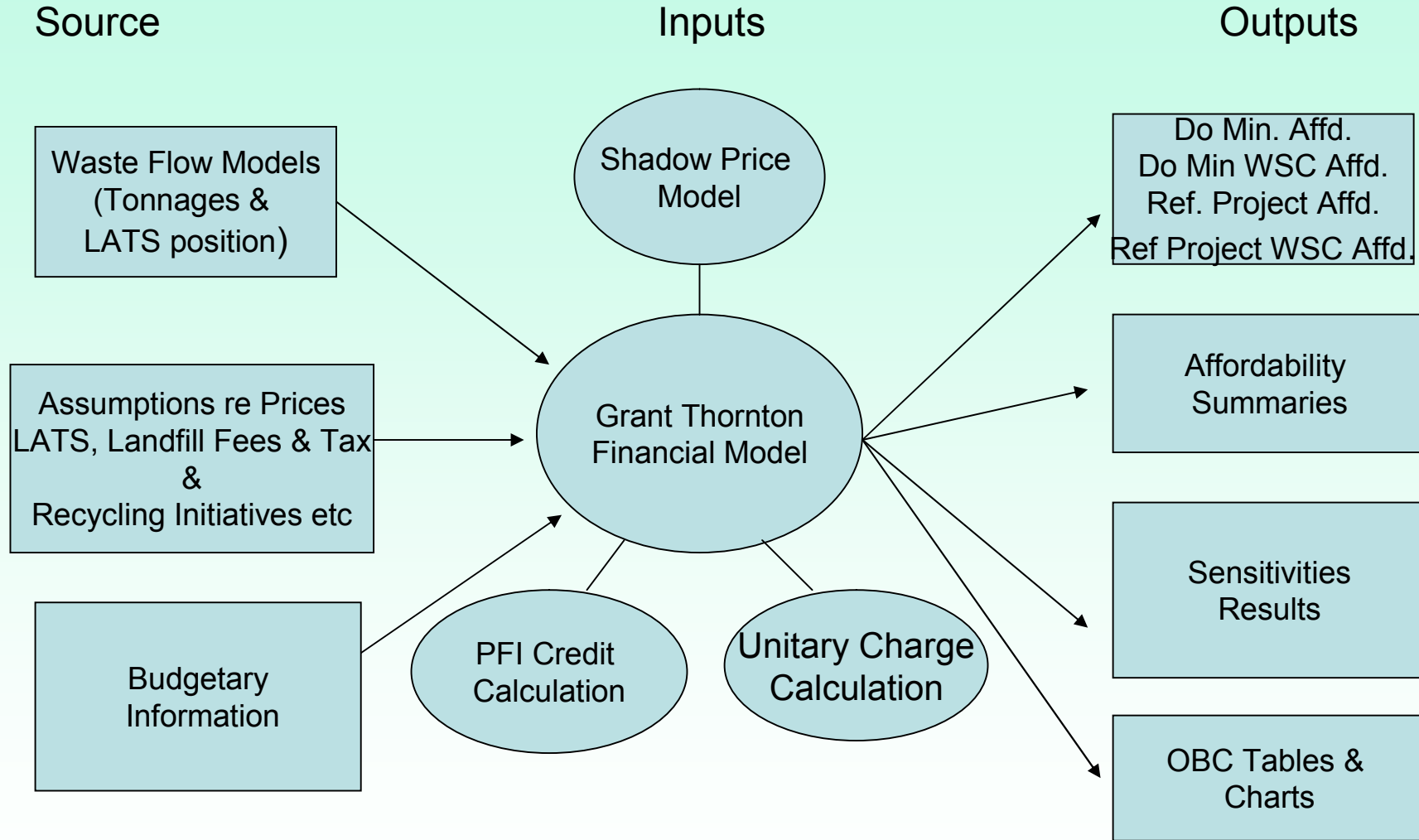


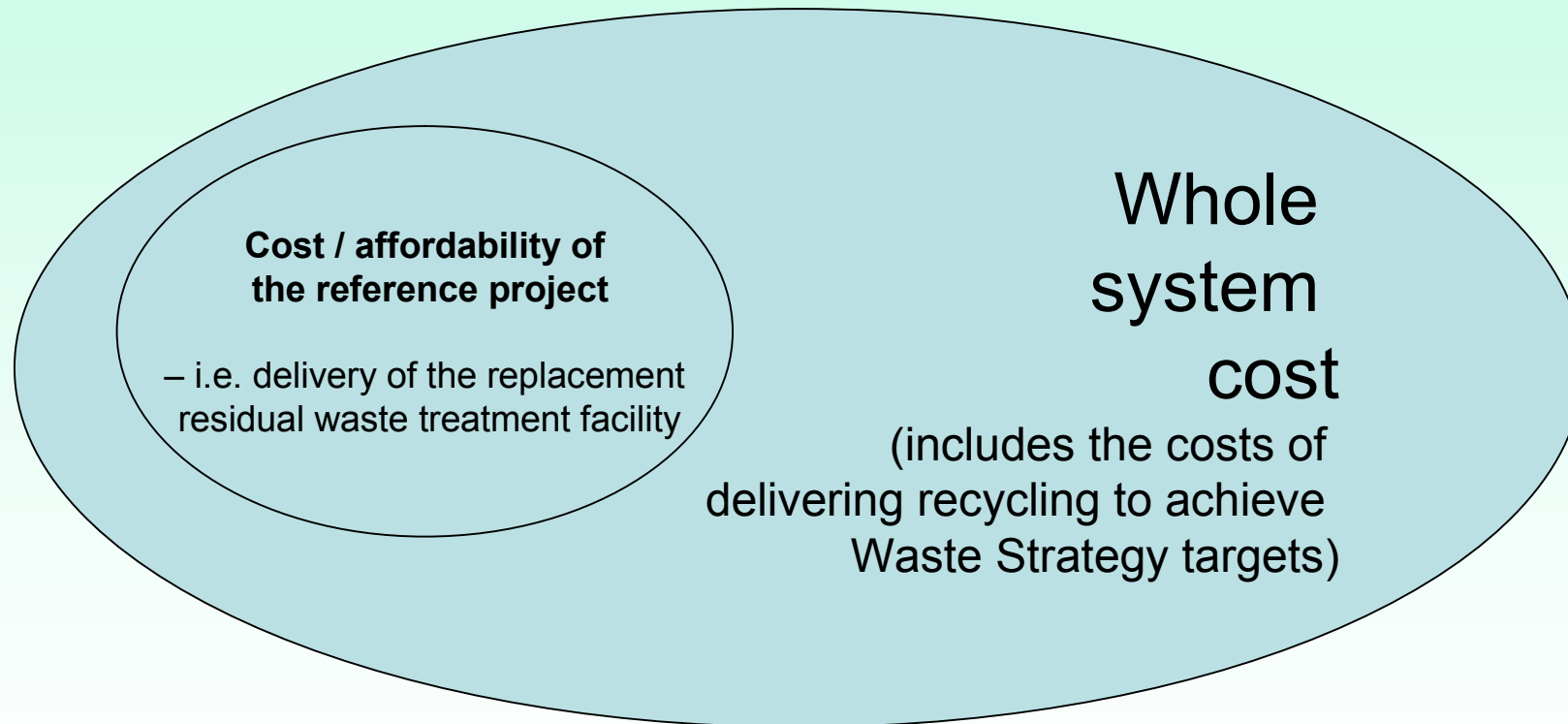
**Members Advisory Panel  
Meeting  
10<sup>th</sup> September**

**Project Transform  
OBC  
Financial Overview**

# Overview



# How the costing / affordability assessment is undertaken



# Key drivers/inputs

For the Reference Project (residual waste)

<b>Financial close</b>	31 March 2011
<b>Operations - 25 year contract</b>	1 April 2015 to 31 March 2040
<b>Capital Cost</b>	£210m
<b>Income from sale of spare capacity assumed</b>	Nil (DEFRA requirement)
<b>Income from sale of electricity</b>	£40/MwH + RPI
<b>Landfill costs – for do minimum &amp; tonnage bypassing the facility</b>	£21.60 gate fee £80 / te LT LATS profile

# Key Outputs

For the Reference Project (residual waste)

	2015/16 (1 <sup>st</sup> Year) Total £m	2015/16 (1 <sup>st</sup> Year) Gate Fee £
<b>Unitary Charge</b> (incl pass through costs)	32.1	123
<b>PFI Credit</b> (£128m notional sum)	(9.1)	(33)
<b>Net Cost</b>	23.0	<b>90</b>

- Based on throughput of 258,000 tonnes
- Exclude landfill cost for resid. waste not going through facility.
- Only 50% of gate fee inflated by assumed 3% (RPI + 0.5%)

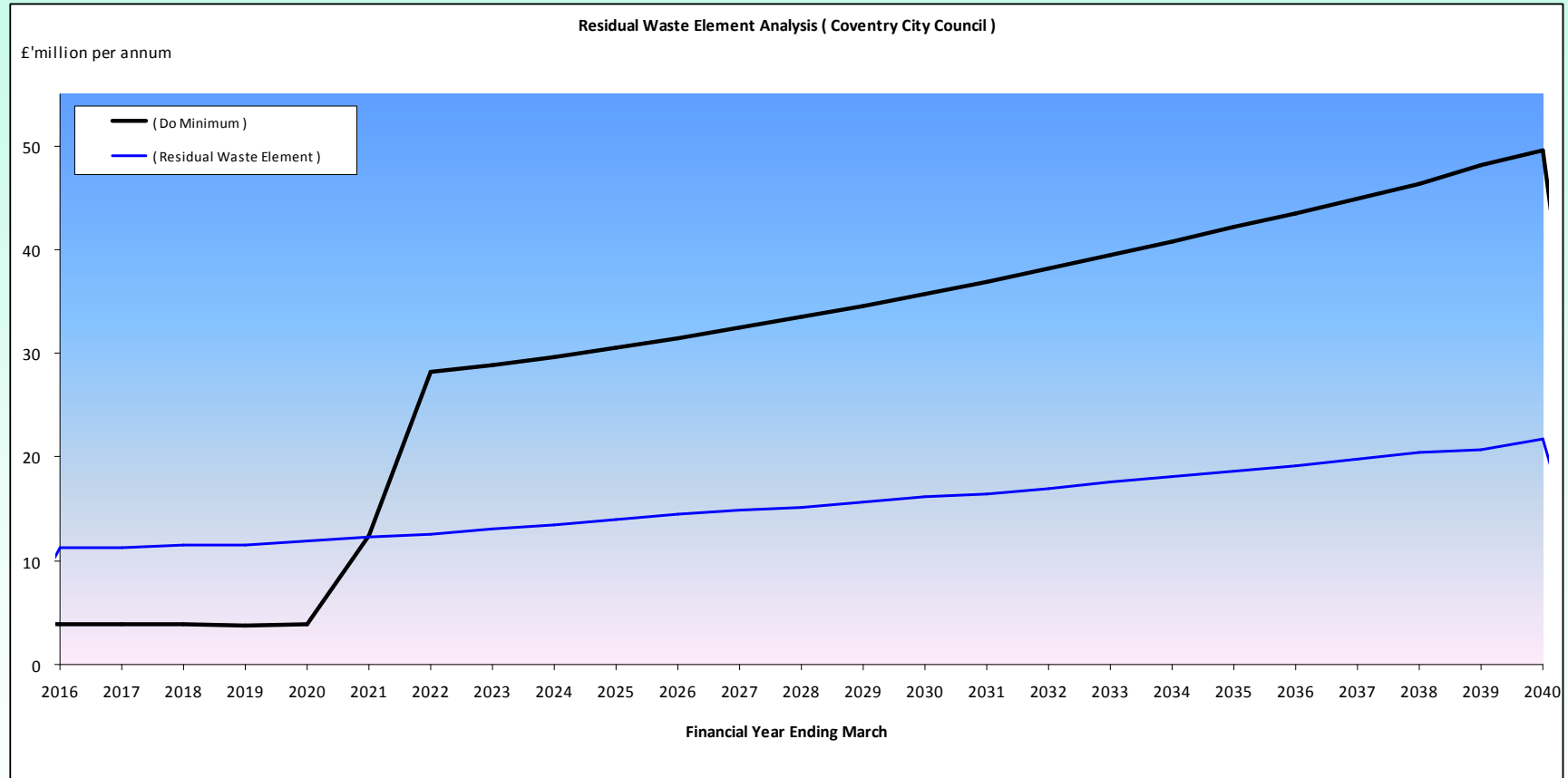
# Affordability

Available budgets for the reference project (residual waste, excluding landfill not going through facility)

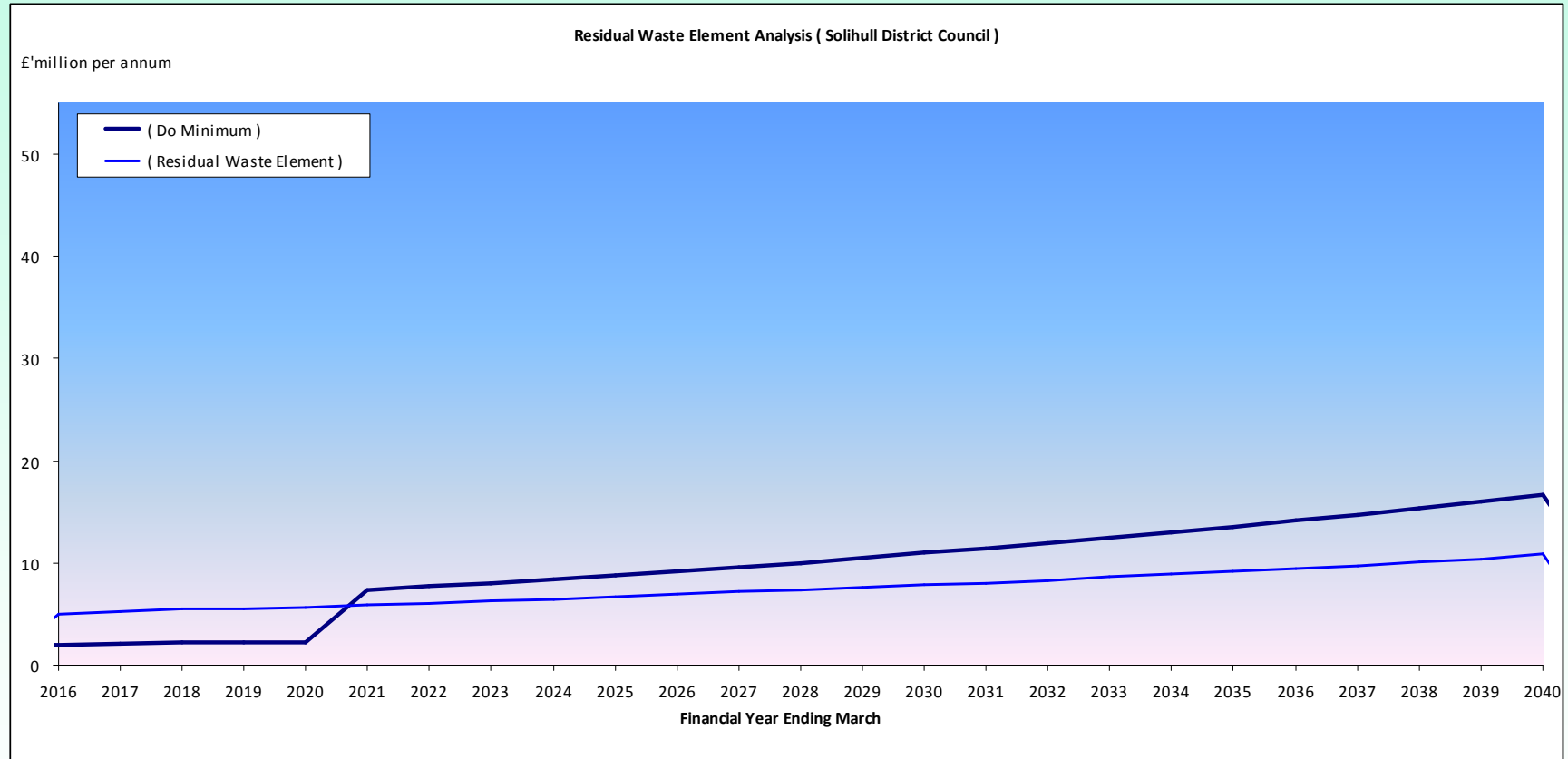
2015/06	CCC	SMBC	WCC	Total
	£m	£m	£m	£m
Budgets	4.5	2.5	3.1	10.1
Costs	9.0	4.1	9.9	23.0
Gap	4.5	1.6	6.8	12.9

These figures are for the residual waste, there will be additional costs for increased recycling and minimisation education etc.

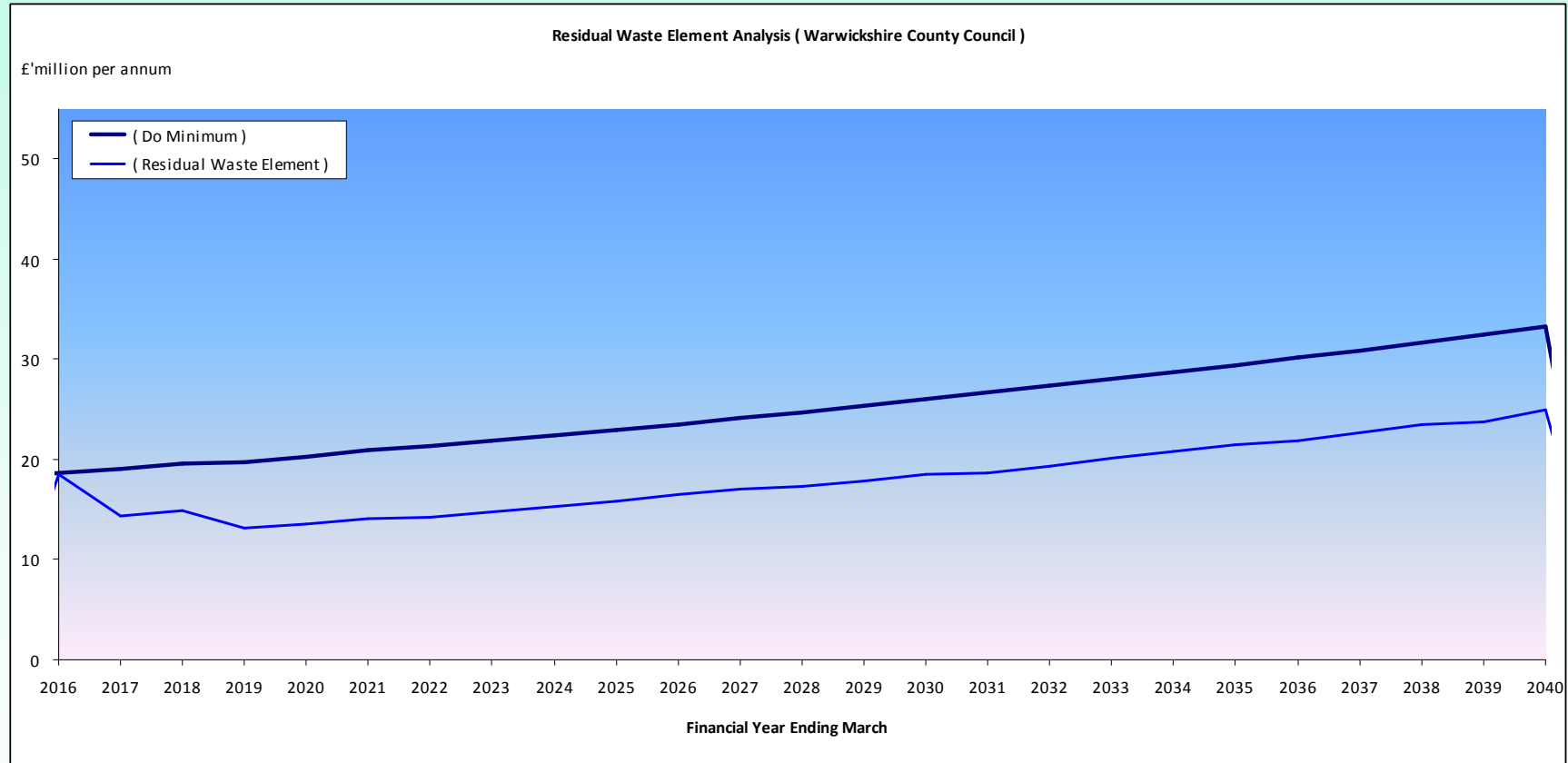
## Comparison of 'Do Minimum' with 'Residual Waste PFI Project'



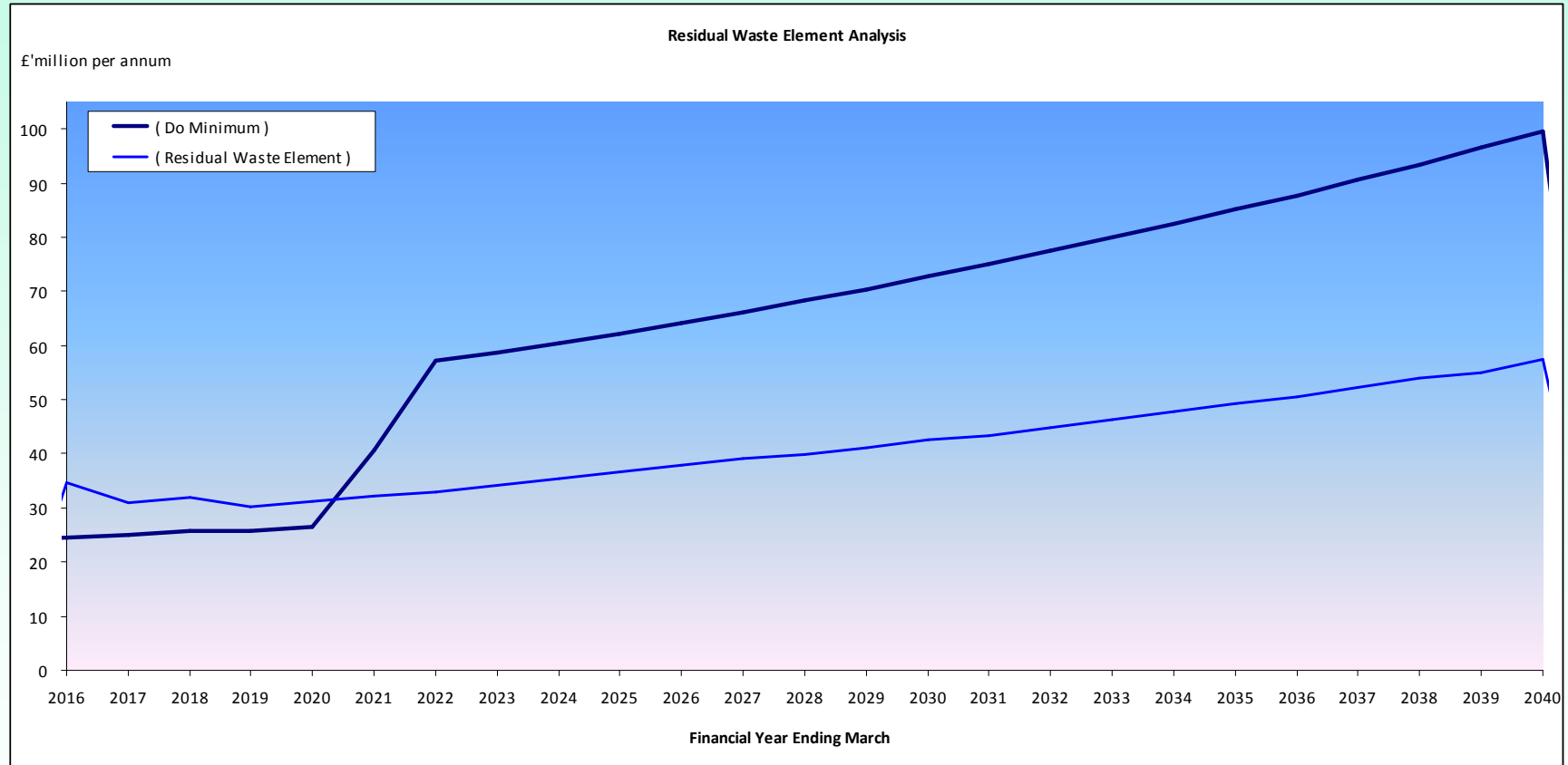
## Comparison of 'Do Minimum' with 'Residual Waste PFI Project'



## Comparison of 'Do Minimum' with 'Residual Waste PFI Project'



## Comparison of 'Do Minimum' with 'Residual Waste PFI Project'



## **What are Members being asked to sign up to**

Members are required to sign up to meet the affordability gap of the reference project for the life of the project.

The affordability gap is actually a range of estimated net costs for the project reflecting a variety of sensitivities from the base case

Members are required to sign up to the costs of the project in the knowledge of the potential cost pressures of the wider waste strategy

# Sensitivity testing

- increases in capital expenditure
- operating cost increases / decreases - usually use a standard 10% each way
- Electricity revenue increases
- Heat revenue
- Funding costs
- Length of contract
- Landfill costs - impacts on do minimum
- One year delay - this is a Defra standard sensitivity requirement. Only really an issue for WCC as it is meant to look at the extra years higher landfill costs that would be incurred

# OBC Next steps



## **Affordability:**

- Finalise the whole system costs
- Sensitivities on the reference project
- Member approval

## **Value for Money / Accounting Opinion**

- Quantitative / qualitative VFM analysis
- S151 Officer sign off for VFM

## **Audit opinion:**

- GT draft opinion being reviewed by auditors

# Cost sharing

- The OBC costing sharing for each Authority has been prepared on the basis of throughput – this has been a common approach for other multi Authority waste PFI projects
- Council officers are looking at further developing the approach to ensure that each Authority obtains equivalent benefit from the project

# Questions

