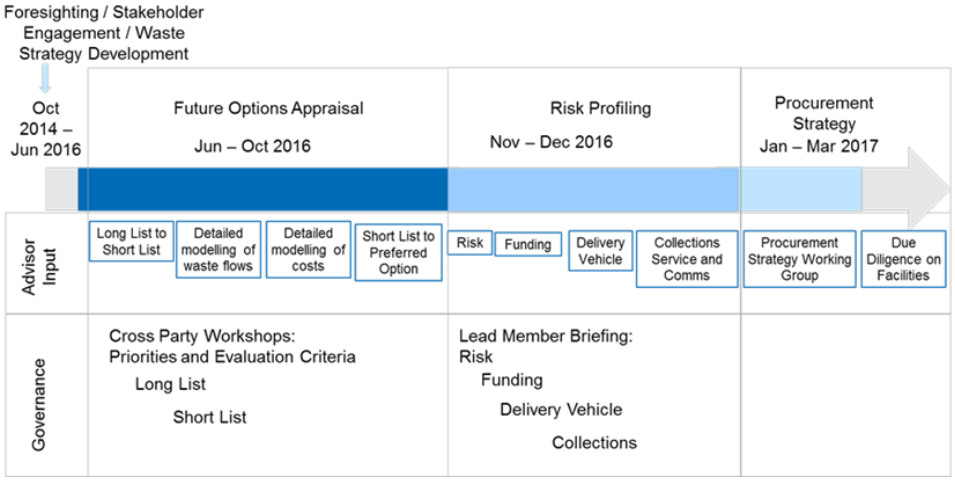
APPENDIX 3

Options Appraisal

An Options Appraisal referenced in the diagram below was undertaken in 2016, a shortlist of waste disposal and collection options was prepared and agreed with Councillor Trickett, Councillor Majid Mahmood, Sukvinder Kalsi (representing Finance on behalf of the Council), Robert Barker (representing Legal Services on behalf of the Authority) and Jacqui Kennedy (Corporate Director for the Council).

The diagram below summarises the key activities undertaken to date by the Project Team at the time:



The benefits and challenges of the Self Operate Model vs the PPP Model were discussed at the Infrastructure and Disposal Service Delivery Options workshop conducted on 30 November 2016.

A preference for a contract with the Private sector to refurbish / build and operated the ERF. The detailed risk allocation of the contract was to be developed through further workshops.

The delivery model was revisited specifically to consider the risks and opportunities of:

- Continuing with an open procurement with the private sector (as above)
- Entering a Joint Venture (JV) with Coventry and Solihull to self-operate
- Establishing a Wholly Owned Company to self-operate

Delivery Model – key factors for consideration

- Construction / refurb
- Operating cost and performance
- Energy volume and price
- Third party waste
- Financing

} certainty of cash flows

- Management capacity
- Ability to recruit / retain key staff
- Potential exposure to other plant / liability (Coventry specific)

The outcome of the Options Appraisal identified and approved a preferred option for waste disposal services through PPP style contract(s) which include:

- Run the Tyseley Energy Recovery Facility (ERF) for a further 15 years from January 2019 to 2034;

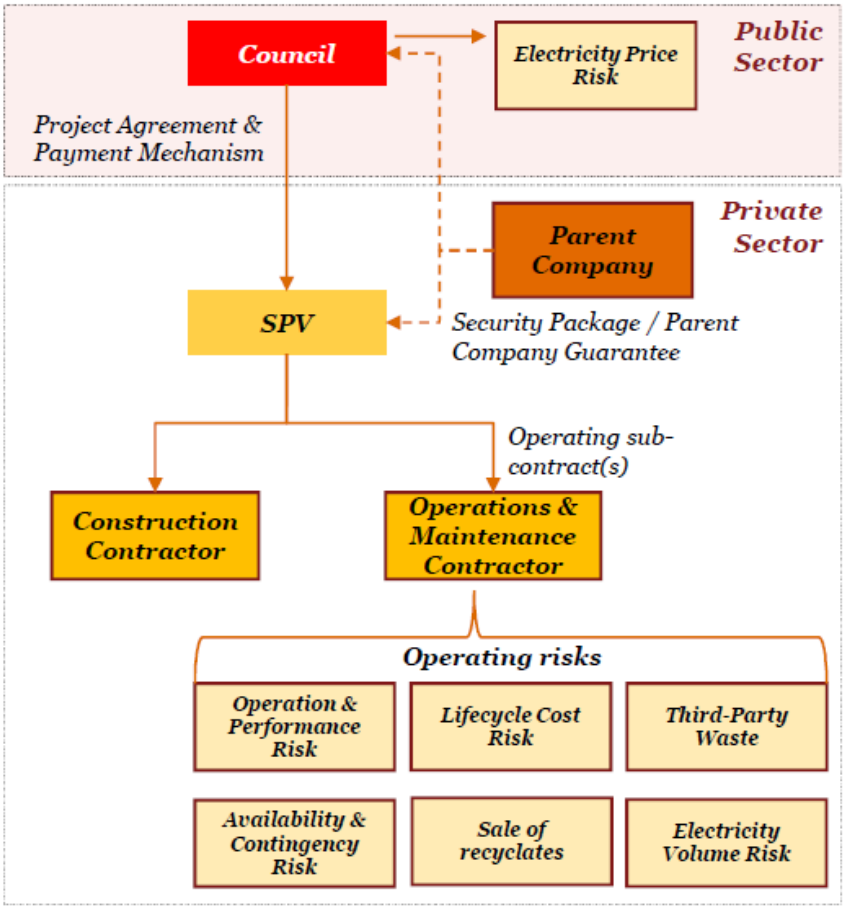
- Run three Transfer Stations including planned refurbishment within the 15 years from January 2019 to 2034;
- Run five Household Waste Recycling Centres and investigate opportunities to involve Small and Medium Enterprises (SME's) and potentially the Third Sector;
- Investigate the feasibility of a BCC owned Mixed Recycling Facility (MRF); and
- Continue with an offtake contract for garden waste processing and other ancillary services.

Twelve service delivery options were discussed:

Service Delivery Options **Options Provided by BCC – Introduction to Commissioning**	
Option 1	Decommissioning the Service: The cessation of the service, in whole or in part.
Option 2	Continue to provide the service in-house.
Option 3	The setting up of a new Council function or unit to deliver a particular service.
Option 4	Supplementary contracts/term contract framework agreements.
Option 5	Commission the market to deliver service outcomes.
Option 6	Transfer some or all of an asset to the community, trust, charity, service user group or other body (including Social Enterprises).
Option 7	Market Shaping to establish quality and adequacy of supply to meet a range of needs from individuals' purchasers.
Option 8	The re-negotiation of existing arrangements with current providers.
Option 9	The transfer of a function to another provider (9i – Wholly Owned Company) (9ii – Emergent Organisations)
Option 10	The creation of a public-private partnership, through a strategic contract or joint venture company.
Option 11	Use of existing third-party Contracts.
Option 12	The joint commissioning or delivery of the service outcomes – Collaboration (including Shared Services).
Option 13	Use a mixture of making and buying.

The twelve options were discussed and reduced to five viable options (3, 9, 10, 12 and 13), from which option 10 was agreed upon as the most viable option via a Private Public Private Partnership (PPP) contract with the private sector to deliver services, as this could take a variety of forms with differing risk allocation.

Structure of a PPP contract with Private Sector



A number of packaging options were discussed as illustrated below, the outcome of those discussions was a preference for option 2, with some further debate required on whether the Household Waste Recycling Centres (HWRCs) that share site entrances and weighbridges with Waste Transfer Stations (WTSs) should be let separately or together.

Packaging Options

We discussed a number of illustrative packaging options at Friday's workshop:

1	ERF, Transfer Stations, HWRC, MRF, Green Waste, Other (clinical)									Current model- Limited opportunity to improve value	✗
2	ERF, Transfer Stations (incl. fleet)	HWRC* & Associated Items	MRF	Green Waste	Wet Waste	Other (clinical)				Optimises interfaces and operating model, presents greatest potential (See over)	✓
3	ERF, Transfer Stations	HWRC* & Associated Items	MRF	Fleet	Green Waste	Wet Waste	Other (clinical)			Similar to option 2, however identified that fleet integral to an efficient operating model	✗
4	ERF	Transfer Stations	HWRC*	HWRC Associated Items	MRF	Fleet	Green Waste	Wet Waste	Other (clinical)	Further separation of ERF and TS is unlikely to improve value, link key to managing flows	✗
5	All Items Procured Separately									Creates a lot more interfaces and contracts to managed.	✗
	ERF	Transfer Stations	HWRC	MRF	Green	Wet Waste	Other (including HWRC associated items)	Management	Clinical	Land fill	
X	*Other options*									Unlikely that separating by function would create any additional value	✗
	Geographic	*Technical i.e. plant / mechanical etc*	*Haulage / Fleet*	*Recycling*	*Domestic*	*Trade*	*Clinical*	*Green*			