT PROJECT –
PREFERRED BIDDER APPOINTMENT, IAA2 and FBC and
INTERIM PROCUREMENT**

Appendices B, C, D, E and F to this report are not for publication under Schedule 12A Part 4 paragraphs 14 and 16 and pursuant to Schedule 12 A part 5 paragraph 21 of the Local Government Act 1972 (as amended). It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Reason for this Report

1. To report on the proposed appointment of the preferred bidder for the long-term Cardiff Organics Waste Treatment (COWT) project consisting of: Food Waste and Green Waste treatment and recycling facilities for Cardiff. Supported by the Final Business Case (FBC) and the post procurement second Inter Authority Agreement (IAA2) including the partnership arrangement with the Vale of Glamorgan Council. The report also considers the requirement for the procurement of an Interim Organic Waste Treatment solution for the period from April 2015 to the planned Service Commencement Date of COWT in December 2016.

Background

2. Sustainable waste management services are an essential component to the Council's short, medium and long-term responses to the environmental and carbon reduction challenges facing Cardiff and Wales. The Welsh Government (WG) has committed to delivering a long-term transformation in the scale of recycling and sustainable waste management and has provided a blue print strategy for Wales to achieve a recycling rate of 70% by 2025 and a zero waste position by 2050.
3. The ongoing shift from waste disposal from landfill to waste treatment and recycling is locked into national and local policy by legislation and statutory recycling targets, with potential failure fines of £200 per tonne. In addition, the European Landfill Directive sets stringent targets to reduce the amount of waste sent for disposal to landfill. Specific annual

limits on the tonnes of biodegradable waste to landfill have been identified for each local authority within Wales via the Landfill Allowance Scheme (Wales) Regulation 2004, with further fiscal penalties of £200 per tonne, for every tonne of biodegradable waste landfilled above these limits.

4. Cardiff's current recycling rate is around 50%, a key element in improving this performance relates to the segregated collection and treatment of food wastes and green wastes. Importantly material cannot be calculated and count as being 'recycled' until it has actually been processed, any minor contamination removed and a new product produced¹, recycling is not calculated from what has been collected. It is essential therefore, that robust controls are in place to ensure high recycling of food waste and green waste is achieved after collections have taken place. To encourage the public to recycle more, authorities to avoid both the financial penalties imposed by the Landfill Directive and penalties for failing Welsh Government's Statutory Recycling Targets, noted above, a minimum of 58% recycling and composting must be achieved for the full year 2015/16, 64% by 2019/20 and 70% by 2024/25.
5. The authority set out to procure a long term Organic Waste Treatment solution to secure the sustainable treatment of biodegradable food waste and green waste collected by the Council and prevent it from being disposed through landfill, thereby reducing its impact on the environment and secure its contribution to Cardiff's Municipal Waste Recycling and Composting targets.
6. In October 2011, Cabinet considered the report titled Organic Waste Treatment Project and decided that, subject to the approval by Full Council of a final business case and the conditions and risks concerning WG support funding that included a competitive dialogue procurement process as stipulated by WG, the project procurement could commence. Cabinet as part of this decision, delegated authority to The Chief Officer City Services (now Assistant Director of Environment) as the Projects Senior Responsible Officer (SRO) to generally deal with all aspects of the procurement, in consultation with the former Executive Members for Environment and Finance, the Chief Corporate Services and Section 151 Officer (now Corporate Director Resources) and Chief Legal and Democratic Services (now County Solicitor). A requirement was also set out that a report supporting the appointment of the Preferred Bidder would be reported back to Full Council for a decision by the Members.
7. Following receipt and approval of the Outline Business Case (OBC) in December 2011, the Welsh Government (WG) conditionally agreed to provide a grant support as contribution towards procurement costs and a 25% contribution towards the cost of food waste treatment services. The Council partnered with the Vale of Glamorgan to aid the procurement partnership.

¹ In accordance with the National Dataflow database and register for all municipal waste management movements, re-processor logs and end destination reports as defined, audited and controlled by the Environment Agency (Wales) on behalf of Welsh Government.

8. The Council commenced Cardiff's Organic Waste Treatment Project procurement in December 2011 by placing an advertising notice in the Official Journal of the European Union, conducted in accordance with the Competitive Dialogue Procedure under the EU Public Sector Procurement Directive (2004/18/EC), implemented into UK law via the Public Contracts Regulations SI 2006/5 with effect from 31 January 2006. In February 2012, prior to issuing invitation to participate in dialogue the Affordability envelope in the Outline Business Case (OBC), including an indicative project budget, was approved by Full Council within the 2012/13 Budget Report.
9. The delegated authority described in paragraph 6 above has enabled the procurement to proceed to the Appointment of the Preferred Bidder stage, for which approval is now sought.
10. The OJEU notice advertised, contained a provision for two other neighbouring authorities (namely Vale of Glamorgan Council and Monmouthshire County Council) to 'join' the procurement. This was subject to each of them expressing an interest and whether they offered benefits to Cardiff as to the procurement and subsequent contract. The Welsh Government's preference for strong collaboration with other local authorities should be sought wherever possible to share facilities, public costs and efficiency of scale by establishing procurement 'hubs' Following this, the Vale of Glamorgan joined the project at the Detailed Solutions stage.
11. At the Detailed Solution stage (detailed design evaluation) (October 2012 – June 2013), the evaluation scores of the remaining two bids taken through to the final evaluation stage were very high, both representing acceptable and competitive proposals.

Evaluation Outcome

12. A Final Tender was received and following a detailed evaluation, the recommendation is to select Kelda Organic Energy Limited (Kelda) as preferred bidder for the Food Waste and Green Waste treatment and recycling facilities in Cardiff. For further details please see below and exempt Appendix B - Evaluation Report.

Project Solution

13. Cardiff Council are contracting for an Anaerobic Digestion (AD) and Open Windrow Composting (OWC) Facilities to treat their source-separated food and green/garden wastes respectively, over a 15 year period. The project has been procured as part of the WG Food Waste Treatment Programme, which supports Councils with procurement funding and ongoing revenue support (for food waste treatment via AD) in order to meet their statutory recycling targets between now and 2024/25, and will provide a solid recycling platform for the Authorities to work towards WG's "Towards Zero Waste" campaign. Both facilities have already secured planning consent. The AD facility will be constructed on Welsh Water's Waste Water Treatment Facility site in Tremorfa, Cardiff,

whilst the OWC facility will be constructed on Cardiff Council's owned site at Lamby Way, Rumney, Cardiff.

Affordability

14. During the Invitation to Submit Draft Final Tenders stage from October 2013 to the Call for Final Tenders stage in August 2014, robust negotiation has resulted in Kelda's tendered payments over the life of the contract, becoming economically advantageous and representing good value for money and within the affordability threshold of the OBC.
15. Kelda's final tendered bid meets all the requirements of the Outline Business Case presented in October 2011. In addition, the second Inter-Authority Agreement (attached in Exempt Appendix E) to be signed, will cover arrangements between Cardiff and the Vale of Glamorgan during the Preferred Bidder stage and for the operation of the Contract.
16. The preferred bidder's solution also benefits from WG funding, reducing the cost to the authorities, which is therefore highly affordable.

Renewable Energy

17. The food waste solution will produce renewable energy in the form of electricity at a guaranteed price to the authority, indexed over the 15 year contract periods, which will be sold to Dwr Cymru/(Welsh Water),. Kelda has accepted the electricity revenue risk, with a sharing mechanism with the Authority if increased levels of income are generated.
18. Kelda is also exploring opportunities to export heat, which would further improve the food waste treatment facility's energy efficiency, and its overall environmental performance.

Final Business Case

19. The decision to enter into this procurement initially was made following a period of careful evidence-based planning for the Municipal Waste Strategy in 2011, leading to the completion of an Outline Business Case (OBC) which was considered in detail, taking the following into account;
 - Strategic Waste Management Objectives;
 - Procurement Strategy and Reference Project;
 - Option Appraisal of Technology;
 - Risk Management, Risk Allocation and Contractual Structures;
 - Project Team and Governance
 - Sites, Planning and Design;
 - Costs, Budget and Finance;
 - Stakeholder Communications; and
 - Procurement Timetable.

Contractual Arrangements

- 21 The contractual arrangements in the Project Agreement (contract) reflect all of the risk evaluation and assessment of the original Outline Business Case published in 2011, which following negotiations, are now reflected in the Final Business Case. A redacted version is attached at Appendix A with an unredacted version highlighting the redactions attached as exempt Appendix F.

The Final Business Case addresses issues relating to:

- The submission of the FBC by the Authority;
 - Technical Solution
 - Financial Case/Affordability
 - Sites and Planning
 - Legal and Contractual
 - The evaluation and approval of the FBC by WG;
 - Financial close
 - The payment of the revenue payment support grant by WG;
22. An estimated (£2m) has been spent on the project procurement to date, of which (£1m has been contributed by the Welsh Government, or through the annual Sustainable Waste Management Grant (SWMG). The Welsh Government would claw back the procurement grant already spent by the local authorities as part of their funding conditions, should the procurement be stopped or if the solution is not an affordable or a deliverable solution that meets their requirements.
23. There was strong market interest in the procurement having attracted and maintained a strong competitive field throughout the procurement. This enabled appropriate risk transfer to be gained through the commercial positions negotiated.
24. Performance guarantees have been built in to incentivise the contractor to achieve a) high recycling levels for contract waste, b) passes the risk of securing end markets for the digestate and compost to the contractor, c) renewable energy outputs to the contractor and d) operates to the standards envisaged in the Performance Framework.
25. Kelda's solution is therefore sustainable and value for money for the Authority. This also compares favourably with the existing interim organic waste treatment contractor.

Current Governance Structure and Contract Management Proposed

26. Robust governance arrangements are in place, based upon established best practice. A Project Manager has managed the project from inception, with the various team member inputs, maintaining the Project Plan and Risk Register, providing highlight and other progress reports and, where necessary, undertaking the exception reporting. The Project Manager was also responsible for developing and co-ordinating input to

the Final Business Case for submission to the Cabinet and Welsh Government.

27. The Senior Responsible Owner (SRO) is currently the Assistant Director Environment. The SRO is ultimately accountable for the successful delivery of the project for the Council and interfaces between Cabinet requirements, Welsh Government, stakeholders, legislative requirements and the technical delivery within the project team and its advisors.
29. The SRO chairs the Project Board The Project Board is currently comprised of the SRO, the Project Manager and the Council's (Cardiff and the Vale) senior representatives along with officers from the Council's legal, finance, waste operations and procurement functions.
30. Meetings have been held at regular intervals with the Cabinet Member for the Environment Portfolio and the Cabinet Member for Finance. In addition Environmental Scrutiny have received regular consultation, updates and feedback. It is recommended that this line of governance continues within the IAA2 to secure contract delivery and management.
31. Cardiff's SRO and Project Board Team considered this Cabinet Report, the Final Business case and the Inter Authority Agreement 2 at its Project Board on 29th September and were satisfied with the procurement process and recommended each partner Local Authority seek approval via their Cabinet and/or Council.

Contract Management

32. Contract management will be carried out by waste management officers supported by finance, legal and procurement officers.

Proposed Inter Authority Agreement 2

33. At the commencement of the procurement an Inter Authority Agreement was entered into with the Vale of Glamorgan to govern the parties' relationship during the procurement phase. As it is proposed that Cardiff be the Host Authority and enter into the Contract with Kelda, and will take on the full contract responsibility on behalf of the Vale, it requires back-to-back assurances that the Vale will meet its obligations in a timely manner to ensure that the Host Authority is not exposed to unreasonable contractual liabilities. Also, the Vale needs assurance that they will receive all the contractual benefits that they are entitled to – even though they have not directly signed a contract with Kelda. This is one of the primary objectives of the second Inter Authority Agreement (IAA2). The overarching purpose of IAA2 is to ensure that the Authorities are able to work effectively together and with Kelda to get maximum benefit from the organics waste treatment contract.
34. The IAA2 accommodates the Host Authority structure described above, to ensure that the Host Authority isn't exposed to disproportionate liability and that the contractual rights and obligations appropriately flow

down to the Vale. At its most basic level, having signed the Contract, the Host Authority is committed to the delivery of Organic (food and green) waste and the full payment for its treatment. Kelda, for its part, is obliged to accept and treat the waste. Given this commitment, the IAA2 needs to ensure that each Authority is committed to deliver its waste to Kelda and for the Vale to pay the Host Authority the correct amount in advance of the Host Authority having to pay Kelda. IAA2 also regulates such things as:

- How payments and deductions are made under the payment mechanism and allocated between the Authorities;
- Decision making and terms of reference;
- Termination (of the IAA2);

35. A draft form of IAA2 is attached to this report in exempt Appendix E. The report seeks approval to enter into an IAA2 subject to completion of the outstanding information and fine tuning process and recommends that the final approval of that IAA2 is delegated as set out in recommendation 4. It is understood that a report will be considered by the Vale's Cabinet at the same date as Cardiff.

Sites and Planning

36. The Preferred Bidder has already secured planning permissions for both food waste and green waste facilities respectively (with no objections raised within the Judicial Review periods), which now significantly de-risks this waste treatment project.

Next Steps from Preferred Bidder to Contract Signature.

37. If the Authority approves the Preferred Bidder recommendation, it is expected that Kelda will become the Preferred Bidder in October 2014. They will receive a letter outlining the basis on which the Preferred Bidder status is confirmed and will include the technical, legal and financial positions to be concluded as part of the 'fine tuning process'.
38. Following the decision to approve the Preferred Bidder, a statutory 10 day 'stand still' period will commence (EU procurement rules set out provisions to standstill periods and time limits within which challenges can be brought by an aggrieved bidder).
39. Once the standstill period is over, the Authority will work with the Preferred Bidder to ensure that all the contractual documentation is fully complete and properly reflects all the relevant details agreed throughout the procurement.
40. At this stage, under the procurement rules no 'dialogue' or further 'negotiation' is permitted. Any changes to documentation must be limited to 'fine tuning'.
41. Each set of advisors have outlined the outstanding areas that require resolution through the fine tuning process. It includes issues such as the following:

- Incorporation of clarification responses into drafting;
- Ensuring consistency across the technical, legal & financial aspects of the documentation.
- Finalising detailed drafting where principles have been clearly agreed;
- Ensuring that the process for amending the financial model is clearly audited and documented;
- Confirmation and documentation of minor operational and design uncertainties.

Proposed Interim Arrangements for the Treatment of Organic Waste.

Current Interim Contractual Arrangements for Food and Green Waste.

42. Cardiff Council's current interim arrangements are with New Earth Solutions Ltd, (Bristol) which expires on 31st March 2015

Proposed Interim Arrangements for the period April 2015 to December 2016

43. To cover the period between the end of Cardiff's current contract arrangements in March 2015 and the proposed December 2016 planned Service Commencement Date of the long term organic waste treatment project, an interim procurement is required for food waste and green waste treatment services. Discussions have been held with five other Local Authorities, four from the former South West Wales "Hub" (Carmarthenshire, Swansea, Neath Port Talbot and Bridgend), and the Vale of Glamorgan as to their requirements for food and green waste treatment. As the Authorities also have an interim requirement for treatment of food waste and green waste, it is proposed that Cardiff procures contract arrangements which the other Authorities having expressed an interest in, can utilise. It is therefore intended that these authorities will be named within the OJEU Advert. In this instance Cardiff would not be contract managers for this interim arrangement on behalf of the other authorities, but simply be facilitating the procurement to collaborate and gain potential benefits of scale for all parties and reducing public procurement costs.
44. It is proposed that the interim arrangements will commence April 2015 and will end December 2016 to dovetail with the long term contract ensuring a smooth transition and will manage Cardiff's organic wastes from the current contract to the start of the long term 15 year contract that will commence January 2017.

Tender Documentation and Evaluation Criteria

45. The tender documentation will clearly identify the treatment requirements for each authority in respect of projected tonnages for their segregated food waste, segregated green waste and mixed food and green wastes and will request a gate fee cost per tonne for the waste delivered to the successful bidders waste treatment facilities and a cost per tonne for the

transportation from each of the authorities waste transfer stations to the successful bidders waste treatment facilities.

- (i) Treatment cost per tonne for Food Waste
- (ii) Treatment cost per tonne for Green Waste
- (iii) Treatment cost per tonne for mixed Food and Green Waste
- (iv) Transport cost per tonne for Food Waste
- (v) Transport cost per tonne for Green Waste
- (vi) Transport cost per tonne for mixed food and green Waste

The tender evaluation criteria to be used will be 80% Cost and 20% Quality. The 20% Quality score consisting of three Method Statements:

- | | | |
|-------|---|----|
| (i) | Treatment / Processing and Disposal of any Residues Method Statement | 8% |
| (ii) | Contingency Arrangements for Treatment / Processing and Disposal of any Residues Method Statement | 6% |
| (iii) | Transport Method Statement | 6% |

Reason for Recommendations

- 46 To finalise the long-term organic waste treatment solution for Cardiff for Food Waste and Green Waste treatment and recycling; to enable the Council to deliver the Municipal Waste Strategy, meet its statutory recycling targets with associated carbon reduction and potential renewable energy benefits, to the City overall.

Financial Implications

47. The financial projections in this report are based upon the Partnership delivering an indicative profile of organic waste to Kelda from December 2016 and the contract will have a term of 15 years.
48. The affordability position outlined in exempt Appendix C to this report is subject to receiving Welsh Government (WG) funding contribution. A Final Business Case will be submitted to WG in parallel to the submission of reports to both the City of Cardiff Council and the Vale of Glamorgan Council for approval of the Preferred Bidder appointment. The two Partner Authority decisions will therefore be conditional upon receiving the WG funding commitment.
49. An abortive procurement at this stage would have significant financial implications for the Councils with the liability to repay WG procurement funding as well as costs associated with commencing a new procurement.
50. A back to back draft Inter Authority Agreement 2 (IAA2) between the City of Cardiff Council and the Vale of Glamorgan Council is appended to this report. This proposes a number of principles to be agreed between the two Authorities.

51. A fundamental principle of the IAA2 is that Cardiff as the Host Authority receives funding from the Vale of Glamorgan before it has to pay the Contractor.
52. Notably the IAA2 considers how liabilities and benefits arising should be shared between the two Authorities, predominantly reflecting tonnages on a pro-rata basis.
53. The final IAA2 will include a simplified summary of the Payment Mechanism provisions, differentiating between those provisions which will apply on a pro-rata tonnage basis (eg Third Party Income Excess), and those which would apply to a specific Authority should they arise (eg Input Specification Adjustment).

Please see exempt Appendix C for commentary on financial, commercial and affordability outcomes.
54. Any change to current level of treatment costs as a result of the interim procurement could impact upon the Medium Term Financial Plan of the Authority.

Legal Implications

55. These legal implications deal with the key points of the Organics project; namely (i) the form of the proposed contract; (ii) the proposed governance arrangements between the two authorities (Inter Authority Agreement 2)(IAA2); and (iii) other implications and implications as to the approach regarding the interim procurement.
56. It is noted that the organics project, throughout, has had the benefit of receiving legal and procurement advice from both in-house lawyers and procurement officers and external lawyers (Pinsent Masons) who have worked closely together on this project.
57. It is proposed that Cardiff Council will be the Host Authority and the legal implications explain the key legal issues that arise by being the Host Authority.
58. There are also exempt legal implications which are set out in Appendix D.

Legal Background - IAA1

59. At the start of the project the Vale and Cardiff entered into a Inter Authority Agreement (IAA1) to govern the relationship between them during the procurement phases.
60. The point to note is that the IAA1 stated that whilst the decision to award the contract ie select preferred bidder rests solely with Cardiff, the Vale will need to approve entering into the Inter Authority Agreement 2 (IAA2). Should they act unreasonably in refusing to do so then they shall be liable for costs up to a cap of £1m.

Procurement Process – Appointment of Preferred Bidder

61. As detailed within the report, a final tender has been received and evaluated. Following that evaluation a Preferred Bidder has been identified. Part of the evaluation comprised the legal evaluation which was completed & approved by the external legal advisers, & the in-house lead lawyers. The legal evaluation report is referred to in the exempted Appendix A to this report which sets out the high level results of the evaluation.
62. In determining whether to appoint the preferred bidder the authorities should satisfy themselves that the solution offered by Kelda represents a competitive offering and value for money. The body of the report and appendices, including the financial business case, address these matters and highlights how the procurement process followed was designed to maintain competitive tension throughout so as to secure competitive bids that met the Authority's requirements.

The Proposed Organics Waste Treatment Contract (“Contract”)

63. The Contract will be concluded between the Preferred Bidder (who at that stage is referred to as the Contractor) and one of the Authorities (who is referred to as the Host Authority). The Contract is based on WG's Standard Form Waste Contract. At its simplest, the Contract provides that the Contractor is obliged to provide the organic waste solution to the Authorities for the contract term (15 years) and in turn obliges the Host Authority to pay the Contractor. The Contract is a key document. The Contract (including its schedules) is a comprehensive document running to over 400 pages so it is not practical to explain each of the contractual provisions in this advice.
64. The Authorities have looked to maximise value for money throughout the procurement by ensuring that risks are allocated to the party (the Contractor or the Partner Authorities) best able to manage the risk. The Contract reflects this approach.
65. Due to the quasi- merchant nature of the Preferred Bidder's solution (food waste solution) and to reflect the commercial proposal put forward by the Preferred Bidder, a number of changes to the standard form waste contract are required. These changes are referred to as “derogations”. The summary of the key derogations proposed are set out in the final business case.
66. Because the project receives WG grant funding the derogations to the standard form of contract need to be approved by WG. Accordingly, throughout dialogue discussions have been held with representatives of WG concerning the derogations proposed. As part of the ‘healthcheck process’ the WG have already reviewed changes to the standard form waste contract. As stated, the summary of the key derogations is included in the final business case, which has been submitted to WG for approval.

67. The derogations reflect key commercial aspects of the Preferred Bidder's solution and are commercially sensitive, so are not detailed in this Public report. The legal evaluation considered the derogations proposed when evaluating the risk allocation and commercial terms. The derogations requested were viewed as being supported by persuasive project specific and or value for money justification backed (wherever possible) with market precedent.
68. Some key contract provisions to note are as follows:-
- (i) The proposed contract is for a term of 15 years with an option to extend or 5 years. This is an important point to note as the Authorities are, put simply, committing to paying for the solution for that term. Any extension of the contract term will be subject to the agreement of the parties at that time (subject to the prevailing EU procurement rules). This is intended to provide the Authorities with flexibility to continue with the project beyond the original term.
 - (ii) The services are due to start in 2016. If the services are late (referred to as late service commencement) provisions has been included whereby the Authorities can recover their losses, albeit alternative arrangements would be required.
 - (iii) The Contract covers provision for treatment for both Food and Green waste. As stated in the report the Food waste solution is on a third party site and the Green waste solution is on Cardiff's Lamby Way site. The latter was offered as an optional site for bidders to use as part of the procurement process.
 - (iv) The contract sets out what happens in the event of default by the Contractor, how disputes are to be resolved and what "events" enable the Host Authority to withhold/set off payments and ultimately terminate the contract.
 - (v) The Contract sets out obligations on the Authorities in respect of delivery of waste and payment of guaranteed minimum payment (based on an assumed minimum tonnage);
 - (vi) The Contract also deals with what happens to the Facilities upon early termination or expiry of the Contract and consequences of such termination;
 - (vii) Change in law. The Contract contains provisions to deal with changes in law and who bears any consequential costs that flow. In certain circumstances this may be the Authorities.
69. For further legal implications on key contract provisions please see exempt Appendix D. Appendix D to this report contains information which is exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and 16 (legally

privileged information) of Schedule 12 A part 4 of the Local Government Act 1972.

70. As stated it is proposed that the Contract will be concluded between the Host Authority and the Contractor. The obligations of the Host Authority under the Contract will be passed back via a back to back agreement that will be concluded between the Partner Authorities. This agreement is referred to as the Inter Authority Agreement 2 (“IAA2”)

Inter Authority Agreement 2 - (“IAA2”)

71. The purpose of the IAA2 is to:
- (i) set out the arrangements between the two Authorities as to how they will work together throughout the life of the project (the governance arrangements), and
 - (ii) provide for the obligations of the Host Authority that relates to the Vale to be met by the Vale.
72. The draft IAA2 is an exempt Appendix E to this report. Those areas identified within the draft will be approved pursuant to the delegation set out in the recommendations along with any further “refinement” to reflect any refinements made to the Contract prior to financial close. The IAA2 will require completion before or contemporaneously with the Contract. As can be appreciated, it would not be in the interests of the Host Authority to conclude the Contract until it had the comfort that both Authorities had agreed the IAA2.
73. As to governance arrangements, the IAA2 envisages setting up a contract management team and contract management board and sets out the terms of reference including any financial thresholds for decision making.
74. The IAA2 sets out the obligations and duties of each Authority, along with financial provisions in respect of payment and allocation of costs. It also sets out the liabilities of each Authority.
75. There are provisions within the IAA2 should the Contract be terminated and if an Authority wishes to withdraw. It should be noted that as the Contract is for 15 years, early withdrawal could lead to significant costs. There is no cap on liability.
76. The Host Authority, on behalf of both Authorities, and as part of the Contract, is required to sign a Certificate under the Local Government (Contracts) Act 1997 to the effect that all requisite authorities are in place enabling it to conclude the Contract. Before the Host Authority is able to sign such a certificate, it will require similar confirmation from the Vale.
77. As will be appreciated, the Contract should not be concluded until the final business case is approved by WG and the grant funding secured.

Non-Fettering Provisions

78. For the avoidance of any doubt it is noted that any planning permissions, consents, permits or the like that may be required in respect of the Kelda's solution are a matter for Kelda and relevant Regulatory Authority (including any of the Partner Authorities in their capacity as local Planning Authority). This report and recommendations proposed should not be seen as fettering the exercise of any Regulatory Authority's statutory discretion or the exercise of any of their statutory functions.

Interim procurement

79. It is understood that the intention is to procure a framework agreement on behalf of those Authorities named in the report. Each Local Authority will then separately call off that framework. Accordingly the requirements of those authorities should be detailed within the OJEU notice and procurement documentation. Further legal advice should be sought as to the structure of those documents.
80. It is also understood that the value of this procurement is over the EU threshold and accordingly this procurement is subject to the full scope of the Regulations and the EC Treaty based principles of non discrimination, equal treatment, transparency, mutual recognition and proportionality apply. Advice should be obtained throughout the procurement process in respect of use of the procurement procedure, the drafting of the procurement documentation and any ancillary matters.
81. The body of the report details the evaluation criteria proposed and this report seeks approval of the evaluation criteria to be applied.
82. As Cardiff is relying on information to be provided by other Authorities and drafting the documentation including the terms and conditions for use by those Authorities, it is recommended that a back to back agreement (covering liabilities and any costs) be entered into.
83. It should also be noted that as this procurement is to be set up on behalf of other Authorities and include information on their behalf that there will be additional resource input as a result.

HR Implications

84. There are no HR implications.

Cabinet Consideration

85. The Cabinet considered this report on 9 October 2014 and resolved that:
- a) the proposed Interim Arrangements for the period from April 2015 to December 2016 for food and green waste treatment and the evaluation criteria set out in paragraph 44 of this report be approved

- b) authority be delegated to the Director Environment in consultation with County Solicitor and Corporate Director resources (& s.151 officer) to generally deal with all ancillary matters (including but not limited to determination of any extension periods) up to award of contract.

CABINET PROPOSAL

Council is recommend to approve

1. The appointment of Kelda Organic Energy Limited (Kelda) as the Preferred Bidder for the long-term Organic Waste Treatment Project.
2. That authority be delegated to the Senior Responsible Officer (Assistant Director Environment) (in consultation with the Project Board and County Solicitor) to finalise the procurement to a contract close (including any refinement of documentation) as referred to in redacted Appendix A.
3. That the Full Business Case be approved, noting the improved affordability position in terms of the following points:
 - the reduction in cost compared to the original Outline Business Case (OBC), affordability threshold, taking into account the later inclusion of the Vale of Glamorgan and their business case.
 - the significant costs saving relative to landfilling food waste and incurring fines; and
 - the Net Present Value (NPV) of the proposed Preferred Bidder's solution, including costs directly incurred by this Council, which represents a significant reduction compared to the original OBC Upper Affordability Threshold of £31.1m approved by Cabinet in 2012.
4. That Cardiff Council agrees to act as Host Authority as defined in the Inter Authority Agreement 2 (IAA2) in the exempt Appendix E.
5. That the IAA2 is entered into with the Vale of Glamorgan (on the understanding that it is subject to any refinement and finalisation as per recommendation 6 below).
6. That authority be delegated to the Senior Responsible Officer (Assistant Director Environment) (in consultation with the Project Board and County Solicitor) to finalise and conclude the IAA2 agreement (including any refinement of documentation as set out in this report and pursuant to recommendation 2).
7. That subject to Welsh Government approving the Final Business Case (and confirming subsequent funding, conclusion of the IAA2, and Cardiff Council agreeing to act as Host Authority) that a relevant authorised officer of Cardiff Council signs the Contract with Kelda Organic Energy Limited, on behalf of both Cardiff and Vale of Glamorgan Councils.

8. Subject to the recommendations above and following consultation with the s151 Officer from the Vale of Glamorgan, the s151 Officer from Cardiff Council signs the certificate pursuant to the Local Government (Contracts) Act 1997 on behalf of the Authorities.

THE CABINET

9 October 2014

The following appendices are attached:

Appendix A: Redacted Final Business Case

Appendices B, C, D, E and F (as identified above) contain information which are exempt from publication under paragraphs 14 (information relating to financial or business affairs) and 21 (public interest test) and/or 16 (legally privileged information) of Schedule 12 A part 4 of the Local Government Act 1972. It is viewed in the public interest to treat the documents referred to above as exempt from publication. Put simply, the rationale for this is that in order for the Authorities to be able to effectively evaluate tenders received it requires bidders to provide details of the commercial make up of their bid which they may not do if they thought such information would be made publicly available. The adverse impact on contractual negotiations due to such disclosure would result in a less effective use of public money. Disclosure of legally privileged information could materially prejudice the authority's ability to defend its legal interests. Therefore on balance, it is submitted that the public interest in maintaining exemption outweighs the public interest in disclosure. That said redacted versions of key documents will be made available.

Appendix B: Exempt Evaluation Report (exempt from publication)

Appendix C: Exempt Financial Implications (exempt from publication)

Appendix D: Exempt Legal Implications (exempt from publication)

Appendix E: Exempt Draft IAA(2) (exempt from publication)

Appendix F: Exempt Unredacted Final Business Case with highlighted redactions (exempt from publication)

The following background papers have been taken into account

- Municipal Organic Waste Treatment – Procurement, Report of Chief Officer (City Services) 6 October 2011 (including Outline Business Case) OJEU and Cabinet Report 2012)http://www.cardiff.gov.uk/objview.asp?object_id=20916
- Towards Zero Waste One Wales: One Planet, June 2010
<http://wales.gov.uk/docs/desh/publications/100621wastetowardszeroen.pdf>
- Municipal Waste Management Strategy 2011-16, 13 January 2011 Report of Corporate Director (Built Environment)
http://www.cardiff.gov.uk/objview.asp?object_id=18908
- Final Tender Evaluation Reports
 - Pinsent Masons Legal Evaluation Report dated – September 2014 (exempt from publication under paragraphs 14, 16 and 21 of Schedule 12A part 4 of the Local Government Act 1972)
 - Grant Thornton Financial Evaluation Report dated – September 2014 – (exempt from publication under paragraphs 14 and 21 of Schedule 12A part 4 of the Local Government Act 1972)
 - Mott Macdonald Technical Evaluation Report dated – September 2014 (exempt from publication under paragraphs 14 and 21 of Schedule 12A part 4 of the Local Government Act 1972)
 - Final Tender - exempt from publication under paragraphs 14, 16 and 21 of Schedule 12A part 4 of the Local Government Act 1972



**Cardiff Council,
in Partnership with the Vale of
Glamorgan Council**



**Organic Waste Treatment Project
Final Business Case (FBC)**

Redacted Version

October 1st 2014

CONTENTS PAGE

1.	EXECUTIVE SUMMARY	3
2.	PROJECT BACKGROUND	12
3.	THE STRATEGIC CASE	19
4.	THE ECONOMIC CASE	28
4.2	STAGES OF THE PROCUREMENT PROCESS	29
	<i>Table 4.1 – Stages of the Procurement Process.....</i>	<i>30</i>
	<i>Table 4.3 – Provides a summary of the Pre-Qualification Stage</i>	<i>33</i>
	<i>4.2.2 Competitive Dialogue Stages – Evaluation Methodology</i>	<i>38</i>
	<i>Table 4.4 – Summary of Stage 2a - ITPD & ISOS</i>	<i>34</i>
	<i>4.2.4 Stage 2b Competitive Dialogue – ISDS.....</i>	<i>40</i>
	<i>Table 4.5 – Summary of Stage 2b - ISDS.....</i>	<i>35</i>
	<i>4.2.4 Stage 2c Competitive Dialogue – ISFT.....</i>	<i>41</i>
	<i>Table 4.6 – Summary of the Stage 2c - ISFT</i>	<i>36</i>
5.	THE COMMERCIAL CASE	48
6.	THE MANAGEMENT CASE	56
7.	THE FINANCIAL CASE	
	Error! Bookmark not defined.	

APPENDICES

APPENDIX A	WG FBC EVALUATION CRITERIA
APPENDIX B	DATA TABLE (EXEMPT)
APPENDIX C	SUMMARY OF KEYLEGAL DEROGATIONS (EXEMPT)
APPENDIX D	WG HEALTH CHECK (OUTCOME) LETTER (EXEMPT)
APPENDIX E	TECHNICAL ADVISOR LETTER OF ENDORSEMENT (EXEMPT)
APPENDIX F	(NOT USED)

APPENDIX G RISK REGISTER (EXEMPT)

APPENDIX H FINANCIAL MODEL & MASS FLOW MODEL (EXEMPT)

1. EXECUTIVE SUMMARY

1.1 Introduction

This document sets out the Final Business Case (FBC) for the appointment of the Preferred Bidder for the 15-year Cardiff Organic Waste Treatment Project.

The purpose of this FBC is two-fold; firstly it provides a tool for each Authority (and its stakeholders) to analyse the outcome of the procurement process, and answer a number of questions about the proposed solution, including:

- does it address all of the Authority's Requirements?
- does it represent good value for money?
- is it affordable?
- is it in line with national Waste Policy?
- is it a good fit with the Authority's wider waste management strategies?
- is the Project environmentally sustainable?
- is the Project's risk-profile appropriate? and
- taking all the above into consideration, is it the right solution for the Authorities?

Secondly, the FBC is a mandatory document, which forms part of the Welsh Government's (WG) revenue-support award process (which is worth approximately 25% of the cost of the food waste treatment services over the 15 year contract). The WG use the document to review issues such as those set out above, but also to ensure that the basis on which they allocated funding to the Project at the beginning of the process (following approval of the Outline Business Case (OBC) has not changed.

1.2. Business Case Summary

The Cardiff Organic Waste Treatment Project (COWTP) is being undertaken in accordance with the EU Competitive Dialogue



Procedure. In August 2014 COWTP reached Final Tender stage in the procurement for an Anaerobic Digestion (AD) facility for the treatment of source segregated food waste, and an Open Windrow Compost (OWC) facility for the treatment of green waste in Cardiff.

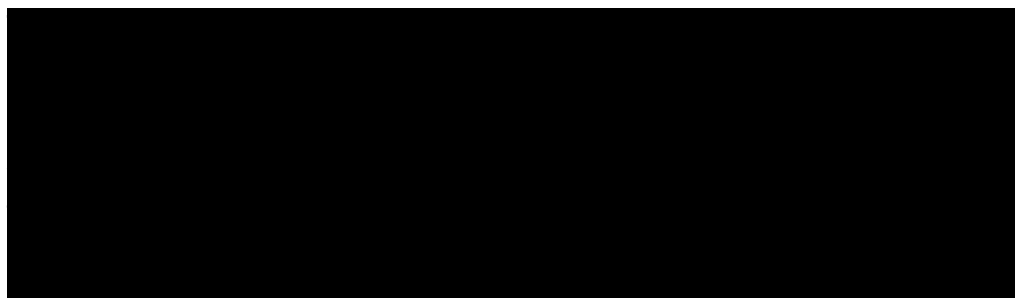
In the view of the Project Board, this FBC strongly supports the appointment of Kelda as Preferred Bidder for the Project.

After a detailed evaluation process it can be reported that Kelda's submission is robust across the technical, legal and financial criteria. Kelda's solution is based on AD technology for food waste (based generally on a non-reverting asset at a site owned by Dwr Cwmru at their waste water treatment works at Tremorfa, east Cardiff) and an OWC facility for green waste, which will be a reverting asset on a site owned by Cardiff Council, adjacent to its landfill site at Lamby Way.

In the view of the Project Board, the Business Case strongly supports the appointment of Kelda as Preferred Bidder. The procurement process was highly competitive up to the latter stages of the Invitation to Submit Final Tenders and firmly negotiated, which resulted in good value for money and appropriate commercial positions being agreed.

At the Detailed Solution stage, Kelda's bid was an acceptable, affordable and very competitive proposal, in terms of pricing, risk allocation and meeting the Authority's Requirements. In the run up to Final Tenders, detailed and robust negotiation resulted in the Kelda's tendered payments over the life of contract reducing significantly. This, together with the quality of the solution and the favourable commercial terms, means that the solution now represents **good value for money**.

At Planned Service Commencement (scheduled for December 2016) the tendered gate fees will be considerably lower than the price each Authority would be paying for their waste disposal if they had continued with their current arrangements. The WG contribution further supports the Project's affordability. Furthermore, only a proportion of the costs will be subject to indexation, which means that the cost of the Services will reduce in real terms on an annual basis, relative to inflation over the 15 year period. This makes the Contract **highly affordable for Cardiff and the Vale of Glamorgan Authorities**, and significantly below the affordability thresholds approved at the OBC stage.





Through robust negotiation, Kelda has committed to achieve a high **recycling rate**, as well as a commitment to recycle rejects/contaminants as well as the bio-bags, meeting the Authority's requirements.

Kelda's solution is in line with **WG Policy** and supports the Authorities' respective **waste management strategies** – including the commitment to continually increase recycling to at least 70% by 2024/25.

The AD plant is a capital intensive and complex facility. During negotiations, the Project Team ensured that the Authority did not take on any inappropriate risk and that the risk profile is appropriate for a public sector body to assume on a waste project of this type. Furthermore, and given the merchant nature of the Facility, key risks have been transferred to the Contractor to protect the interests of the Authorities. As an interest in the Site and Planning Permission has already been secured for both the AD and OWC facilities, a number of the most significant deliverability risks to projects of this kind have been removed.

In summary, this is an affordable and environmentally and financially sustainable solution that is in line with WG objectives and represents excellent value for money with the benefit of a low deliverability risk.

1.3 Structure of the FBC

As well as addressing the over-arching business case for awarding the Contract to Kelda; the FBC analyses the changes since the OBC was published in October 2011. This is to establish whether there have been changes in circumstances, key assumptions or changes resulting from the solution offered by the Kelda that may have fundamentally altered the basis upon which the Authorities approved the initial project and provisional WG funding was awarded.

After a general background section, the FBC is structured into separate but inter-related business cases:

- the Strategic Case;
- the Economic Case;
- the Commercial Case;
- the Management Case;
- the Financial Case.

The following section briefly outlines each of these FBC sections in turn.

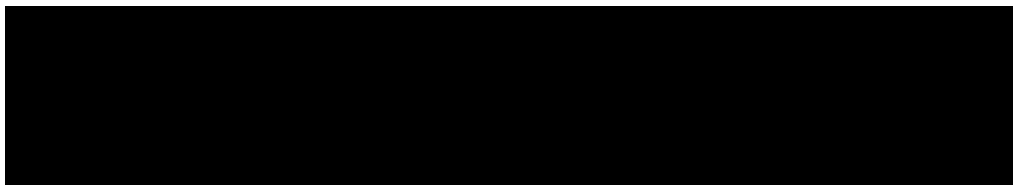
1.4 The Strategic Case

This section provides an outline of the Authorities' and the WG's strategic waste management objectives and any changes since the approval of the OBC. It also provides an analysis of how Kelda's solution aligns with Cardiff and the Vale of Glamorgan's respective waste strategies moving forward.

The Strategic Case considers key issues including:

- waste minimisation;
- recycling performance;
- landfill diversion;
- renewable energy; and
- environmental impact.

In summary, the Strategic Case established that the Kelda's solution is highly compatible with the two Authorities' waste strategy objectives. Kelda's guaranteed commitment to a high performance recycling solution for the Food and Green contract waste, will make a positive and significant contribution to both Authorities achieving their respective overall recycling targets.



I

[REDACTED]

This will further enhance the renewable energy credentials of the AD plant and therefore has the opportunity to deliver significant carbon benefits for Cardiff in its quest to become a low carbon city.

[REDACTED]

Most notable is the reduced net carbon emission, resulting in a much lower climate change impact from the two Authorities' waste management activities.

1.5 The Economic Case

This section of the FBC is to demonstrate that the Authority has conducted a competitive procurement structured in accordance with the proposals in the OBC, and in line with EU procurement rules. The importance of strong competition is underpinned by the premise that if the bidders are keen to be awarded the Contract, they will strive to develop the best technical solution, on the best commercial terms for the lowest price.

The economic case also considers the flexibility built into the Contract; testing its ability to adapt to various changes in circumstances over the 15 year contract duration. The negotiated contract submitted with this FBC is flexible and adaptable to changes such as: new legislation; changes to the waste profiles and variations that might be instigated by, for example, a change in an Authority's collection or recycling policy.

The Economic Case demonstrates that the process was highly competitive, right up to the submission of the Final Tender. Kelda's proposal is better value and significantly more affordable than the Reference Case that was modelled in the OBC, and moreover, a lower cost to the Authority than was the case at ISDS submission.

Furthermore, benchmarking against similar and recent waste projects (e.g. published reports from WRAP and other anecdotal evidence), on a like-for-like basis indicates that Kelda's final tender is reasonably priced taking into account the quality of service to be provided and the allocation of risk.

1.6 The Commercial Case

The Commercial Case considers how the approach to project risk that was assumed in the OBC has changed up to the current stage. Key to this type of project is ensuring the appropriate level of risk transfer from the Public to the Private Sector. The general assumption is that the Public Sector requires a degree of certainty and attempts to transfer risk to achieve this. However, if too much risk is transferred, the Contractor will price accordingly (and the Authority would therefore pay for such transfer of risk whether or not the risk materialises), putting the cost up and undermining Value for Money.

During the latter stages of this procurement, a number of the risks normally associated with projects of this nature were significantly reduced.

All the 'derogations' to WG's standard contract require sign-off by the WG after Final Tenders before final funding can be approved. The WG undertook a Commercial Health Check before submission of final tenders and the closing of dialogue. The aim was to check the agreed commercial positions and approve the proposed derogations. In their Approval letter to the Authority (dated 22nd July 2014 copied in Appendix D) following the Health Check, WG confirmed that it was content for the Authority to close dialogue and proceed to the Call for Final Tenders (CFT) stage.

A summary of the key derogations are set out in Appendix C to this FBC and further information is set out in section 5 of this FBC.

1.7 The Management Case

The management case reviews the Project management and governance of the procurement in order to establish that it has been conducted in line with best practice and the arrangements outlined in the OBC. Importantly, it also looks forward to ensure that sufficient resources have been identified for managing the Contract throughout the transition and operational phases.

In summary, the Project has been well managed throughout the procurement process with an appropriate governance structure, Member input, overview and scrutiny.

A budget has been allocated for the post-procurement phases and a Transition Plan is being developed. The Transition Plan, which has been discussed at the Project Board, seeks to manage the period from financial close in January 2015, to Planned Service Commencement in December 2016. During this period, the construction phase will require ongoing monitoring and, most importantly, a Contract Management Manual will be completed, along with the establishment of the financial and reporting systems, and establishment of the Contract Operations team.

It is intended that the two Authorities will enter into an Inter Authority Agreement (2) which will govern the relationship between them in relation to operation of the contract.

1.8 The Financial Case

The financial case analyses the cost of the preferred solution and has proven that it is affordable to each Authority. The analysis is based on the financial model submitted by Kelda as part of its final tender.

Approval of the FBC (and the financial case) by each Authority will demonstrate that each understands and accepts the financial impact on their respective Authority of entering into the Contract.

Furthermore approval of the FBC, and the relevant affordability position, will underpin the decision by the elected Members for the Project to proceed to Financial Close.

The financial case for the preferred solution, as compared with that of the OBC reference case and 'business as usual' case, is very strong. The year on year cost of the preferred solution is significantly lower than the cost of landfilling accompanied with sub-optimal recycling performance. In summary, the Project is affordable, has an acceptable risk profile, and overall, represents good value for money for the Authority.

The Authority will pay for the service on a per tonne gate fee basis, with deductions applying for poor performance or unavailability.

The proposed preferred bidder's price (in Net Present Value terms) is affordable, and well within the upper affordability threshold approved by Full Council for the project in 2012. It also compares favourably with the current cost of Cardiff's interim food and green waste treatment arrangements.

The price is only partially indexed by inflation over the 15 years contract duration, giving the Authority some protection against inflation. In addition, there is potential for the Authority to share in additional income generated by Kelda, for example in relation to third-party waste or electricity income, without being exposed to any downside risks.

The solution is to be corporately financed by Kelda, and the Authority is satisfied in relation to the robustness of the funding commitments received.

On approval of the FBC by the WG, it will agree to pay the Authority revenue support. This will be paid quarterly in arrears on an annuity basis.

At Contract Commencement, there are savings to the Authorities (reflecting the benefit of the WG funding) as compared to the cost of continuing with the current interim recycling arrangements. In addition, at Final Tenders, the project is 38.3% cheaper than anticipated at the outset of the project, as depicted in the following table.

Table 1 - First Contract Year (2016 – 2017) Cost Comparison with OBC

Preferred Bidder Savings		
Authority	Saving: Preferred Solution vs OBC	
	£m	%
Cardiff	14.60	48.6%
Vale of Glamorgan	£0.5m	14.7%
Overall Project	11.10	38.3%
Total		

N.B. in comparing the two sets of figures above, these are not adjusted for inflation, and it needs to be recognised that the Vale of Glamorgan entered the procurement c.14 months after the OJEU was published.

2. PROJECT BACKGROUND

2.1 Introduction

This section provides a summary of each Authority's current organic recycling and composting activities.

2.2 Key Characteristics of Authority Area – Political Control

There have been no material changes to the main characteristics of each Authority area since OBC. However following the May 2012 local elections the political control of each Authority changed as illustrated below:

Local Authority	Pre May 2012	Post May 2012
Cardiff City Council (CCC)	Liberal Democrat/Plaid Cymru	Labour majority
Vale of Glamorgan Council (VoG)	Conservative majority	Labour/Llantwit First Independents

2.3 Analysis of Waste Arisings

The tables below summarise actual municipal waste arising for each Authority:

Table 2.3 details the amounts of organic waste collected by Cardiff Council over the last six years.

Table 2-3: Organic waste collected by Cardiff Council from 2008/09 – 2013/14(tpa).

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Kerbside	Green	10,785	18,794	19,237	19,963	15,041	15,037
	Food	8,986	7,053	6,998	8,919	13,411	12,880
	Total	19,909	29,071	26,235	28,822	28,452	27,918
HWRC	Green	1,800	1,790	1,943	2,283	1,840	2,170
Commercial	Green	0	0	0	0	0	0
	Food	169	418	648	1,137	1,656	1,555
Parks and Street Cleansing	Green	3052	2,742	2,165	201	53	153

Total	Green	15,637	23,326	23,345	22,046	16,934	17,360
Total	Food	9,155	7,471	7,646	10,056	15,067	14,435
Total	Green & Food	24,792	30,797	30,991	32,092	32,001	31,796

Source: WDF except street cleansing (Cardiff Council). These figures have been rounded

Cardiff Council has a reasonable composting performance, when compared against other Welsh Authorities, given its status as the capital with a diversified ethnic population, for the food waste presented for recycling by its residents. Table 2.2 shows the composting rate over the last six years. It can be seen that levels have increased over the years; this is largely attributable to the promotion of the use of HWRC, kerbside green waste collection and, more recently, the promotion of the separate food waste collection for commercial premises, and the separate collection of food for households in the city. In 2012/13 there was a large switch over to AD from in-vessel composting, to meet the requirements of source-separated food collections introduced in late 2011.

Table 02-1: Cardiff Composting Rate* (2008/09 – 2013/14)

Years	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cardiff	5.1%	5.1%	5.2%	5.9%	8.6%	8.8%

Source: Cardiff Council. *Total food tonnage recycled as a percentage of MSW.

Table 2.3 below details the amounts of organic waste collected by Vale of Glamorgan Council over the last six years.

Table 02-2: Cardiff Composting Rate* (2008/09 – 2013/14)

Years	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cardiff	6.8%	7.1%	7.5%	8.9%	9.0%	8.9%

Source: Vale of Glamorgan

Table 2-3: Organic waste collected by Vale of Glamorgan Council from 2008/09 – 2013/14(tpa)

Waste Stream		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Kerbside	Green	4,293	4,262	4,093	4,822	5,288	5,166
	Food	96	780	2,526	5,363	5,428	5,579

HWRC	Green	2,375	2,115	1,882	1,949	1,866	2,167
Total	Green	7,222	6,973	6,523	7,252	7,154	7,333
Total	Food	96	780	2,526	5,363	5,428	5,579

N.B. Some green waste from Parks and gardens is collected by private contractors, hence not captured in the above figures

The Authorities' respective Waste Flow Models were prepared for this project and updated during the procurement process, taking into account population, housing and waste trends. Cardiff and the Vale of Glamorgan have produced the following estimates of future Municipal Waste arisings:

Table 2.4 Cardiff Council MSW Tonnage Projections

Year	WCA H'hold Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2014/2015	118,227	36,868	15,329	10,025	180,449	0.96
2015/2016	119,324	37,210	15,513	10,118	182,164	0.96
2016/2017	120,446	37,560	15,699	10,213	183,919	0.97
2017/2018	121,591	37,917	15,888	10,310	185,705	0.98
2018/2019	122,751	38,279	16,078	10,408	187,517	0.97
2019/2020	123,921	38,643	16,271	10,508	189,343	0.95
2020/2021	125,093	39,009	16,434	10,607	191,143	0.94
2021/2022	126,265	39,374	16,598	10,706	192,944	0.93
2022/2023	127,431	39,738	16,764	10,805	194,739	0.92
2023/2024	128,589	40,099	16,932	10,903	196,523	0.90
2024/2025	129,736	40,457	17,101	11,001	198,294	0.80
2025/2026	130,871	40,811	17,101	11,097	199,880	0.78
2026/2027	131,994	41,161	17,101	11,192	201,448	0.77
2027/2028	133,103	41,507	17,101	11,286	202,998	0.75
2028/2029	134,199	41,849	17,101	11,379	204,528	0.74
2029/2030	135,282	42,186	17,101	11,471	206,041	0.73
2030/2031	136,353	42,520	17,101	11,562	207,536	0.71

2031/2032	137,414	42,851	17,101	11,652	209,018	0.74
-----------	---------	--------	--------	--------	---------	------

N.B. These projections are consistent with PG's (residual project).

Table 0.5 Vale of Glamorgan County Council MSW Tonnage Projections

Year	WCA Household Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2014/2015	34,595	16,930	6,940	3,045	61,511	0.67%
2015/2016	34,830	17,045	6,987	3,066	61,928	0.68%
2016/2017	35,069	17,162	7,035	3,087	62,353	0.69%
2017/2018	35,311	17,281	7,084	3,108	62,783	0.69%
2018/2019	35,555	17,400	7,133	3,130	63,218	0.69%
2019/2020	35,801	17,520	7,182	3,151	63,655	0.69%
2020/2021	36,044	17,640	7,231	3,173	64,088	0.68%
2021/2022	36,285	17,757	7,279	3,194	64,515	0.67%
2022/2023	36,520	17,873	7,327	3,215	64,934	0.65%
2023/2024	36,751	17,985	7,373	3,235	65,343	0.63%
2024/2025	36,975	18,095	7,418	3,255	65,743	0.61%
2025/2026	37,195	18,203	7,462	3,274	66,133	0.59%
2026/2027	37,408	18,307	7,505	3,293	66,512	0.57%
2027/2028	37,613	18,407	7,546	3,311	66,878	0.55%
2028/2029	37,812	18,505	7,586	3,328	67,231	0.53%
2029/2030	38,004	18,599	7,624	3,345	67,573	0.51%
2030/2031	38,190	18,689	7,661	3,362	67,902	0.49%
2031/2032	38,367	18,776	7,697	3,377	68,218	0.47%

Cardiff and VoG Combined Total

Year	WCA Household Collected Waste	HWRC H'hold Waste	WCA Collected Trade Waste	Other MSW	Total MSW Arising	Annual Percentage Change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2014/2015	152,822	53,798	22,269	13,070	241,960	1.00
2015/2016	153,919	54,140	22,453	13,163	243,675	1.00
2016/2017	155,276	54,605	22,686	13,279	245,847	0.89
2017/2018	156,660	55,079	22,923	13,397	248,058	0.90
2018/2019	158,062	55,560	23,162	13,516	250,300	0.90
2019/2020	159,476	56,043	23,404	13,638	252,561	0.90
2020/2021	160,894	56,529	23,616	13,758	254,798	0.89
2021/2022	162,309	57,014	23,829	13,879	257,032	0.88
2022/2023	163,716	57,495	24,043	13,999	259,254	0.86
2023/2024	165,109	57,972	24,259	14,118	261,457	0.85
2024/2025	166,487	58,442	24,474	14,236	263,637	0.83
2025/2026	167,846	58,906	24,519	14,352	265,623	0.75
2026/2027	169,189	59,364	24,563	14,466	267,581	0.74
2027/2028	170,511	59,814	24,606	14,579	269,510	0.72
2028/2029	171,812	60,256	24,647	14,690	271,406	0.70
2029/2030	173,094	60,691	24,687	14,799	273,272	0.69
2030/2031	174,357	61,119	24,725	14,907	275,109	0.67
2031/2032	175,604	61,540	24,762	15,014	276,920	0.66

The Authorities' projections as a whole show a year on year increase in the quantity of MSW the Authorities manage. The assumptions behind the waste forecasting model are based on a number of growth factors, including population, housing trends, economic growth, consumer behaviour, changes in retailer materials use (e.g. packaging types/weights), legislative drivers, waste minimisation initiatives, recycling performance and changes in the commercial waste market.

The Project considers that, as the MSW waste generated **per head** will continue to fall with increased recycling efforts and waste minimisation policies bearing fruit, this will also coincide with increased consumer confidence as the economy grows over time, along with major changes to packaging of food waste having already occurred and set to over the next few years. The growth will be driven by increased awareness of food recycling by

existing residents as well as predicted population increases for Cardiff and the Vale of Glamorgan, based upon the most recent Welsh Government and LDP projections.

2.4 Details of Current Arrangements for Collection and Disposal

City of Cardiff Council: In September 2011 CCC implemented a weekly food waste collection service and a fortnightly green waste collection service for residents. In late 2013, following consultation and in response to the Council's need to make savings, green waste collections were cut between 1st November and March 31st inclusive, although predictably, green waste was still received in increasing tonnages at HWRC's during this period. The Authority currently provides twenty two bring sites and four HWRCs which post-sort the organic waste from the sites extracting further recyclable material. The Authority also has approximately 3,000 trade customers on its books, for food collections and/or co-mingled dry recycling collections. Additionally the Authority offer commercial glass and food waste collection services. A small proportion of organic waste still goes to landfill at the Authority's Lamby Way site or through the existing contract with Biffa Waste Services Ltd. This contract is annually renewed for 12-month periods up until 2018. The Lamby Way Landfill Site is planned to close by late September 2014 when all (non-recyclable) residues from organic waste streams will be sent to EFW providers (prioritised over landfill where possible) within economic distance.

Vale of Glamorgan Council: VoG has a weekly food waste collection and fortnightly Organic and green waste collection service for residents, along with other new waste collection arrangements. The Authority provides forty six bring sites and two HWRCs. Residues from organic waste are sent to landfill through a contract with Biffa Waste Services Ltd. The Vale of Glamorgan's current interim) organic waste treatment contract is due to expire 31st March 2016 but has potential for extensions up to 31st March 2018. Collection arrangements are managed by the Authority, with a number of contracts in place for the recycling or treatment of waste.

2.5 Performance of Existing Services

Food/Green Waste Treatment Services

The tables below summarise actual composting performance for each Authority:

Cardiff City Council Organics (Food and Green) Composting Rate %

Year	Tonnes	% of MSW
2008/09	24,483	13.77%
2009/10	29,916	16.90%
2010/11	31,609	18.82%
2011/12	34,204	20.99%
2012/13	32,001	18.40%
2013/14	36,173	18.00%

N.B. Composting is the "Organics" tonnage recycled calculated as a percentage of MSW

Vale of Glamorgan Organics (Food and Green) Composting%

Year	Tonnes	% of MSW
2008/09	7,205	10.88%
2009/10	7,774	12.29%
2010/11	8,935	14.86%
2011/12	12,137	20.29%
2012/13	12,416	20.76%
2013/14	10,662	17.80%

3. THE STRATEGIC CASE

3.1 Introduction

The WG published 'Towards Zero Waste One Wales: One Planet' in June 2010, as the overarching waste strategy document for Wales. The primary objectives of the strategy are two-fold:

- the commitment to see Wales using only its fair share of the earth's resources within the lifetime of a generation, thus reducing our impact on climate change; and
- to comply with the requirements of relevant EU Directives.

The strategy sets the following targets for Waste Recycling and Composting, and Landfilling of Municipal Waste:

WG targets for Waste Recycling and Composting, Landfill and Municipal Waste

Municipal Waste collected by local	09/10	12/13	15/16	19/20	24/25

authorities					
Minimum levels of recycling/composting (or AD)	40%	52%	58%	64%	70%
Maximum level of landfill of municipal waste	-	-	-	10%	5%

The WG recycling targets as set out above are now statutory, with authorities facing a £200 per tonne fine for failure. Each of the COWT Authorities are committed to achieving these targets, strategically aligning themselves to the WG's overarching recycling and reuse strategy through front end segregation of recyclables (including food and green waste) and the treatment of food waste to produce renewable energy and PAS 100 digestate.

The preferred solution will enable the recycling of food waste, and in so doing, contribute towards each Authority's achievement of the statutory recycling and composting targets.

3.2 Municipal Waste Management Strategy (MWMS)

City of Cardiff Council

CCC undertook a full waste strategy review in 2011 (the "Review"), including public consultation. The Review aligned the strategy with 'Towards Zero Waste One Wales: One Planet' incorporating WG policies and guidance within the 2011 to 2016 waste management strategy. The strategy focused on how Cardiff plans to meet the new recycling target of 70% by 2025.

As a result of the Review, city wide changes to the collection services were introduced in September 2011 providing residents with weekly co-mingled recycling, weekly food and alternating Organic and green waste collections.

The Review identified the need for an AD and open windrow procurement for the treatment of the separately collected food and green waste.

The Review continued to recognise the need for the Project and assumed that an organic waste treatment facility would be operational by 2016/17. The financial profile, recycling contribution and WRATE modelling were based on these assumptions.

Vale of Glamorgan County Council

The VoG Waste Strategy (“VOG Strategy”) has been updated twice since originally produced in 2004. In 2009 the VOG Strategy was updated to align itself with national waste policy and recognise food waste recycling/treatment with the capture of energy via AD as the preferred process.

The VOG Strategy was further updated in 2011, introducing the collection of all kerbside materials; organic waste, dry recycling and organic material (food and garden waste) on the same day, with organic waste and garden waste being collected on alternate weeks. It also recommended that co-mingled dry recyclate be collected weekly.

3.3 Waste Minimisation

City of Cardiff Council

CCC continues to support waste minimisation activities, such as home composting, fortnightly organic waste collections, paint reuse schemes, providing advice and guidance on smart shopping, real nappies etc. Future schemes will explore the viability of furniture and bulky item reuse.

Vale of Glamorgan

VoG continues to support waste minimisation activities with the introduction of alternate weekly green waste collections and the weekly collection of dry recycling and food waste. The Authority has worked with WRAP on several studies investigating possible improvements in the management of HWRC’s and is working in collaboration with them to improve their communications strategy regarding waste and recycling.

The Authority has been adopting proactive awareness campaigns such as “What’s in Your Bin” used as a logo on all communication paperwork aimed at promoting more sustainable waste practices.

3.4 Recycling, Composting and Anaerobic Digestion

Recycling

The following tables show the steady and significant improvement that each Authority has made in terms of its overall recycling performance over the past six years, but also indicate that the rate of improvement has begun to plateau since 2011/12, reinforcing the need for a step change in the recycling of organics, which is where the scope for improvement lies, and hence a significant driver for this procurement.

Cardiff Council – Recycling Performance 2008 – present (Municipal Waste)

Year	Recycling %
2008/09	34.5
2009/10	38.3
2010/11	41.6
2011/12	51.2
2012/13	49.1
2013/14	52.2

Vale of Glamorgan – Overall Recycling Performance 2008 – present (Municipal Waste).

Year	Recycling %
2008/09	40.4
2009/10	41.2
2010/11	43.8
2011/12	52.4
2012/13	54.5
2013/14	54.5

The Contractor will be contracted to recycle [REDACTED] the food and green waste that is produced at the Facility. This will make a significant contribution towards the Authority meeting its WG statutory recycling targets.

The Authority appreciates that although contract will facilitate recycling [REDACTED] there is potential for the proportion produced to vary over time, dependant on a number of factors, including contamination; therefore each Authority is committed to ensuring the meeting of the WG statutory targets through further recycling. Clearly, [REDACTED]

there is a chance that recycling performance would be affected if there was a sustained rise in contamination levels (from the current 2-2.5%). The Authorities understand the significance of contamination rates within the contract and will continue to ensure that contamination rates in organics stay well below the thresholds in the contract, through policies implemented by the organic waste collections teams.

Organic Treatment

The following tables provide each Authority's organic treatment projections (i.e. food and green waste combined, and expressed as a percentage of projected MSW).

Cardiff City Council – Organics Projections.

Year	Organic Treatment	
	Tonnes	% of MSW
2015/16	41,683	22.9%
2019/20	43,308	22.9%
2024/25	45,348	22.9%
2031/32	51,362	23.0%

Vale of Glamorgan County Council – Organics Projections.

Year	Organic Treatment	
	Tonnes	% of MSW
2015/16	14,205	22.9%
2019/20	14,601	22.9%
2024/25	15,688	23.9%
2031/32	16,962	23.9%

3.5 The Preferred Solution

Kelda proposes an AD plant for the treatment of the Authorities' food waste with a capacity of 35,000 tonnes per annum at the DCWW site at Tremorfa. The Facility will be designed and constructed by TEG, Kelda's D&B sub-contractor, and financed and operated by Kelda, who will have 100% of the equity in the SPV.

The Facility's outputs will be:

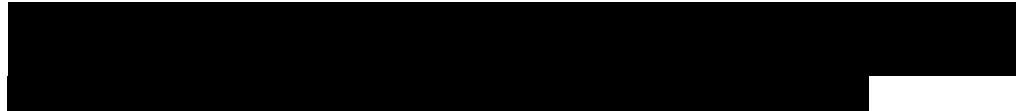
- PAS 110 Digestate, which will be taken to local farms in the South Wales region, and used for growing crops;
- other recyclates (e.g. Metals) extracted at the Facility which will be will be recycled by the Contractor through local companies
- Renewable Energy.

The AD facility will generate c.1.5MW of electricity, which is sufficient to power more than 1,500 households. It is designed to recover c.1MW heat



A working version of the mass-flow model used to calculate the wasteflow inputs to the financial model is provided within Appendix H.

The Authority's technical advisor (Mott MacDonald) has supplied a letter confirming full understanding of the nature and scope of the technical solution being proposed, including an endorsement of the robustness of the technology and design. A copy of the signed letter is provided in Appendix E.



The following key annual waste flow related performance measures are contained within the Payment Mechanisms Deductions:

1. **Recycling** – A deduction is applied if the Contractor fails to meet the Recycling Target. ,
2. **Non-Acceptance** – The cost incurred by the Authority in disposing of waste not accepted by the Contractor including any transportation costs, are recovered.

The following tables summarises the forecast tonnage of waste to be recycled by the Authorities over the Contract period.

[Redacted]

Year	Food Recycling	
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

[Redacted]

[Redacted]

Year	Green Recycling	
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]

[Redacted]

3.6 Landfill

[Redacted]

3.7 Performance Summary

Each of the Authorities are committed to achieving the revised Welsh Government Recycling and Composting Targets featured within 'Towards Zero Waste' national strategy for Wales June 2010.

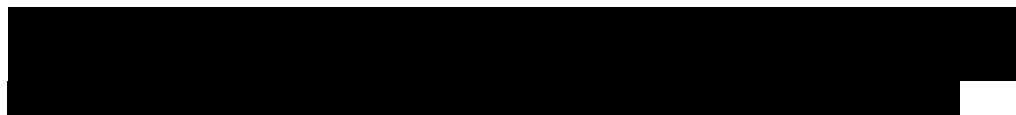
The summary table 3.7 below sets out WG's statutory recycling targets up to 2024/25, which both Authorities are striving to meet, showing the approximate percentage contribution of each Authority's contract food and green waste (combined) (i.e. allocated to this project) towards reaching these targets.

Recycling Performance %	2016/17	2019/20	2024/25	2031/32
Cardiff	58 (21)	64 (23)	70 (24)	70+(26)
Vale of Glamorgan	58 (17)	64 (17)	70 (17)	70+(17)

N.B. In Vale of Glamorgan's case, there is a distinct possibility that its food and green waste tonnage in practice will grow in excess of its agreed tonnage profile for this contract, so this table is indicative derived from the agreed base case waste flows against which may actual tonnages may fluctuate quite significantly.

3.8 Sustainable Heat/RHI Scheme

The AD facility at Tremorfa has been designed to be CHP enabled.



3.10 Environmental Impact

Based on peer reviewed WRATE modelling of Kelda's proposed waste treatment solution the Authorities expect to achieve the following carbon savings, recycling and landfill diversion benefits.

Table 3.10 – Summary of Benefits – food recycling.

Environmental Benefits	Baseline Scenario	Do Minimum Scenario*	Difference kg CO ₂ eq
Predicted Carbon Saving (kg CO ₂ equivalent p.a).	150	50	100

Recycling (and landfill diversion) tpa (average).	20,000	2,500	17,500
---	--------	-------	--------

*Do min scenario involves a return to pre-2007 food recycling levels, with a high reliance on landfill.

The WRATE analysis has demonstrated that the proposed solution will provide a significant annual net benefit on carbon

3.11 Appraisal of Technology Options for Organic Waste Treatment

The Authority strategic approach to Organic waste treatment technologies has not changed since OBC.

4. THE ECONOMIC CASE

4.1 Introduction

The recommendation to conduct an EU procurement process utilising the Competitive Dialogue Procedure to procure the Most Economically Advantageous Tender (MEAT) solution to the Authority's Requirements was detailed within the COWTP OBC and the OBC Health-check Addendum that had been approved by each Authority. The Competitive Dialogue Procedure was undertaken in accordance with the EU Public Sector Procurement Directive (2004/18/EC), which was implemented into UK law via the Public Contracts Regulations Statutory Instrument 2006/5 with effect from 31st January 2006.

To provide a clear understanding of the entire procurement process; the Project team developed the following procurement documentation, which was approved at each stage of the process in accordance with the Project's IAA.

- Procurement Strategy;
- Procurement Plan;
- Official Journal of European Union (OJEU) Notice;
- Pre-Qualification Questionnaire (PQQ) and Selection Criteria;
- Initial Descriptive Document (IDD);
- Evaluation Criteria, Methodology, Weightings & Scoring Mechanism containing Award Criteria for Each Stage;
- Output Specification;
- Invitation to Participate in Dialogue (ITPD) Including Outline Solutions (ISOS) suite of documentation;
- Invitation to Submit Detailed Solution (ISDS) suite of documentation;
- Invitation to Submit Final Tenders (ISFT) including Call for Final Tenders (CFT) suite of documentation.

A Contract Notice (reference 2001/S-247-401691) was published in the Official Journal of the European Union on 20th December 2011. This invited expressions of interest from organisations wishing to enter into a contract with the Lead Contracting Authority (acting on behalf of Cardiff and the Vale of Glamorgan) for the provision of an Organic waste treatment (recycling) solution. Each Stage of the procurement

process was conducted via Value Wales e-tenderwales portal and all documentation and interaction with the Applicants/Participants was undertaken via the portal.

From the outset the Authority was keen to maximise interest in the procurement to ensure a good competition, which would lead to the best value for money outcome. In order to assist in supplier development and to ensure that all potential providers were fully aware of the Project and procurement process to be followed, an industry day was held on 9th January 2012. At the industry day the Chair of the Project Board, the Senior Responsible Officer, the Project Team and Advisors met potential Applicants. Presentations were made as to the content, requirements and scope of the Project. As a result of the industry day and earlier market testing exercises, 35) potential providers expressed an interest with thirty (30) organisations downloading the PQQ.

4.2 STAGES OF THE PROCUREMENT PROCESS

The procurement process was delivered through a number of stages as detailed in the COWT Procurement Strategy and Plan. Each submission at each stage of the process was evaluated in accordance with the pre-established and published Evaluation Methodologies and Scoring Mechanisms.

The following general principles were observed throughout the procurement process, which all Applicants/Participants were afforded:

- equal treatment and non-discrimination;
- mutual recognition;
- confidentiality; and
- proportionality.

Each stage required a significant level of documentation, resources and input from stakeholders with intense and efficient project management throughout. A dialogue team was established consisting of a Project Manager, Procurement Officer, Technical Lead Officer, Finance Lead Officer, Legal Lead Officer, Project Control Officer and external specialist advisors and WG Transactor as required. The dialogue meetings for each stage were effectively managed with a proficient recorder present at all meetings, to ensure that details of all the dialogue sessions were captured consistently and accurately.

Table 4.1 – Stages of the Procurement Process

No.	Stage
1.	Selection
1a	Pre- Qualification (PQQ)
2.	Competitive Dialogue Invitation to Participate in Dialogue
2a	A Invitation to Submit Outline Solution (ISOS)
2b	Invitation to Submit Detailed Solution (ISDS)
2c	Invitation to Submit Final Tender (ISFT)
3.	Preferred Bidder & Contract Close
	Identification of Preferred Bidder leading to Financial Close (Contract Award).

4.2.1 Stage 1 – Pre-Qualification

A Pre-Qualification Questionnaire (PQQ) was made available to all interested providers along with the Initial Descriptive Document (IDD). This detailed the scope of the procurement, the rules of engagement for the Competitive Dialogue, commercial relationship, the PQQ evaluation methodology, the timetable, key contacts and other supporting information. This was considered necessary to achieve the desired outcome in a manner that would satisfy all public sector propriety, audit and governance criteria.

As detailed within the procurement strategy it was envisaged that a maximum of eight (8) Applicants would be selected at Pre-Qualification stage. This stage included pass or fail test and scored tests with only the top eight (8) (or nine (9) applicants if there were equal points scored at eighth 8th place) being shortlisted to the next stage of the procurement. In accordance with Procurement Regulations, the selection stage was backward facing, focussing on each Applicant's capability to deliver a satisfactory solution, their financial and economic standing, technical ability and past performance.

All PQQs were required to be submitted by the published deadline and no questionnaires were accepted after that deadline.

It is important to note that at the PQQ selection stage the Authority was not considering the Applicants' proposed solution(s) for the Project, and no such information was requested at that stage, as specified within the Public Contract Regulations. The PQQ was prepared having regard to

these regulations and was evaluated in accordance with the agreed and published evaluation methodology, set out in Table 4.2 below.

Table 4.2 – PQQ evaluation methodology

Section	Description	Score
A	General Company Information	0
B	Financial Section - Financial and Economic Standing and Ability to Raise Finance	Pass/Fail
	Technical Section	Pass/Fail
C	Experience of working on similar projects	42
D	Technical capacity and ability of Relevant Organisations	10
E	Quality Assurance	11
F	Health & Safety	11
G	Equal Opportunities	11
H	Environmental Management	11
I	References	0
J	Certification	0
K	Legal Compliance Questions	0

Table 4.3 – Provides a summary of the Pre-Qualification Stage

No.	Selection Stage	Procurement Summary	Organisation Names		Governance
			Applicants Selected for ITPD & ISOS	Applicants De-Selected/Withdrew	
1a	Pre-Qualification Period of Stage:	<p>Eight (8) Highest Scoring PQQ Applicants to be Shortlisted to Invitation to Participate in Dialogue (ITPD) Stage.</p> <p>20 December 2011 OJEU Notice Published</p> <p>January 2012 Supplier Industry Day</p> <p>Twenty Nine (29) Potential Suppliers Expressed an Interest</p> <p>Thirty-Six (36) Organisations downloaded the PQQ</p> <p>2012 PQQ Submission Deadline</p> <p>Eight (8) Organisations Submitted Questionnaires</p> <p>2012 Compliance Checks and</p>	<ol style="list-style-type: none"> 1. Agrivert 2. FCC Environment (UK) Limited 3. Kelda Water Services Ltd 4. New Earth Solutions Group Ltd 5. Shanks 6. TEG Environmental Ltd 7. Wessex Water Enterprises Limited (Trading as GENeco) 	<p>FCC Geneco New Earth TEG Cory</p>	<p>Project Board –</p> <p>Approval of: Procurement Strategy Procurement Plan Official Journal of European Union Notice (Advert/ Publication) Pre-Qualification Questionnaire - including Evaluation Methodology, Initial Descriptive Document (IDD)</p> <p>Project Board –</p> <p>Approval of Short List and Commencement of Invitation to Participate in Dialogue (ITPD)</p>

		Commencement of Evaluation Process	8. Cory Environmental Ltd		
--	--	------------------------------------	---------------------------	--	--

Table 4.4 – Summary of Stage 2a - Invitation to Participate in Dialogue (ITPD) & Invitation to Submit Outline Solutions (ISOS)

No.	Competitive Dialogue	Procurement Summary	Organisation Names		Governance
			Participants Selected for ISDS	Participants De-Selected/Withdrew	
2a	<p>Invitation to Participate in Dialogue (ITPD)</p> <p>&</p> <p>Invitation to Submit Outline Solution (ISOS)</p> <p>Period of Stage:</p>	<p>Issue of ISOS Documentation to the Seven (7) Shortlisted Applicants</p> <p>Two (2) Rounds of Dialogue Meetings with Participants</p> <p>ISOS Submission Deadline Five (5) Participants submitted Six (6) Solutions</p> <p>Compliance Checks, Commencement of Evaluation Process & Quality Assurance</p> <p>Clarifications with all Participants</p> <p>Procurement update meeting with remaining Participants</p>	<p>Agrivert</p> <p>Kelda</p> <p>Shanks</p> <p>GENeco</p>	<p>FCC Environment (UK) Limited (voluntarily withdrew)</p> <p>New Earth Solutions Group Ltd (de-selected post ISOS submission)</p> <p>TEG Environmental Ltd (voluntarily withdrew)</p> <p>Cory Environmental Ltd (voluntarily withdrew)</p>	<p>Approval of Invitation to Participate in Dialogue (ITPD) suite of Documentation including Invitation to Submit Outline Solution (ISOS) & Evaluation Methodology</p> <p>Project Board –</p> <p>Approval of Short List & Commencement of Invitation to Participate in Dialogue (ITPD) including Invitation to Submit Outline Solution (ISOS).</p> <p>Project Board –</p> <p>Approval of ISOS Evaluation Short</p>

					List & Invitation to Submit Detailed Solution (ISDS) suite of Documentation & Commencement of ISDS Stage.
--	--	--	--	--	---

Table 4.5 – Summary of Stage 2b - Invitation to Submit Detailed Solutions (ISDS)

No.	Competitive Dialogue	Procurement Summary	Organisation Names		Governance
			Participants Selected for ISFT	Participants Deselected/Withdrew	
2b	Invitation to Submit Detailed Solution (ISDS) Period of Stage:	ISDS suite of documentation was issued to the Four (4) Participants Draft submission of legal documentation Six (6) rounds of dialogue meetings ISDS Submission Deadline Four (4) Participants submitted Detailed Solutions Compliance Checks, Commencement of Evaluation Process & Quality Assurance	Kelda Shanks	Agrivert (de-selected) GENeco (de-selected)	Project Board – Approval of ISOS Evaluation & Invitation to Submit Detailed Solution (ISDS) suite of Documentation & Commencement of ISDS Stage. Project Board – Approval of ISDS Evaluation & Invitation to Submit Final Tenders (ISFT) suite of Documentation & Commencement of ISFT Stage.

4 Table 4.6 – Summary of the Stage 2c - Invitation to Submit Final Tenders (ISFT)

No.	Competitive Dialogue	Procurement Summary	Governance	
			Participant Selected	
2c	<p>Invitation to Submit Final Tender (ISFT)</p> <p>Period of Stage: September 2013 to 2014</p>	<p>2013 ISFT suite of documentation was issued to the Two (2) remaining Participants</p> <p>October 2013 to March 2014 Six rounds of ISFT dialogue meetings</p> <p>March 2014 Draft Final Tender Submission Deadline. Two Participants invited to submit Draft Final Tenders, but only one submission received (from Kelda).</p> <p>Welsh Government & Project Board's approval to Close Dialogue and Call for Final Tenders</p> <p>August 2014 One Participant invited to submit Final Tenders (Kelda).</p>	Kelda Water Services Ltd	<p>Project Board – Approval of ISDS Evaluation & Invitation to Submit Final Tenders (ISFT) suite of Documentation & Commencement of ISFT Stage.</p> <p>Project Board –</p> <p>Full Councils Approval: Cardiff – Vale of Glamorgan –</p> <p>Recommendation & Approval of: Final Tender Evaluation Preferred Bidder Appointment Inter Authority Agreement (2) Final Business Case</p> <p>Welsh Government: Approval of Final Business Case</p>

		Compliance Checks, Commencement of Evaluation Process & Quality Assurance		
--	--	---	--	--

[Redacted] (Final Tenders).

4.2.2 Competitive Dialogue Stages – Evaluation Methodology

The underlying principle of the Evaluation Methodology for the Competitive Dialogue Procedure was to select the Most Economically Advantageous Tender that meets the Authority's Requirements for the Project. The Evaluation Methodology was designed to provide a structured and auditable approach to evaluating the Solutions submitted by the Participants.

The Evaluation Methodology set out in table 4.4 below provides a summary of the Level 1 Criteria and the respective weightings used at the ISOS, ISDS and ISFT Stages of the Procedure. The information was published at the outset of the Competitive Dialogue Procedure and further detailed guidance was provided at the start of each stage. This covered Level 1, Level 2, Level 3 of the Evaluation Criteria and their respective weightings.

The Project had been mindful throughout each stage, to take into consideration the potential risks of challenge to the process. Courts have seen an increase in procurement test case law where companies have successfully challenged public procurements in areas such as 'process' and 'equal treatment of Participants'. The Project team in conjunction with its advisors paid due regard to these matters and have sought to mitigate and minimise such risks in so far as is practicable.

Table 4.4 – A summary of the Level 1 Criteria and the respective weightings used at the ISOS, ISDS and ISFT Stages of the Procedure.

Level 1 Criteria	ISOS stage	ISDS stage	ISFT stage
Technical & Service Delivery	60	40	30
Finance & Commercial	25	40	50
Legal & Contractual	10	15	15
Project Integrity	5	5	5
Total	100	100	100

4.2.3 Stage 2a Competitive Dialogue – Invitation to Participate in Dialogue (ITPD) & Invitation to Submit Outline Solutions (ISOS)

The formal Invitation to Participate in Dialogue was issued to the Eight (8) successfully pre-qualified Participants (formerly known as Applicants). This represented the first stage of the Competitive Dialogue procedure namely the ISOS stage. Participants were allowed to submit up to Two (2) Outline Solutions at this stage.

The Participants' Outline Solutions focused on the technical aspects of their respective bids, but there was also an opportunity to consider Participants' financial assumptions and indicative costs, relative to the Project's published Target Price.

During the ISOS stage three (3) out of eight 8 Participants withdrew from the process. This is not an unusual outcome at this stage of a competitive dialogue process, as Participants consider their bidding priorities as costs increase.

Five (5) Participants submitted Six (6) Outline Solutions by the stated deadline. The Solutions were evaluated and ranked according to their respective scores. In accordance with the Procurement Strategy the intention was to invite the Participants with the Five (5) highest scoring Solutions to proceed to the next stage of dialogue. The results of the evaluation were communicated to the Participants in accordance with the Public Contract Regulations and all Participants were afforded the opportunity to request feedback from the Authority on their respective Outline Solutions.

Table 4.5 – Summary of Outline Solutions (in alphabetical order):

Company Name	Green Waste Technology	Location	Capacity (Tonnes)	Food Waste Technology	Location	Capacity (Tonnes)
Agrivert	OWC	Cardiff	35000	AD	Cardiff	50,000
Kelda (1)	OWC	Cardiff	35000	AD	Cardiff	37,500
Kelda (2)	OWC	Cardiff	35,000	AD	Cardiff	35,000
New Earth Solutions	IVC	Sharpness	50000	IVC	Avonmouth	50,000
Shanks	OWC	Cowbridge	35000	AD	Pontypool	60,000
Wessex (GENeco)	OWC	Cardiff	35000	AD	Avonmouth	50,000

4.2.4 Stage 2b Competitive Dialogue – Invitation to Submit Detailed Solutions (ISDS)

The intention of the ISDS Stage was to ensure that the Detailed Solutions being offered by the Participants were sufficiently advanced to enable the selection of the two strongest bids to proceed to the Final Solution stage (ISFT Stage). A thorough process of Competitive Dialogue was used so that all material technical, financial and contractual matters were either resolved or significantly progressed to the Authority's satisfaction, in accordance with the ISDS requirements.

As part of the ISDS stage, eight formal rounds of dialogue meetings were held with each Participant remaining within the process. Additional issue or stream-specific meetings were held. This allowed the Authority to facilitate the preparation and submission of each Participant's Detailed Solution in order to meet the Authority's requirements. Draft submissions of the Participant's Project Agreements, legal schedules and detailed commentary tables on any proposed deviations from the draft contract were assessed. This enabled the Authority and Participants to meaningfully progress detailed dialogue.

Four (4) Participants submitted Detailed Solutions by the published deadline.

Table 4.7 – ISDS Summary of Detailed Solutions (in alphabetical order):

Company Name	Green Waste Technology	Location	Capacity (Tonnes)	Food Waste Technology	Location	Capacity (Tonnes)
Agrivert	OWC	Cardiff	35,000	AD	Cardiff	60,000
Kelda	OWC	Cardiff	35,000	AD	Cardiff	37,500
Shanks	OWC	Cowbridge	35,000	AD	Pontypool	90,000
Wessex (GENeco)	OWC	Cardiff	35,000	AD	Avonmouth	34,000

4.2.4 Stage 2c Competitive Dialogue – Invitation to Submit Final Tenders (ISFT)

The Authority issued the formal ISFT to the two (2) remaining Participants in August 2013. The aim of this stage was to finalise all elements of the proposed solutions and to close out any significant outstanding issues. It is important to note that the Authority invited Participants to submit Final Tenders based upon their proposal at the ISDS stage of the procurement process.

Critically, once the Competitive Dialogue stages have been formally closed, further “dialogue” (in the sense of negotiating changes to agreed positions or introducing new issues) is not permitted and any further changes must be limited to ‘fine tuning’. The purpose of this requirement is to prevent negotiations after close of dialogue, allowing previously agreed positions to be reopened when the Authorities’ main lever of competitive tension (two bidders competing) will have been lost.

During the course of the ISFT, Six (6) rounds of dialogue meetings were held with both Participants and several long conference calls were held after submission of Draft Final Tenders. The Project Team sought, received and dialogued on a significant amount of issues and documentation (commercial, legal, financial and technical). The Authority concluded the process by requesting a complete set of agreed documentation (in accordance with the ISFT documents) as part of the Call for Final Tenders to ensure a clear and transparent evaluation process.

Given the implications of formally closing dialogue and calling for Final Tenders, it was important that the Authority was provided with sufficient comfort that each Participant’s solution was suitably mature, with all key issues agreed. Therefore, WG in conjunction with the Waste Procurement Programme Office (WPPO) undertook a commercial ‘Health Check’ review to ensure that the Project had reached a satisfactory position on a number of key commercial positions. In addition the Authority’s technical, legal, financial and insurance advisors provided Letters of Assurance. Based on the letters of assurance from each of its advisors, the Authorities agreed that it was appropriate for the Authority to close dialogue.

4.3 Overall Strategy for Procurement

The procurement was conducted in accordance with the strategy set out in the OBC. The Authority is satisfied that it has maintained competitive tension throughout the procurement, receiving robust and detailed solutions at all stages.

The Competitive Dialogue process has provided value for money as set out within the Financial Case through competition, and the process has delivered significant economic benefit, whilst fulfilling the Authority's Requirements.

4.4 A Highly Competitive Process

During the ISOS stage three (3) Participants withdrew from the process citing funding reasons, the economic climate, resourcing issues and a strategic reassessment of projects within the UK. This is not an unusual outcome at this stage of a competitive dialogue process, as Participants consider their bidding priorities as costs increase. The Authority was content that with four (4) strong bidders, sufficient competition remained for ISDS.

At the ISFT stage it was clear that both Participants were keen to improve their offerings. Robust negotiation at this stage resulted in positive movement in both Participants' positions across technical, legal and financial streams. As a result of a competitive and successful dialogue process the Authority is confident (as reflected in the results of the evaluation process) that the preferred solution submitted by Kelda provides extremely good value for money, meeting the Authority's Requirements.

4.5 Authority's Requirements for the Project (tonnage change)

The Authority's Requirements remain materially as set out in the OBC. The key change that occurred during the procurement was a reduction in the average projected organic (food) waste tonnage profile set out in the OBC. This profile was considered at length and, remodelled during the procurement. The Project's anticipated average tonnage profile is c.25,000 tonnes of food waste per annum, which it is forecast for about 5/6 years into the Contract (from 2022/23).

There was sufficient flexibility in the procurement process to accommodate this essential change in circumstances.

4.6 Comparison against the OBC Reference Solution

The OBC Reference Solution envisaged capacity of up to 35,000 pa tonnes for food waste and also 35,000 pa tonnes for green waste. and

In order to ensure deliverability and to help stimulate market interest, bidders were offered the opportunity to develop a facility on a 2.2Ha site on the Authority's land at Lamby Way (East Cardiff). The stated assumption was that the Facility would revert to the Authority on expiry of the Contract, reflecting WG's standard form contract.

Kelda's solution is designed to treat up to a maximum of 35,000 tonnes of food waste per annum at Tremorfa facility, which is a proposed Anaerobic Digestion plant on Dwr Cymru's Waste water treatment site.

The key difference is that this facility will be developed as a 'merchant' facility and so will not revert to the Authority at the end of the Contract term. However the primary objective of the Authority Requirements is to manage the Authorities' food waste for the Contract period. The Authority has priority on a rising profile up to a maximum capacity of c.32,500 tonnes per annum during the Contract (over 90% of the AD plant's design capacity), which equates to c.12% of the Authorities' combined projected MSW tonnage.

The merchant approach has a number of benefits that would not apply to the Reference Solution. Key among these include:

- non-reversion provides a longer time period for Contractor to recover its costs. This has provided a more competitive gate fee, improved value for money and a more affordable solution for the Authority;
- more risk being transferred to the Contractor as the Facility will always be in the Contractor's ownership. A 'pro-rata' principle to risk allocation was developed during dialogue to ensure the Authority's Share was consistent with its share of plant capacity over the Contract duration. This ensures that the Authority has not taken on risks that are typically assumed by the Contractor on this type of waste contract.

4.7 Community Benefits

Community Benefits is an integral part of the procurement process, which is captured and aligned within the Authority's Requirements under Corporate Social Responsibility (CSR). Kelda's response to this requirement can be broadly split into the following categories:

a) **communication and education with the local community and the wider audience in South East Wales**

- construction of a visitors centre for the local public to understand AD and the stringent emission controls they adhere to;
- setting up of a Community Liaison Group;

- online information accessible to the public;
- dedicated Education and Information Officer interface with the public.
- Water Force - a series of mini team events covering habitat creation, bio-diversity projects and restoration challenges;
- Water and Beyond - supporting colleagues who put their hands up for water related volunteering opportunities, such as a part-time lifeguard, a swimming teacher, or a sailing instructor;
- area volunteers - colleagues who are passionate about volunteering; giving up their time to support the development and organisation of the various initiatives in the local community;
- Care at Christmas - an appeal for colleagues to donate gifts, and items for food hampers, which will be given to a range of organisations across the regions.

b) Apprenticeships and training opportunities

- education programme - providing a wide range of resources for primary school children which are linked to the National Curriculum. These resources include posters, CD-rom's, stickers, booklets and 'The Green Classroom' - our latest publication which supports awareness around water conservation;
- Right to Read - one-to-one reading for one hour a week over a 12 week period.

c) Direct and indirect employment during construction and operation of the Facility

- Business Class - which aims to provide a framework for developing strategic, long-term and positive partnerships between businesses and schools;
- up to 25 jobs (Estimated by Kelda in a Method Statement) at the peak of the construction activity;
- 12 full time jobs in operation;
- procurement of materials from local suppliers in line with Kelda's EPC Procurement strategy.

- incorporation of the guidelines provided in the WG Community Benefits Suppliers Guide.

4.8 Proposed Timeline of Recommendations & Approvals

Recommendation and Approvals of:

- Preferred Bidder Appointment (made subject to the WG's approval of the Final Business Case).
- Final Business Case.

Project Board	29 th September 2014
Full Council Approval:	
Cardiff	23 rd October 2014
Vale of Glamorgan	20 th October 2014

4.9 Stage 3 - Preferred Bidder to Contract Award (Financial Close)

The Final Tenders were evaluated in accordance with the agreed and published evaluation methodology and the Public Contract Regulations and Kelda was recommended by the Project Board to be appointed as Preferred Bidder. This decision was approved at the Project Board Meeting on 29th September 2014 and will subsequently be recommended to each Authority during the Cabinet and Full Council meetings, currently scheduled between 9th October and 23rd October 2014.

In accordance with the Public Contract Regulations, only matters of fine-tuning and clarification shall be settled during the Preferred Bidder Stage. A Preferred Bidder Letter confirming the purpose, permitted scope and the matters for fine tuning will be issued to Kelda, and the terms must be accepted by Kelda, as a condition of their appointment. In particular, Kelda will be put on notice that any breach of the terms of the Preferred Bidder Letter will entitle the Authority to revoke Kelda's status as Preferred Bidder without any liability for costs or losses.

The Authority will progress the contractual documentation to the point that it is capable of execution by the parties within the stated parameters of the Preferred Bidder Letter. The Contract is anticipated to be signed in January 2015.

Prior to formal award of the Contract, in accordance with the Public Contract Regulations, the Authority will discharge its de-briefing and

Alcatel obligations to the unsuccessful bidders. The Contract will only be awarded once the Authority is satisfied that such obligations have been fully satisfied.

4.10 Timetable

As outlined within this section, the COWT procurement process was delivered through a number of stages and the following table sets out the key milestones of the process:

Stage	Date
OJEU Published	20 th December 2011
PQQ Issued	20 th December 2011
PQQ Returned	6 th February 2012
ITPD & ISOS Issued	30 th March 2012
ISOS Returned	20 th June 2012
ISDS Issued	25 th October 2012
ISDS Returned	10 th April 2013
ISFT Issued	15 th August 2013
Draft CFT Returned	3rd March 2014
Call For Final Tenders	August 14th – 28th 2014
Preferred Bidder Identified	September 29th 2014
Submission of FBC to WG	September 29 th 2014
WG Scrutiny Meeting	October 7 th 2014
WG Approval of FBC (target)	October 31 st 2014
Member Approval of PB & FBC (Cardiff Cabinet and Full Councils)*	October 9 th and 23 rd 2014
Contract Signed/Financial Close	January 30 th 2015
████████████████████	████████████████████
████████████████████	████████████████████
Planning application submitted (Food Facility)	March 2013
Planning application approved (Food Facility)	July 2013
Environmental permit to be submitted (green waste facility Lamby Way)	January 2015
Environmental permit approved	April 2015

(Food and Green Facilities)	
Construction Commencement (Food Facility)	April 2015
Start of Hot Commissioning (Food Facility)	July 2016
Start of Hot Commissioning Food Facility COWT Waste	July 2016
Operational Commencement (Food Facility)	December 30 th 2016
Operational Commencement COWT Waste	December 30 th 2016

- Vale of Glamorgan's Cabinet meeting is planned on 20th October 2014

The procurement timetable of (24) months from OJEU to appointment of Preferred Bidder is 12 months longer than anticipated at OBC, due to protracted negotiations with short-listed bidders to secure the best solution and VFM possible, and a review called by the new political administration in Cardiff (in summer 2012).

The additional procurement timeline identified in the above table had arose as a consequence of:

- additional dialogue with the bidders in order to secure specific commercial and contractual terms to improve the risk position held by the Authority;
- significant site-related issues at a key stage of the project;

5. THE COMMERCIAL CASE

5.1 Introduction

This section summarises how the Authority's approach to risk management has developed since OBC submission, and sets out how the risk allocation position reached with Kelda has changed since that envisaged at OBC.

This section also records the outcome of the derogations review conducted with the Welsh Government prior to close of dialogue and an updated position as necessary.

5.2 Risk Management

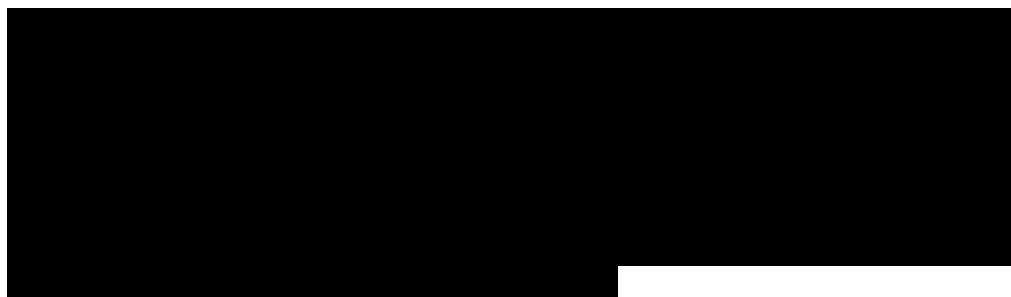
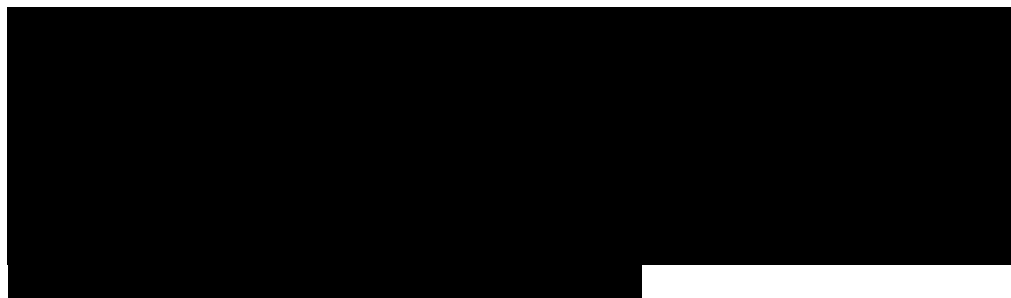
The Authority's overall approach to procurement risk management is consistent with that outlined in the OBC. Proactive risk management and reporting through the maintenance of the risk register and monthly highlight reports to the Project Board was strictly adhered to.

5.3 Risk Allocation Matrix

There are no risks that the Authority intended to transfer at the OBC stage that will not be transferred under the Contract.

5.4 Project Agreement and Other Contractual Documents - Proposed Derogations

A summary of the key derogations are set out in Appendix C. However an overview of the key derogations are set out below.



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

Other bespoke areas of the Contract that have been included are as follows:

- Option to extend – within the contract there is provision to extend the contract for a further 5 years.

Reports summarising the position reached through dialogue on such commercial issues have been prepared and considered by the Project Board.

5.5 Project Agreement and Other Contractual Documents - Proposed Derogations

The derogations requested by Kelda have been identified in a summary table in Appendix C, and the required detailed drafting to the provisions will be completed before signing the contract

This is in all material terms consistent with that considered by the WG during the WPPO Pre-CFT Commercial Health-check.

5.6 WG Pre-CFT Commercial Health-check

The Project has satisfied the requirements of the WG Pre-CFT Commercial (2nd) Health-check and the WG's approval letter is attached at Appendix D.

[Redacted]

[Redacted]

[Redacted]

Process Output	Market	Risk Allocation	% of Contract Waste
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

5.8 Budgetary Treatment & Balance Sheet Treatment

The Authority's view is that AD facility should not be on the Public Sector Balance Sheet. This is because:-

- Kelda's AD plant is a merchant plant on Welsh Water's site that will not revert to the Authority upon expiry at 15 years.
- the AD facility has a useful economic life of 30 years, well in excess of the Contract term;
- the construction and operation of the Facility is being funded entirely by the Contractor supported by a parent company guarantee from Kelda's parent company.
- In contrast, the OWC facility should be recorded on the Authority's balance sheet because it is a reverting asset upon expiry, on the Authority's site.

6. THE MANAGEMENT CASE

6.1 Project Team and Governance

6.1.1 Introduction

The approach to project management and project governance over the procurement period has been consistent with that outlined in the OBC. In the (2.5) years since the OBC, there have inevitably been a one or two changes in personnel at the various levels of the governance structure, but the Project Manager, finance, legal and technical leads have remained in post throughout the process.

Preparation has commenced for the management of the transition from the end of procurement to successful operation. Suitably qualified individuals with key experience on the Project have been identified. This will help ensure that project knowledge will be retained and transferred to the operational phase. Specialist training has been organised and financial provision has been made. A detailed Transition Plan is in development.

6.1.2 Legal Context

There have been no changes since OBC submission to the legal basis and context through which the Competitive Dialogue procurement has been conducted.

6.1.3 Project Governance

There have been no changes since OBC submission to the arrangements governing decision-making on the procurement including project governance arrangements within the Councils and the duties of the Project Board.

The process to approve Kelda's appointment is as follows:

- on the 29th September 2014 a Project Board meeting to review the tender evaluation and to recommend Kelda's appointment as the Preferred Bidder to Cardiff's Cabinet meeting on 9th October, whilst the Vale of Glamorgan will make the corresponding decision at its own Cabinet meeting on 20th October
- On the 23rd October 2014 Cardiff will convene a Full Council meeting to recommend the appointment of Kelda as Preferred Bidder to the Council.

The process for the approval and sign off of the FBC is dealt with under the same procedure and timeline as above.

Delegated authority will be given to the SRO to conclude the Contract.

Governance arrangements for the Post Close period

The Project Board will continue to oversee the Project until the facilities are operational.

The anticipated contract structure that will be in place post financial close as set out in Figure 6.1.3 below.

The roles and responsibilities will be managed in line with the IAA2 and the Project Agreement/Contract.

Fig 6.1.3 – Operational Phase Contract Structure

Contract Manager terms of reference:

A Contract Manager will oversee and manage the Contract and IAA at an operational level. He will be the main interface with the Contractor and also the main interface with each Authority.

Contract Management Board terms of reference:

The Contract Management Board will oversee and manage the Contract and IAA on behalf of the two Authorities at both the directorate strategy and Senior Officer levels.

During the transitional period it is envisaged that the officers who formed the Project Board will form the Contract Management Board in line with the IAA, due to the high complexity of the Project and knowledge required to manage the Contract.

6.1.4 Contract Management

The Project is currently preparing a Transition plan with support and guidance from the WG This plan will cover succession/contingency planning if key staff decide to leave the Authority, which is best practice. The plan will set out how knowledge will be retained and shared if/when key contract staff decide to move on.

It is envisaged that as the Project moves from the procurement stage to a transitional phase post financial close, the Project Team will evolve into a small transition management team with administrative, legal and finance support from Cardiff as the lead Authority.



The transition manager will undertake any identified transitional duties with administrative, legal and finance support from Cardiff as the lead Authority

As part of the technical submission a method statement for service mobilisation identifying key interlinks between the Lead Authority and the Contractor has been submitted by Kelda. This method statement sets out how the Lead Authority and Contractor will work together during the mobilisation stage.

6.1.5 Advisors

There have been no changes since OBC submission to the scope and duration of the services procured from the legal, technical, financial and insurance advisers. Their involvement will tail off considerably after Financial Close.

6.1.6 Inter Authority Agreement

COWT does not have the legal powers to enter into a Contract itself and on behalf of its partner the Vale of Glamorgan. Therefore a contract needs to be entered into by one of the Authorities. It has been agreed that Cardiff is the Host Authority

As the Host Authority, Cardiff will take on the full contract management responsibility on behalf of the Vale of Glamorgan, it requires back-to-back assurances that the Vale will meet its obligations in a timely manner to ensure that the Host Authority is never exposed to risk that it cannot manage.

6.2 Sites, Planning and Statutory Processes

6.2.1 Site identification

The proposed AD site is owned by Welsh Water at their Tremorfa Waste Water Treatment site at Tide Fields Road (Just off Rover Way) in East Cardiff – one mile from Cardiff’s waste management operations in Lamby Way

6.2.2 Securing the Site(s)

Kelda has secured the site from Welsh Water on a long-term lease. However, contemplating the possibility of a Authority “step-in” following Contractor Default Termination during the 15 year Contract period, there will two leases: 1) A head lease between Cardiff and Welsh Water; and 2) an Under-lease between Cardiff and the Contractor. If Cardiff exercises its step-in rights (e.g. as determined by the state of the AD Market at, then the under-lease would lapse.

6.2.3 Planning Health Framework

Planning permission for the AD facility has already been granted.

6.2.4 Design issues

The Facility is anticipated to achieve a CEEQUAL “Very Good” Standard

Kelda has provided a copy of the implemented Site Waste Management Plan for the AD facility. The plan confirms the measurement and reporting of the quantity of construction waste sent to landfill.

Kelda has confirmed that as per the Authority’s Requirements they will as far as practicable have a sustainable approach to construction, encompassing:

- recover construction and demolition materials;
- use recycled materials on the Project.

6.3 Stakeholder Communications

6.3.1 Introduction

The purpose of this section is to demonstrate that relationships with major stakeholders have been effectively managed since OBC submission, and that the Authority has secured their buy-in to the Project, so that there is no reason to believe a key stakeholder will seek to prevent the Project reaching financial close.

6.3.2 Strategy

Apart from the introduction of the Vale of Glamorgan to the Project, there have not been any changes since the OBC submission to the communications strategy envisaged. During the procurement the Authority has managed various consultations, engaged with its major stakeholders and managing several requests for disclosure of project information under Freedom of Information Act 2000 (FoI) or the Environmental Information Regulations 2004 (EIR).

6.3.3 Transfer of Undertaking – Protection of Employment (TUPE) and Code of practice on workforce matters

Following research and analysis, it is now assumed that TUPE will not apply to this project.

6.3.4 Other relevant authorities

Although Cardiff started the procurement on its own, following continued discussions with the Vale of Glamorgan and Monmouthshire (who were both named in the OJEU as they did not have a food waste “hub”, the Vale decided to join as a project partner in early 2013 for the ISDS stage.

6.3.5 Public engagement

The amount of public engagement carried out has reflected the needs of the type of project and the available project resources. The success of the overall public engagement strategy (carefully co-ordinated with Kelda) has ultimately proved to be successful, with both planning permissions gained prior to financial close.

Significantly, the Project targeted a food waste recycling event held in central Cardiff for one day in November 2013. Supported by Waste Awareness Wales, and representatives from Cardiff’s collection team, the event proved to be successful in terms of educating and “signing” residents up with pledges to recycle food in the future, This included residents from target groups from the “hard to reach” parts of Cardiff and residents in City Centre apartments, where food recycling volumes have been particularly low so far.

6.3.6 Community Sector/Non-Government Organisations

Although, as part of its detailed stakeholder strategy the Project has made endeavours to communicate with various Community groups and NGO's (e.g. Friends of the Earth) have generally been supportive of this project, as it is a "green" recycling project with carbon capture and reduction as its core objective.

6.3.6 Public Events: OJEU to Present (Final Tenders).

Public Events: Two public events by Cardiff and four by Kelda held in areas of high footfall giving information on the procurement and why AD and OWC was chosen from the various technology options available.

Location/(Date)	Number of people	Attendance by campaigners
City Hall (Jan 11)	110	0
Cardiff City Centre (Nov 13).	C1,500	0
Splott (Jan-April 2013) – four events	15 (Ave)	0

Appendices (Separately attached as in different formats with exception of Exempt Appendix C below).

Appendix A FBC Evaluation Criteria

Appendix B Data Table

Appendix C Summary Derogations Table

Appendix D WG Health-check (Outcome) Letter

Appendix E Technical Advisor Letter of Endorsement

Appendix F Planning Health Framework (not used).

Appendix G Risk Register

Appendix H Not used

Appendix I Financial Model (including Mass Flow Model)

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]