
Prosiect Gwyrdd

Procurement of Waste Treatment Services for
Residual Municipal Waste

Procurement Strategy v 2.2 Final November 2009

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1 Procurement Strategy History

Document Location

1.1 Document Control

Key personnel

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1.2 Version History

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1.3 Approvals

This document requires the following approvals.

Name	Signature	Title/Role
Tara King		Project Manager
Stephen Davison		Senior Responsible Officer on behalf of Project Board
Cllr Mark Stephens		On behalf of the Joint Committee

1.4 Distribution

This document has been distributed to

Name	Title/area of work	Date of Issue	Version
Project Board	Realigned with legal advice and Issue to PB	02.1109	Final Draft2
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Joint Committee for decision	For decision	11.1109	Final Draft2
Project Board, Project Team	For publication	20.1109	Final Draft2

2 Glossary & Definitions¹

Term or Abbreviation	Definition
AD	Anaerobic Digestion
Anti-Collusion Certificate	the anti-collusion certificate to be completed and submitted by Participants when submitting a Solution
ARCD	Assessment of Readiness to Close Dialogue
ATT	Advanced Thermal Treatment
AWC	alternate weekly collection
Base Payment	the base payment is a payment calculated on a rate per tonne which is applied to the total tonnage of waste accepted by the Contractor in a contract year as more particularly defined in the Payment Mechanism
BMW	Biodegradable Municipal Waste
Bottom Ash	the ash that arises from a combustion process in a furnace
BPEO	Best Practicable Environmental Option
BRE	Building Research Establishment
BREEAM	Building Research Establishment Environmental Assessment Method
BVPI	Best Value Performance Indicator
CABE	Commission for Architecture and the Built Environment
CapEx	Capital Expenditure
CEEQUAL	Civil Engineering Environmental Quality
CFT	the Call for Final Tenders to be issued by the Partnership to the Participants in accordance with the Competitive Dialogue Procedure
Checklist	the checklist to be completed and submitted by Participants when submitting a Solution
CHP	Combined Heat and Power
CIRIA	Construction Industry Research and Information Association

¹ Standard terms and definitions used in all Prosiect Gwyrdd documents – November 2009.

Term or Abbreviation	Definition
Competitive Dialogue	the dialogue phase of the Competitive Dialogue Procedure from distribution of the ITPD documentation until the Partnership closes the dialogue and then issues the CFT
Competitive Dialogue Procedure	the procedure to be used by the Partnership to procure this Project as set out in Regulation 18 of the Public Contract Regulations 2006
Consortium Member	where the Participant is a consortium, any individual economic operator forming part of that consortium
Contract Close	the anticipated date of the Project Agreement
Contract Notice	the contract notice published in the Official Journal of the European Union (reference number [DN: INSERT])
Contract Waste	Contract Waste is the types of waste to be accepted at the Facility
Contractor	the contractor awarded the Project Agreement pursuant to this Project
Data Room	the data room managed by the Partnership by which the Participants may access documents relevant to this Project
DCfW	Design Commission for Wales
DEFRA	Department for Environment, Food and Rural Affairs
Descriptive Document	an updated copy of the IDD attached to the ITPD
DESH	Department for the Environment, Sustainability and Housing
Detailed Solutions	the Solutions to be submitted in response the ISDS
DE&T	Department of Economy and Transport
Documents	All tender documentation, guidance and project documentation issued by the Partnership during the Competitive Dialogue Procedure
EA	Environment Agency
EfW	Energy from Waste
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIR	Environmental Information Regulations 2004
EMS	Environmental Management System

Term or Abbreviation	Definition
EU	European Union
Evaluation Methodology	the methodology to be followed by the Partnership when evaluating the Solutions as set out in the tender documents distributed at each stage of the Competitive Dialogue Procedure
Executive Summary	the executive summary to be submitted by Participants when submitting a Solution
Facility	the facility(ies) to be procured pursuant to the Project
FBC	Final Business Case
Final Tenders	the Solutions to be submitted in response to the CFT
Financial Bid Forms	the forms required to be completed by the Participants and submitted as part of their Solutions
FOIA	Freedom of Information Act 2000
FRS5	Financial Reporting Standard 5
HM Guidance	HM Treasury Value for Money Assessment Guidance
HM Treasury	Her Majesty's Treasury
HWRC	Household Waste Recycling Centre
IDD	Initial Descriptive Document
IFRS	International Financing Reporting Standards
IRR	Internal Rate of Return
ISDS	Invitation to Submit Detailed Solutions
ISOS	Invitation to Submit Outline Solutions (which forms part of the ITPD)
ISRS	Invitation to Submit Revised Solutions
ITPD	Invitation to Participate in the Dialogue
JWA1	the joint working agreement that the Partnership has entered into to formalise their respective roles and responsibilities in relation to the joint working arrangements for the procurement of the Project
JWA2	a second joint working agreement (to be negotiated in parallel with the Project Agreement) that will regulate the relationship between the Partners during the operational period (the works and the services period) of the

Term or Abbreviation	Definition
	Project.
IVC	In-vessel Composting
Landfill Directive	European Union Landfill Directive 1999
LAS	Landfill Allowance Scheme (LAS) Regulations (Wales) 2004
Lead Contracting Authority	the Partner who will enter into the Project Agreement with the Contractor on behalf of the Partnership (to be confirmed later in the Competitive Dialogue Procedure)
Lead Procurement Authority	Cardiff Council will act as the lead authority for the procurement process and shall be responsible for the negotiation of the Project Agreement with the Participants
Lead Participant	the lead organisation co-ordinating a Participant's Solution
Level 1, 2 and 3 Criteria	The Primary, Sub and Sub-Sub Evaluation Criteria set out in the Evaluation Methodology
Local Partnerships	The joint venture between the Local Government Association and PUK (incorporating 4Ps)
M-BEAM	a modelling instrument developed by DEFRA
MBT	Mechanical Biological Treatment
MEAT	Most Economically Advantageous Tender
MRF	Materials Recovery/Recycling facility
MSW	Municipal Solid Waste
NPC	Net Present Cost
OBC	Final form of the Outline Business Case prepared by the Partnership in October 2008 and updated by the 'Outline Business Case Health-Check Addendum' in May 2009
OGC	Office of Government Commerce
OpEx	operating expenditure
Optional Site	the site within the Partnership's control offered to Participants for consideration for use within their proposed Solutions
Outline Solutions	the Solutions submitted in response to the ISOS

Term or Abbreviation	Definition
Output Specification	the draft output specification setting out the Partnership's requirements for the Project
Participant	the organisations that were selected at the PQQ stage and invited to participate in the Competitive Dialogue Procedure
Participant's Team	<p>the team bidding for the Project, including but not limited to, where the Participant is:-</p> <ul style="list-style-type: none"> (a) a sole organisation (or a sole organisation supported by subcontractors that are not Significant Subcontractors), that sole organisation (b) a consortium, each Consortium Member (c) a prime contractor, the prime contractor and each Significant Subcontractor (d) a partnership, each member of the partnership (e) an incorporated company, the incorporated company (f) a co-operative, the co-operative
Partnership	Caerphilly County Borough Council ("Caerphilly CBC"), the County Council of the City and County of Cardiff ("Cardiff Council"), Monmouthshire County Council ("Monmouthshire CC"), Newport City Council ("Newport CC") and the Vale of Glamorgan Council (the "Vale of Glamorgan") (and each individually a "Partner").
Payment Mechanism	the draft payment mechanism, sets out the basis for calculating payments from the Authority to the Contractor for delivering the services in accordance with its obligations under the Project Agreement
PB	Prudential Borrowing
Performance Standards	the standards set out in the Output Specification for the delivery of the Service
PFI	Private Finance Initiative
Portal	the portal at www.etenderwales.bravosolution.co.uk which Participants can use to upload their PQQ responses and access the Data Room
Potential Provider	Applicants to the pre qualification stage that are potential providers of the service.
PPP	Public Private Partnerships
PPS10	Planning Policy Statement 10

Term or Abbreviation	Definition
PQQ	Pre-Qualification Questionnaire
PQQ Methodology	Pre-Qualification Methodology as set out within the PQQ
Preferred Bidder	the Participant whose Solution is chosen as the MEAT following submission of Final Tenders
Project	the procurement of the Facility pursuant to the terms of the Project Agreement
Project Agreement	the project agreement for the residual treatment of MSW to be awarded by the Partnership pursuant to the Project, a draft copy of which will be provided later in the Competitive Dialogue Procedure
Project Board	the organisation within the Partnership established to oversee the procurement process, more specifically described in the tender documentation
Project Manager	Tara King of Cardiff Council or such other person notified by the Partnership to Participants from time to time
Project Team	the Partnership's team which is responsible for the day-to-day management of this Project on behalf of the Partnership including the Project Manager
PUK	Partnerships UK
Reference Project	the Partnership's reference project
Refined Solutions	the Solutions to be submitted in response to the ISRS
Residual Waste	the elements of the waste stream that remains after recycling or compostable materials have been separated or removed
Response Document	the form of response document completed by Participants when submitting their Outline Solutions
Risk Matrix	the Partnership's allocation of risk as set out in the ITPD
ROC	Renewables Obligation Certificate
RPI	Retail Price Index
SDLT	Stamp Duty Land Tax
SDP	Service Delivery Plans
Services	the services to be provided in accordance with the Project Agreement
Significant Subcontractor	the proposed subcontractors which will be contributing significantly (either in terms of value or importance) to the Project as defined in the PQQ (only

Term or Abbreviation	Definition
	relevant where a subcontracting arrangement has been proposed by a Participant)
Site	the site(s) to be used by the Participant to build the Facility proposed in their Solution to the Project
Site Report	establishing the baseline condition of the Site(s) before commencement of construction for the purposes of permit application(s)
Solution	the solution(s) submitted by Participants throughout the Competitive Dialogue Procedure in response to the procurement documentation
SoPC4	Standardisation of PFI Contracts Version 4
SPV	Special Purpose Vehicle
SRF	Solid Recovered Fuel
TIF	Treasury Infrastructure Fund
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
UC	Unitary Charge
VAT	Value Added Tax
VfM	Value for Money
WAG	Welsh Assembly Government
WCA	Waste Collection Authority
WDA	Waste Disposal Authority
WEEE	Waste Electrical and Electronic Equipment
WET Act 2003	Waste Emissions and Trading Act 2003
WID	Waste Incineration Directive (2000/76/EC)
WIDP	Waste Infrastructure Delivery Programme
WPA	Waste Planning Authority
WPPO	Waste Procurement Office
WRATE	Waste and Resources Assessment Tool for the Environment
WS 2000	Waste Strategy 2000

Term or Abbreviation	Definition
4Ps	Public Private Partnerships Programme

3 Summary

The purpose of this document is to outline the strategic approach for the procurement of a Residual Waste Treatment Solution, providing a service to the five Local Authorities known as Prosiect Gwyrdd and possibly to other Local Authorities within the South East Region of Wales. The Partnership of local authorities - The Authorities comprise:

- Caerphilly County Borough Council;
- City & County Council of Cardiff;
- Monmouthshire County Council;
- Newport City Council;
- Vale of Glamorgan Council.

In consideration of the impact and level of interaction required, it is considered that the Lead Contracting Authority would be the Authority that hosts the final solution.

4 References

Table 1

Doc reference	Document title
Final	Prosiect Gwyrdd Outline Business Case Autumn 2008
Final May 15 2009	Prosiect Gwyrdd OBC Health-check Addendum April 2009
Final Nov 2008	Prosiect Gwyrdd Common Report: Municipal Residual Waste Treatment - December 2008
Final 18 May 2009	Prosiect Gwyrdd Common Report: Municipal Residual Waste Treatment – Procurement May 2009
Sept 2007	Prosiect Gwyrdd Memorandum of Understanding
Final October 2009	Prosiect Gwyrdd Joint Working Agreement (1)
Final November 2009	Prosiect Gwyrdd Procurement Plan
No Status	Prosiect Gwyrdd Change Control
Final PQQ Appendix 6	Prosiect Gwyrdd PQQ Evaluation Methodology
Draft no Status	Prosiect Gwyrdd Stakeholder Engagement Plan
Version 11	Prosiect Gwyrdd Risk Register
No Status	Prosiect Gwyrdd Roles & Responsibilities
Draft v 0.1 dr 1.3	Draft Prosiect Gwyrdd ISOS Evaluation Methodology
Version 5	Prosiect Gwyrdd Project Master Schedule

5 Introduction

5.1 Background

5.1.1 Prosiect Gwyrdd (PG) was established to consider the future arrangements for the management of Residual Waste after recycling and composting has been maximised across five Local Authorities in the South East Region of Wales, namely (in alphabetical order):

- Caerphilly;
- Cardiff;
- Monmouthshire;
- Newport;
- Vale of Glamorgan.

5.1.2 The project has concluded a detailed analysis of the requirements for managing residual waste across the five Authorities. This detail and the recommendation to conduct an EU procurement following the Competitive Dialogue procedure are contained in the Prosiect Gwyrdd Outline Business Case Health-check Addendum May 2009 (OBC). The Common report 2, which was developed using information in the OBC has been presented to Executive and Cabinet Members for each Authority. The final OBC agreement and authority to proceed was ratified by each Authority as follows:

Table 2

COUNCIL	APPROVAL OF OBC	APPROVAL TO PROCEED TO PROCUREMENT & OBC Health-check Addendum CABINET/ EXECUTIVE	FULL COUNCIL DECISION
CAERPHILLY	04 December 2008	21 July 2009	28 July 2009
CARDIFF	09 December 2008	11 June 2009	25 June 2009
MONMOUTH	07 January 2009	03 June 2009	30 July 2009
NEWPORT	17 December 2008	26 May 2009	29 June 2009
VALE OF GLAMORGAN	17 December 2008	03 June 2009	30 June 2009

- 5.1.3 In support and recognition of the need to deliver Government targets for managing waste detailed discussions have taken place with Welsh Assembly Government (WAG) officials around the type and quantum of funding support available for the project. Following discussions with Partnerships UK (PUK, the WAG's advisors), it was agreed initially that it would be appropriate to model the level and type of support that DEFRA provide to equivalent schemes in England. In March 2009, the WAG provided a funding formula, its terms and conditions and subsequently confirmed the project's Revenue Grant. to be applied and the funding ceiling contribution was agreed. The decision of the Local Authorities to proceed to competition was dependent, inter alia, upon receiving as a minimum this level of funding from the Welsh Assembly Government. Additionally, the project is required to have in its control a publicly owned site an "Optional Site", which will be made available to potential providers as part of the Competitive Dialogue process. The agreement setting out the details of the approved project funding was set-out in the WAG's letter dated 30 March 2009, the appropriate conditions attached will need to be fulfilled by the time of placing the OJEU notice, all conditions are manageable within the Common Report 2 and the Procurement Plan.
- 5.1.4 The OBC and OBC Health check Addendum May 2009 (the 'OBC') provides in depth analysis of the requirement for managing residual waste and details information on the geographic coverage, the volumes of waste to be managed, project costs and the policy for dealing with waste. In order to determine the likely cost of procuring such a solution the OBC has developed a "reference project" based on a "shadow tariff" determined by the project's Financial Advisors. This is a common approach to estimating potential costs and base lining potential solutions and has enabled the project to inform members of the affordability implications of the project and secure member commitment towards an affordability envelope, appropriate to the size and complexity of the project being proposed. Additionally the reference project demonstrates that the market can provide a solution that meets the project's requirements.
- 5.1.5 This reference project does not indicate the preferred solution. It is essential to recognise that the solution will be evaluated through the Competitive Dialogue Process (as detailed in the Descriptive Documents) and the reference project is not assumed to be the required outcome, it is an option and all proposals will be evaluated equally on that basis.
- 5.1.6 The procurement will be conducted in accordance with 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 31st January 2006.

5.2 Purpose

- 5.2.1 The purpose of this document is to outline the strategic approach for the procurement of a Residual Waste Treatment Solution (RWTS) to Prosiect Gwyrd, (i.e. Provision of Waste Treatments Services for residual municipal waste).

It describes:

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- The Strategic Assumptions for the Procurement process;
- The Strategic Approach to the Procurement process; and
- Introduces the Procurement Plan for the pre-qualification, Competitive Dialogue stages to Contract Award.

6 The Strategic Approach

- 6.1. Full details of the Business Background are contained in the Prosiect Gwyrdd Outline Business Case November 2008 and OBC Health-check Addendum May 2009. EU and UK Governments will impose financial penalties to local authorities who fail to divert waste from landfill.
- 6.2. The Welsh Assembly Government expects that local authorities will jointly develop Sustainable Residual Waste Management Solutions to support the delivery of the EU and UK Government targets on waste diversion
- 6.3. It is expected that the provision of a Sustainable Residual Waste Treatment Solution will complement other waste management solutions such as recycling and composting schemes and will form an integral part of the Authorities' strategies for waste management.
- 6.4. Strategically the commercial procurement process must underpin the critical success factors of Prosiect Gwyrdd, which are described fully in the OBC. The Prosiect Gwyrdd Procurement process will deliver:
- A Preferred Bidder(s) whose experience; track record; proposed solution and capacity makes them best suited to be able to implement and deliver the requirement in a way that best delivers Prosiect Gwyrdd's aims and objectives whilst securing the best overall value for money;
 - Provide a commercial Solution that provides an efficient and responsive Residual Waste Treatment solution for the Local Authorities;
 - Assurance that the commercial process delivers innovation, future proofing; technical and operational efficiency in accordance with the requirements of the OBC and supports the achievement of government targets in respect of Waste Management and Value for Money;
 - And, to ensure that the commercial process observes best practice, proprieties and due process at every stage.
- 6.5 These objectives guide the Procurement Strategy that takes account of the Strategic Assumptions described below.
- 6.6 The analysis and decision to progress the Procurement as a Competitive Dialogue Process was agreed and signed off on 30 July 2009 and this is an integral part of the Procurement Strategy.

6.7. The Scope

- 6.7.1. The scope of the procurement will be set out in the OJEU notice and further detailed in the output specification that will be issued to Potential Providers as part of the procurement process. The aim of the project, put simply, is to deliver a solution that will provide a Residual Waste Treatment Solution that remains

within the agreed Outline Business Case parameters and affordability envelope of each Authority. The methodology for applying a Target Price is discussed later in this document and will be fully explained in the procurement documents. The requirement will include:

- Provide a solution that will enable treatment of a defined proportion of municipal residual waste such that Biodegradable Municipal Waste (BMW) is diverted from landfill in accordance with performance standards;
- Provide haulage of rejects, process residues and recovered materials from the treatment solution to end users and appropriate disposal facilities; and
- Dispose of rejects and process residues from the treatment solution to appropriate facilities.

6.7.2 Dependant on the solution proffered some ancillary waste management services such as (but not limited to) transfer stations and bulking and haulage operations may be required. This will be the subject of dialogue. The potential for the facility(ies) to cater for commercial and industrial waste and waste from other public sector organisations may also be explored during the dialogue. The Partnership reserves the right to explore with the Participants during the Competitive Dialogue Procedure the provision of information and visitor facility(ies) The Partnership intends to make a site available to Participants subject to its suitability although Participants may, if they prefer, put forward their own site(s).

7 Objectives

7.1 This procurement has a number of specific objectives that are considered to be essential when evaluating the success of the benefits realised from the procurement.

7.2 Objective 1

7.2.1 The Contractor shall provide a Solution that will comply with all legislation, guidance, policies and good industry practice including but not limited to:

- WAG targets for waste management;
- All relevant Environmental Protection Legislation;
- the Landfill Allowance Scheme (LAS) Regulations (Wales) 2004 which includes (but is not limited to) the diversion of waste and biodegradable fraction from landfill; and
- the Government Sustainability Agenda.

7.3 Objective 2

7.3.1 The Contractor shall provide a Solution that minimises, where practicable, the exportation of recyclable and recoverable materials outside the Partnership's administrative area.

7.3.2 The Solution shall meet the Partnership's output requirements which are currently anticipated to include:

- all treatment output, rejects and residues from the facility(ies) including (but not limited to)
 - the marketing and sale of recyclable materials;
 - compostable materials;
 - other materials recovered.
- Loading and onward transport to final destinations from the facility(ies) including the provision of landfill for residues to the extent necessary.
- The Partnership reserves the right to explore with the Participants during the Competitive Dialogue Procedure the potential for marketing any energy (heat and/or power and/or electricity) produced by the Solution to:
 - neighbouring users; and/or
 - the Partnership; and/or
 - the National Grid; and/or
 - to other users.

7.4 Objective 3

7.4.1 The Contractor shall deliver a Value for Money Solution against the baseline described in the OBC to support the Partnership in discharging its statutory duty in relation to the management and disposal of MSW, within the budgets identified.

7.5 Objective 4

7.5.1 The Contractor shall provide a Solution which enables innovation, continuous improvement of service and technology and provide a flexible, modern, long term, environmentally and economically sustainable solution that will meet the Partnership's and WAG's requirements for the management of residual waste as detailed in the OBC and documentation to be issued later in the Competitive Dialogue Procedure.

7.6 Objective 5

7.6.1 The Contractor shall deliver a Solution that reflects an acceptable allocation of risk between the parties and an appropriate profit share mechanism that is developed to ensure that any benefits are shared in an equitable and transparent way.

7.7 Relationship with Other Services

- 7.7.1 A Participant's Solution shall be structured so as to ensure a smooth interface between the Solution and the other various processes/ contracts used by the Partnership to manage its waste. The interface between the Participant's Solution and the Partnership's current waste management services shall be agreed in the dialogue.

7.8 Exclusions from the Service

- 7.8.1 The procurement is not intended to include any of the collection functions of the Partner. In addition, as set out in section 3.3, a Participant's Solution shall not include the operation of source recycling and composting schemes, kerbside collection, HWRCs and existing disposal services or the development of any new facilities for these services. However, as a matter of flexibility, the Partnership may wish to include some ancillary waste management services such as (but not limited to) transfer stations and bulking and haulage operations. For the avoidance of doubt, the exclusion of source recycling and composting schemes from the scope of the Project does not preclude Participant's submitting Solutions based on recycling and/or composting at the Optional Site or on any site proposed by the Participant in its Solution.

7.9 Contract Period

- 7.9.1 Whilst the Partnership envisages a contract period of approximately 25 (twenty five) years with an option to extend by a further 5 (five) years, the actual contract period will be determined by best value considerations during the Competitive Dialogue Procedure and may also be dependent on financial market conditions. For the avoidance of doubt, a 25 (twenty five) plus 5 (five) years duration is indicative only and is not the maximum or minimum length of a proposed contract, the Project Agreement will be determined by the solution that presents the best value for money.

8 Strategic Assumptions

8.1 In order to develop the Strategic Approach to the procurement process for Prosiect Gwyrdd there are a number of assumptions, described below, which underpin the objectives of Prosiect Gwyrdd and inform the Procurement Plan to deliver the required outcomes of the project.

8.2 Prosiect Gwyrdd Partners

8.2.1 The strategic Prosiect Gwyrdd partner authorities form a collaborative relationship and are committed, through the Joint Working Agreement 1 ('JWA') to supporting PG through a system of shared and proportional funding of the Procurement and Other Project costs as provided for by schedules 5a and 5b of the JWA. When the Contract is awarded the Project Agreement, containing all relevant schedules including the cost schedule, payment mechanism and performance regime that will be applied to the gate fee in respect of any contract awarded. The Project Agreement will establish the relationship and factors that will affect the status of the partnership and the remedies that will apply in the event the Termination and/or Withdrawal clause/s is activated. The procuring Authorities are expected to sign up to a 2nd Joint Working Agreement that will detail the back to back arrangements necessary between the Contracting Lead Authority and the other four Partner authorities when the contract is awarded.

8.3 Contract and Funding Structure

8.3.1 Section 05 of the OBC Health-check Addendum outlines in detail the process followed in determining the project's Strategic Assumption in respect of its preferred Contract and Funding Structure. The quantitative Value for Money assessment concluded that a Design, Build, Finance, Operate and Maintain (DBFOM) contract structure provides the project with the most appropriate structure give its appetite towards risk and risk transfer.

8.3.2 Revenue funding has been secured from the WAG both towards the procurement costs of delivering a solution and a substantial contribution towards the costs of the solution provided funding terms and conditions are met.

8.4 Welsh Assembly Government (WAG)

8.4.1 The Strategic Assumption is that a proportion of funding for the project will be provided by the WAG. This is a critical area for the project and the provision of the funding is a key dependency to the fulfilment of the procurement. The level of Revenue funding that will be made available to the Project will be as much as 25% of the Unitary Charge, up to the approved grant ceiling. In doing so, WAG require that the terms and conditions of the funding formula are complied with and any derogations from the standard form terms and conditions of contract, SoPc4, must be agreed with the WAG prior to submission of Final Business Case (FBC) for approval and subsequent Preferred Bidder appointment.

8.5 Capital Contribution

- 8.5.1 As set out in the Contract (OJEU) Notice, it is envisaged that the contract be procured as a PPP for the design, build, finance and operation of a residual waste treatment facility(ies) with revenue support being provided by WAG. Depending on the Solution preferred, the expectation is that financing for the Project will be predominantly, if not wholly, procured from private finance. However, the Partnership reserves the right to provide or procure capital contributions and/or finance for the Project from other sources including (but not limited to) prudential borrowing and/or the European Investment Bank.
- 8.5.2 The Authorities are also keen to explore alternative funding/contractual arrangements where these assist affordability and offer value for money.
- 8.5.3 In response to the rise in bank funding costs, the Partnership has also developed a funding strategy aimed at mitigating the risks and issues around reduced bank funding availability currently being faced by infrastructure projects around the UK. The strategy is currently based on developing the following potential alternative sources of funding for the Project (although the Partnership reserves the right to consider other sources of funding):
- (a) European Investment Bank ("EIB");
 - (b) Treasury Infrastructure Fund ("TIF"); and
 - (c) Capital Contributions.

- (a) Early preliminary discussions have been held with representatives of the EIB for scoping the potential for funding arrangements. The Partnership anticipates that further understanding of this option will be obtained during the Competitive Dialogue Procedure.

- (b) TIF has been set up to provide funding to projects that cannot be funded by the private sector banks and/or the EIB. The Partnership has registered the Project with TIF prior to issuing its Contract Notice as a precautionary measure.

- (c) Following its assessment of Capital Contributions, the Partnership may seek to explore through the dialogue the value for money benefit of making a Capital Contribution. It is anticipated that any contribution shall be made in line with the Waste Infrastructure Delivery Programme (WIDP) guidance on Prudential Borrowing and the anticipated further guidance from HM Treasury. The key principles that the Partnership will be following when exploring the value for money benefits of a capital contribution are:
 - ensuring that there is sufficient private sector capital at risk when the Partnership makes its contribution, aligning both parties' interests; and

 - ensuring that payment will only be made once works have been certified (i.e. following service commencement)

8.5.4 The Partnership is also keen to explore any other alternative funding/contractual arrangements where these assist affordability and offer value for money such as (but not limited to) prudential borrowing.

9 Stakeholder Management & Communication

9.1 Stakeholder Management

9.1.1 The Strategic Assumption in the procurement process is that all Stakeholders will be identified and managed according to the PG Stakeholder Engagement Plan. It is recognised that PG has a numerous internal and external stakeholders ranging from the public to internal managers and councillors. There are varying degrees of interest and influence that shall be managed expertly in order to avoid challenge and to ensure that all interests are accounted for. The identification, assessment and management of stakeholders are detailed in the PG Stakeholder Engagement Plan.

9.2 List of Stakeholders

9.2.1 Stakeholders are drawn from all areas of the Partnership and the existing Authorities' collaborative partnerships. A list of stakeholders is reproduced in the following table, but this list is not exhaustive and it is highly likely that further stakeholders will be identified during the course of the procurement.

Table 3

Internal	External
Partner Authorities:	Existing Contractors
<ul style="list-style-type: none"> ▪ Cabinet/ Executive Members 	Communities Adjacent to potential Bidder Sites
<ul style="list-style-type: none"> ▪ Elected Councillors ▪ Corporate Management Teams 	Community and Business Adjacent to the Optional Site
<ul style="list-style-type: none"> ▪ Joint Committee 	Journalists
<ul style="list-style-type: none"> ▪ Heads of Service: <ul style="list-style-type: none"> ○ Technical ○ Financial ○ Planning ○ Insurance ○ Legal ○ Procurement Services 	Advisors <ul style="list-style-type: none"> ○ Pinsent Masons ○ Grant Thornton ○ Parsons Brinckerhoff ○ Partnerships UK ○ Insurance Advisors
<ul style="list-style-type: none"> ▪ Health & Safety 	Friends of the Earth

Internal	External
<ul style="list-style-type: none"> ▪ Human Resources 	Other National and Local Interest Groups
<ul style="list-style-type: none"> ▪ Freedom of Information Officers 	Local Interest Groups
<ul style="list-style-type: none"> ▪ Audit Services 	Welsh Local Government Association (WLGA)
<ul style="list-style-type: none"> ▪ Communications 	<ul style="list-style-type: none"> ▪ Waste Awareness Wales
<ul style="list-style-type: none"> ▪ Procurement Services 	Welsh Assembly Government Wales Audit Office
<ul style="list-style-type: none"> ▪ Health & Safety 	Local Authorities Adjacent to the partnership
	Residents and Business in general within the partnership
	Environment Agency
	Countryside Council for Wales

9.3 Communications

9.3.1 Table 4 provides the list of stakeholders that will be the focus for communications and engagement throughout the delivery of the procurement via both governance models described in the JWA and Stakeholder Engagement Plan. As mentioned earlier, this is not meant to reflect an exhausted list.

10 Approach to the Competitive Dialogue Procurement

10.1 The procurement will be conducted in accordance with 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 31st January 2006.

10.2 Pre-Qualification

10.2.1 A Pre-Qualification Questionnaire (PQQ) will be issued to all interested potential providers along with the Initial Descriptive Document, which details 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 that is considered necessary to achieve the desired outcome in a manner that will satisfy all public sector propriety, audit and governance criteria.

10.2.2 A maximum of eight 8 participants will be selected at PQQ stage, this will include pass or fail tests as well as scored tests and only the top eight 8 (or 9 participants if there are equal points scored at 8th place) Participants will be asked to progress to the next phase of the procurement. The selection will be backward facing and will focus on bidder's capability to deliver a satisfactory solution, their economic standing, financial and technical ability and past performance.

10.2.3 Regulation 23 of the Public Regulations will be applied to gain assurance of participant's good standing. Participants will be expected to provide references and provide details of a reference site(s) that may be visited by members of the evaluation team.

10.3 Competitive Dialogue

10.3.1 The Competitive Dialogue is produced as a high level flowchart at Appendix 1 of this document. The successful participants progressing through from PQQ will then be invited to take part in the Competitive Dialogue process, which is described below. Participants will be subject to evaluation and a process of de-selection at each stage of the dialogue, with a maximum of 8 participants (9 if there is an equal 8th place scored) being asked to submit an Outline Solution.

10.3.2 Prosiect Gwyrdd will approach the procurement through a Competitive Dialogue Process. It is expected that this approach will deliver the most satisfactory solution to the management of residual waste across the partner authorities and benefit from the expertise of Participants that will be shortlisted through the evaluation process. This approach is advocated by DEFRA, who have produced a supportive framework of documents, templates and advice through the WIDP, through which they have supported similar complex waste infrastructure projects in England. The Competitive Dialogue approach to procurement is recognised as being appropriate

when managing complex solutions and requires a high level of commitment from sponsors and stakeholders in terms of resources, expertise and time.

10.3.3 The Competitive Dialogue is delivered through a number of stages as detailed in the Proiect Gwyrdd Procurement Plan and the PG Evaluation Methodology. PG has agreed there will be three stages to the procurement. Within the competitive dialogue stage the project reserves the right to the number of stages it will utilise, and up to 4 stages (2a- 2d) may be used as described in Table 5 below. Each stage will require a level of resources and intense and efficient project management throughout.

10.3.4 The stages are as follows:

Table 4

No.	Stage	Number of Participants Selected
1.	Selection	
1	Pre- Qualification (PQQ)	8 maximum Participants (9 if equal 8 th place is scored)
2.	Competitive Dialogue	
a	A Invitation to Submit Outline Solution (ISOS)	8 maximum Participants (9 if equal 8th place is scored)
b	Invitation to Submit Detailed Solution (ISDS)	
c	Invitation to Submit Refined Solution (ISRS) (Project reserves the right as to the inclusion or otherwise of this stage)	
d	Invitation to Submit Final Tender (ITSFT)	
3.	Preferred Bidder & Contract Close	
	Identification of Preferred Bidder leading to financial close.	1 Preferred Bidder

10.3.4 It is envisaged that the most intense areas of Dialogue will occur in stages 2a- 2b and the required resources will reflect this position. The dialogue will take place in a structured way and respect commercial confidentiality at every stage. The input

needed during these stages is not underestimated; the requirement for strictly project managed procedures is understood and will be provided to assure Key Stakeholders that the process has been conducted appropriately and within the required Governance.

10.4 Timescales

10.4.1 It is anticipated that the procurement process will take around a period of 24 months to contract award; this will ensure that each stage of the procurement is given the appropriate consideration. This process is detailed in the PG Procurement Plan.

10.4.2 The OJEU notice is expected to be placed in November 2009, with Preferred Bidder appointment likely to be likely to be the Autumn of 2011.

10.5 Contracting Period

10.5.1 While the Partnership envisages a contract period of approximately 25 (twenty five) years with an option to extend by a further 5 (five) years, the actual contract period will be determined by best value considerations during the Competitive Dialogue Procedure and may also be dependent on financial market conditions. For the avoidance of doubt, a 25 (twenty five) plus 5 (five) years duration is indicative only and is not intended to specify the maximum or minimum length of the contract.

10.6 Design Build Finance Operate and Maintain (DBFOM)

10.6.1 It is envisaged that the contract be procured as a Public Private Partnership for the treatment and disposal of the Partnership's municipal residual waste with revenue support being provided by the Welsh Assembly Government. The contract may include (without limitation) provision for the design, build, finance and operation of a residual waste treatment facility(ies) and/or a merchant waste treatment facility(ies). Dependant on the solution proffered, the expectation is that financing for the project will be predominantly, if not wholly, procured from private finance. However, the Partnership reserves the right to provide or procure capital contributions and/or finance for the project from other sources including (but not limited to) prudential borrowing and/or the European Investment Bank.

10.6.2 Commercial intelligence conducted at the outset of the project suggests that there are a number of potential providers in the market place who would enter the competition and be able to fulfil this requirement. A review of the current direct interest expressed, the situation with other concurrent procurements of similar proportions and requirements has been undertaken to assess the number of potential providers. In light of that review and a review of the financial market it is considered that the market is strong and would provide strong competition to the procurement

10.7 Electronic Procurement

10.7.1 Throughout the process of dialogue the evaluation will be managed using an e-tendering system. This allows a full and complete audit trail of evaluation that will satisfy all audit requirements and maintain probity during the evaluation of bids. The system is also more sustainable and provides excellent communications tools for the Project and Participants.

10.7.2 All project documentation is held and maintained on a secure centrally managed data base that is restricted to registered users. All documents, quality assurance and quality review shall be managed through the Project Office. All products are version controlled, decisions are recorded on the PG Decisions Log and all actions are recorded and held centrally to ensure that a full audit trail of all documentation.

10.7.3 All documents that will be required by Participants will be filed on the central data base in an electronic Data Room.

10.8 Provision of Sites

10.8.1 In accordance with best practice OGC guidelines the Partnership intends to make a site the 'Optional Site' available to Participants subject to its suitability although Participants may, if they prefer, put forward their own site(s). Participants will be provided with planning information as part of the procurement documents in relation to the Optional Site to help inform their choice of its use within the solutions that they may choose to offer. Alternatively, Participants will be free to submit solutions based upon alternative site(s) within their control. However, the details of any proposed site, the Optional Site or otherwise will be subjected to the evaluation criteria and will take account of aspects such as location, suitability, sustainability and deliverability. The evaluation criteria will be fully developed to reflect the required outputs.

10.9 Corporate Social Responsibility (CSR)

10.9.1 Corporate Social Responsibility is an integral part of the Government Agenda and Participants will be expected to provide details of their approach to this issue. Again this will be subject to evaluation and the criteria will be developed with the appropriate stakeholders and published in the descriptive document.

10.9.2 The Preferred Bidder will be required to actively participate in the achievement of social and/or environmental objectives. Accordingly, contract performance conditions may relate in particular to social, environmental or other conditions. Further details will be set out in the contract documents

10.10 Sustainability

10.10.1 The solution is expected to be highly sustainable and will be evaluated against rigorous criteria in order to support the delivery of Government targets on the management of waste and in respect of sustainability and protection of the environment and design. An example of the required outputs of the contract will be measured in the tonnage of waste diverted from landfill and the carbon footprint and meeting prescribed sustainability design standards.

11 Award Criteria

- 11.1 The award criteria will be divided into discreet areas as described in the PG ISOS Evaluation Methodology. The award criteria are the overarching areas for evaluation and selected stakeholders will be identified to support the specific evaluation of these expert domains.
- 11.2 Specifically the contract will be awarded with regard to:
- The Technical Solution including
 - Environment and planning and
 - The approach to Corporate Social Responsibility;
 - The Financial and Commercial Aspects;
 - The Legal Aspects;
- 11.3 Full details and the secondary and tertiary evaluation criteria for their weighting ranges and evaluation methodologies will be fully described in the procurement documents.

12 Governance

12.1 Pre procurement Governance

12.1.1 Pre-procurement the five Authorities established a Members consultative body known as the Members Steering Group (MSG) whom did not have any status as decision makers. The Officer Steering Group was a collaboration of senior officers from each partner Authority who during pre-procurement, have had delegated authority to prepare the Outline Business Case (OBC) and draft procurement documentation in readiness for sign off and authority to proceed. The OSG operated under a Memorandum of Understanding (MoU) between the five Authorities.

12.2 Procurement Phase Governance

12.2.1 The Partnership is very keen to work together to manage their waste treatment services and this Project, supported by the agreed and signed JWA1, is the first step in achieving this joint aim. The Partnership has entered into a Joint Working Agreement ("JWA1") to formalise their respective roles and responsibilities in relation to the joint working arrangements for the procurement of the Project. The Partnership has adopted a Lead Authority Model supported by a Project Team, Project Board, a Joint Committee and the members of each Partner. There are also a number of key decisions that will need to be referred to each council for decision. The JWA1 sets out that the Project Board and the Joint Committee will oversee the progress and implementation of the Project, to give the Project strategic direction and to be responsible for certain key reserved decisions. The Project Team will manage the day to day running of the Project and will be responsible for implementing decisions of the Project Board, the Joint Committee and the authorities.

12.3 Contract Phase Governance

12.3.1 Although the procurement process officially concludes at contract award, it is recognised that there will be a period of delivery and implementation of Planning, Construction and Commissioning in order to manage the project through to project completion and into contract management, this is factored into project plans accordingly. When the Preferred Bidder is selected the Authorities will have drawn up the Project Agreement, part of which the Authorities will determine, which Authority will act as the Lead Contract Authority and the Contract Management Team that will manage the contract once the procurement process is complete. This will have an identifiable impact on the agreed Lead Contract Authority in terms of cost, accommodation, resources and continued commitment to PG this relationship will be covered by the Joint Working Agreement 2.

12.4 Senior Responsible Owner (SRO)

12.4.1 The SRO is Stephen Davison, Head of Public Protection and Environmental Services for Newport City Council. The high level role and responsibilities of the SRO are described in JWA1.

12.5 The Project Board

12.5.1 The Project Board consists of the SRO, an Executive Officer representing the interests of each partner Authority, the Project Manager financial and legal monitoring officers and project assurance roles. The role of the Project Board is to provide the sign-off of stage plans, documentation, managing and making decisions in accordance with Schedule 1 of the JWA, the Project Board also have a responsibility to internal and external stakeholders.

12.5.2 The high level roles and responsibilities of the Project Board are contained in this document at the JWA1.

12.6 The Joint Committee

12.6.1 The Joint Committee is a collaboration of 2 member representatives from each Partnership Authority. The Joint Committee have delegated decision making authority and will be required to sign off areas of the procurement from participant selection to the final stage of the Competitive Dialogue Process. They will form part of the escalation route for the Project Team. Their Roles and Responsibilities are described in the JWA1.

12.7 Risk Management

12.7.1 Prosiect Gwyrdd has a risk management structure in place, and it is essential that all risks are identified and managed according to their ratings and these are provided and managed though the in the Risk Register and at Project Team/ Board meetings.

12.7.2 Commercial and Contractual risks are monitored through the register and will be constructed into contractual obligations through the Project Agreement and risk allocation schedules.

12.8 Due Diligence

12.8.1 Due Diligence is a means by which information is obtained in order to enable potential providers to fully understand the Authorities' requirements, to enable them to construct an innovative but realistic proposal and to assess the risks and liabilities associated with the contracting process. It is a form of legal audit on the contractual structure, the contracts themselves and the associated legal risks.

12.8.2 Due Diligence begins once the ITPD has been issued and will conclude once the date for Final Tenders has lapsed.

12.9 Responsibilities

- 12.9.1 It is the responsibility of all potential providers to ensure that all requirements are identified. The Project Office will be the first point of contact for potential providers and will endeavour to ensure that any existing service providers provide a timely response and that the requisite information is provided only by the Project Office, there shall be no direct contact made by potential providers to existing providers. Full details and instructions will be provided within the procurement documents,

13 Contract Arrangements

13.1 It is recognised that PG may be faced with a number of options with regard to the Contract arrangements and commercial relationship; these may be raised by the potential providers in the course of the competitive dialogue and account of these shall be managed through the dialogue and evaluation approach.

13.2 Examples of Options that could arise include:

- Joint Venture;
- Consortium or Creation of a Special Purpose Vehicle;
- Subsidiary Company with Parent Company Guarantee;
- Managing Agent.
- Merchant Supplier

14 The Procurement Plan

- 14.1 The information in the Procurement Plan underpins the Procurement Strategy and supports delivery of the objectives of the Project.
- 14.2 Readers should refer to the Prosiect Gwyrdd Procurement Plan for specific details of how the procurement process will be delivered, by whom and to what timescales. It will describe, in detail the roles and responsibilities of each layer of Governance, in addition to those of the Project Team.

Appendix 1

Commercial Competitive Dialogue Procurement Process

