

PROJECT TRANSFORM - Financial Model Assumptions

The following table summarises key assumptions made in the modelling of the reference project, along with details of the assumption sources. All assumptions have been discussed by the Councils and their external advisors, and have been signed off by the Councils.

Assumptions	Source	Data
Timetable		
Price Base Date (Financial Year Start)	Entec	01-Apr-07
Model Start (Financial Year Start)	Entec	01-Apr-11
Operating Start (Financial Year Start)	Entec	01-Apr-14
Operating Years	Councils	30
Operating End (Financial Year End)	Councils	31-Mar-44
Construction Start (Financial Year Start)	Entec	01-Apr-11
Construction Year 1 (Financial Year End)	Entec	31-Mar-12
Construction Year 2 (Financial Year End)	Entec	31-Mar-13
Construction End (Financial Year End)	Entec	31-Mar-14
Construction Years	Entec	3
Economic Assumptions		
Annual Real Discount Rate	As per standard treasury term sheet	3.50%
Annual Nominal Discount Rate	Formula	6.09%
Annual RPI	As per standard treasury term sheet	2.50%
Capital Indexation	As per standard treasury term sheet	5.00%
Electricity Indexation	As per standard treasury term sheet	3.00%
Uplift to be applied to costs	Formula	110.38%
Uplift to be applied to electricity	Formula	112.55%
Uplift to be applied to costs - capital only	Formula	121.55%
EfW Facility Assumptions		
Assumed Capacity (ktonnes)	Entec	347
Commissioning Year Capacity (% of total)	Entec	86.92%
Commissioning Year Capacity (ktonnes)	Entec	302
Capex		
Base building cost (£ per tonne)	Entec	£500
Opex		
Existing EfW Gate Fee (£ per tonne)	LAWDC	£35
New EfW Operating Expenditure (£ per tonne) – includes Bottom Ash	Entec	£34
Third party income - energy (per MWH)	Entec	£31
Third party income - spare capacity (£ per tonne)	Councils	£70
Third party income - ROCs - price (£ per tonne)	Councils	£0
Third party income - heat (£'000 per annum)	Entec	£0
Insurance (£'000)	Market rates	£500
Rent and Rates (£'000)	Market rates	£1,000
Company Management (£'000)	Market rates	£300
APC		

APC processing - % of EfW wasteflow	Entec	4%
APC processing cost (£ per tonne)	Entec	£200
APC Landfill tax (£ per tonne)	LAWDC	£48
Landfill Assumptions		
Landfill costs (£ per tonne)	Entec	£20
Landfill tax (£ per tonne)	Defra	£48
LATS	Councils	£0
BMW	Entec	60%
PFI Specific Assumptions		
Notional debt rate used for PFI RSG support	DCLG	5.90%
Percentage of capital funded by PFI Credits	Defra	50.00%

T PFI Credit Calculations PWC

The PFI calculation has been performed in line with latest HM Treasury and DEFRA guidance, and is based on the Net Present Value (NPV) of the EFW infrastructure capital costs, assuming maximum allowable bid development costs of 0.5% of the cost of funding.

The calculation of PFI credits is based on 50% of the NPV of the full facility construction costs at contract start date April 2011 using the 5.9% 2007/08 prescribed financing rate. This equates to £93m in PFI Credits, which is the amount being applied for. This is summarised in the following table.

Summary

	PFI	
	NPV @ 3.5% Real	Total Nominal
	£'000	£'000
Capital Expenditure	196,888	220,356
Capital Financing	67,086	513,947
Development Costs	3,770	4,000
Operating Costs less Third Party Income	151,321	451,990
Taxation	20,799	103,376
Timing Differences and Interest	4,409	-29,781
SubTotal Contract Cost (See apportionment below)	444,274	1,263,888
<u>Existing Facility:</u>		
Coventry	12,710	14,291
Solihull	5,734	6,468
Warwickshire	7,258	8,467
<u>Landfill Costs and Taxes:</u>		
Coventry	21,990	56,104
Solihull	11,219	26,983
Warwickshire	47,650	91,314
LATS	0	0
Total	550,835	1,467,514
PFI Credits	-92,553	-243,218
	458,282	1,224,296

EfW Contract Costs and risk apportioned across each Authority:

Coventry	159,928	454,970
Solihull	77,835	221,429
Warwickshire	206,510	587,489

	NPV @ 3.5% Real	Nominal Cost
Total Costs per Authority		
Coventry	161,311	437,812
Solihull	78,573	212,269
Warwickshire	218,398	574,215
Total	458,282	1,224,296

Annual Average Cost of disposal in Real Terms

Coventry	8,416
Solihull	4,087
Warwickshire (note: excludes cost of waste to Staffordshire)	11,162
Total Cost £'000	23,665

Comparison to 2011 required disposal budget £'000

Coventry	5,918
Solihull	3,177
Warwickshire (note: part will be used for Staffordshire)	13,973
2011 combined required disposal budget £'000	23,068

Existing Gate Fee 2011 Prices £	38.63
New EfW expressed as a Gate Fee 2011 Prices £	67.77

Tonnage Apportionment	Operating Period Average Annual Waste Flows	Proportional Split
Coventry	112	36.00%
Solihull	54	17.52%
Warwickshire	145	46.48%