

## Appendix B to Waste Cabinet Report: Herefordshire & Worcestershire Waste Programme: Options

### Introduction:

This paper outlines the Options considered including the additional one following discussion with Defra and Her Majesty's Treasury (HMT). The paper includes the following for each of the options:

- Description
- Assumptions e.g. Landfill, Operational Date, Financing, Planning.....
- Risks e.g. Legal, Deliverability, Planning Permission, Technical, Waste Management, Costs.....

#	Option	Description	Assumptions	Risks
1	EfW Variation with Commercial Finance	A variation to the Waste Management Service Contract (WMSC) to construct, operate and maintain an EfW Plant at Hartlebury (different site), with a different start date and handback to the authorities at the end of the contract in 2023.  Financing – 100% commercial sector.	<ul style="list-style-type: none"> <li>• Handback to Councils in 2023 at the end of the WMSC.</li> <li>• Councils to procure an Operate &amp; Maintain (O&amp;M) Contract post end of WMSC (2023) to the end of the planned useful life (25 years) of the plant.</li> <li>• Assumes a Notice to Proceed of September 2014</li> <li>• Current Operational Date: October 2017</li> <li>• Works to discharge planning conditions defined</li> <li>• Could take 12-18 months to secure funding</li> <li>• Could take 6 months with Treasury Guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Securing commercial finance (likelihood – better than before)</li> <li>• Engineering, Procurement and Construction (EPC) Contract: Beyond end of Mar 2014, will need to be re-costed.</li> <li>• Planning: Need to discharge planning conditions by July 2015</li> <li>• Procurement Challenge</li> <li>• Affordability</li> <li>• Refinancing risk in 2023 – Councils have interest rate exposure without hedging</li> <li>• No Capital Allowances achievable on this model as the handback is so quick.</li> </ul>
1a	EfW Variation with Co-financing	As Option 1 – with vertically integrated co-financing (commercial bank and Councils)	<ul style="list-style-type: none"> <li>• As Option 1</li> <li>• Vertical integration (i.e. do not split the tranches) – both amortised and bullet tranches</li> <li>• 51:49 split (private:councils)</li> <li>• Assumes a Notice to Proceed of September 2014</li> <li>• Current Operational Date: October 2017</li> </ul>	<ul style="list-style-type: none"> <li>• As Option 1</li> <li>• Could be quicker than Option 1</li> <li>• Securing co-financing with a commercial bank</li> <li>• Agreeing Governance arrangements</li> <li>• Defra / HMT review</li> </ul>

#	Option	Description	Assumptions	Risks
			<ul style="list-style-type: none"> <li>• Could take 12 months to secure</li> </ul>	<ul style="list-style-type: none"> <li>• Bullet Payment – Bank Protection</li> </ul>
2	EfW Variation with Councils Financing	As Option 1 – with 100% financing from the Councils (as "a bank") – prudential borrowing	<ul style="list-style-type: none"> <li>• As Option 1 but financed 100% by the Councils</li> <li>• Notice to proceed (NTP): Qtr1 2014</li> <li>• Operational EfW: Early 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Defra / HMT Review</li> <li>• Legal</li> <li>• Councils raising credit ceilings</li> <li>• PFI Credits</li> <li>• No Capital Allowances achievable on this model as the handback is so quick</li> </ul>
3	Continue As Is	Continue as is with the WMSC until 2023	<ul style="list-style-type: none"> <li>• Landfill residual waste until 2023</li> <li>• Not specific as to solution for residual waste post 2023</li> <li>• Post 2023, disposal of residual waste is modelled with a ceiling cost of £125 /tonne (this assumes some form of gate fee and transport costs)</li> <li>• Solutions post 2023 could include: out of county residual waste treatment facilities, out of county landfill, procurement of design, build and operation of an EfW plant for waste treatment</li> <li>• Loss of a portion of PFI credits (for EfW element only)</li> <li>• No case for a further landfill site in Herefordshire or Worcestershire</li> </ul>	<ul style="list-style-type: none"> <li>• Landfill space</li> <li>• Securing waste treatment capacity out of the county</li> <li>• Cost of landfill / waste treatment in 2023</li> <li>• Planning Permission should we want to procure a waste treatment plant for operation post 2023</li> <li>• PFI credits</li> </ul>
4	Terminate WMSC and procure EfW and other Waste Disposal Services	Terminate the existing WMSC, procure a design, build and operate contract for the EfW and procure other waste management / waste disposal services	<ul style="list-style-type: none"> <li>• Full Termination (no partial termination)</li> <li>• Termination is on a "no fault" basis</li> <li>• Adds in the Option 2 Financial Model post 2023</li> <li>• Procurement takes 3 years</li> <li>• Operational: 2020</li> <li>• No PFI Credits</li> </ul>	<ul style="list-style-type: none"> <li>• Attracting the market</li> <li>• Termination costs</li> <li>• Operational / Immediate matters</li> <li>• Legal</li> <li>• Time to deliver</li> <li>• Discharging of planning conditions and therefore securing planning permission post July 2015</li> </ul>
5	Terminate WMSC and procure other Waste Disposal services, no EfW		<ul style="list-style-type: none"> <li>• Termination as Per Option 4</li> <li>• No EfW</li> <li>• No PFI Credits</li> </ul>	<ul style="list-style-type: none"> <li>• Attracting the market</li> <li>• Termination costs</li> <li>• Operational / Immediate matters</li> <li>• Legal</li> <li>• As Per Option 3</li> </ul>