

Appendix 5 - ESA95 questionnaire

WIDP Accounting Assessment for Budgetary and National Accounts

Information Requirements

Introduction

The following questionnaire details the information requirements for WIDP, to enable its assessment of the accounting treatment of the project for Budgetary and National Accounts purposes.

The following requirements supplement the information to be reviewed as part of the WIDP Commercial Team review and is not meant to be exhaustive. The questionnaire is the starting point for the WIDP assessment and WIDP reserve the right to request additional information as required.

This questionnaire has been completed on the basis of the existing PFI contract which commenced in 2006, updated taking into account the proposed revised project plan (RPP) which forms the basis of the Variance Business Case.

Construction risk

1. Please provide details of all of the facilities to be provided under the PFI Contract?

The originally conceived PFI Contract contemplated the following Works which have been developed since the contract started in 2006 (or are currently in progress):

- a) the Mansfield Materials Recycling Facility (MRF) [complete]
- b) Refurbishment of the Giltbrook Waste Transfer Station (WTS) [complete]
- c) Refurbishment of the Freeth Street WTS [complete]
- d) Development of the new Worksop Household Waste Recycling Centre (HWRC) [Complete]
- e) Refurbishment of other HWRCs [Complete]
- f) Development of the new Newark WTS [Works in progress]
- g) Development of the new Worksop WTS [Works in progress]

Outstanding Infrastructure with an NPV of £8m is also to be delivered in accordance with the outcome of the Waste Infrastructure Credit reassessment, 28 January 2014. Of this, £4,68m relates to the development of the Newark WTS and Worksop WTS, both of which are currently in the construction phase and which are scheduled to be complete on 31st May 2015. Works pertaining to the remaining £3.32m of Outstanding Infrastructure are not proposed as part of the RPP per se. However, the RPP does introduce a market test process for M/Ashfield Residual Waste, which is likely to lead the development of further Outstanding infrastructure (through the PFI Contract or otherwise) and the Authority is still assessing further capital expenditure (e.g. related to HWRCs and Composting) which would follow the same commercial principles set out in the responses to this questionnaire¹.

¹ To the extent that further Outstanding Infrastructure required a variation to the existing Contract, it would be the subject of a separate VBC and appropriate information would be provided at that time.

2. (a) Please provide details of any assets (excluding land) which are contributed to the PFI Contract

The Giltbrook WTS and HWRCs (prior to their refurbishment) were facilities contributed to the PFI Contract by the Authority.

No further assets are being contributed to the PFI Contract as part of this RPP.

(b) Where assets are contributed to the PFI Contract if so which party bears the risk of latent defects?

The Contractor took this risk in relation to the Giltbrook WTS and the HWRCs.

3. Please provide details of any penalties imposed on the contractor (i.e. liquidated damages), for late delivery of the facilities which form part of the PFI contract?

The PFI Contract does not include any specific liquidated damages or other penalties in relation to late completion. However, payment has been made for the provision of a service meeting defined standards and achieving defined targets, and the Contractor has been and remains responsible for achieving these standards and targets, without any additional payment from the Authority, in the event of late delivery of the facilities.

For example, the Contractor is obliged to divert 60,000 tonnes of waste to the Sheffield ERF facility from June 2015, and in order to do this the Newark and Worksop WTSs will have to be finished by this time. If the WTSs are late, the Contractor will be paid only a landfill gate fee in respect of waste which would have been disposed of to Sheffield (in lieu of the substantially higher Sheffield gate fee) and will have to bear the cost of landfill tax as well as suffering deductions for missing targets through the performance framework.

4. Please confirm that the Authority will not be liable for any construction cost overruns (other than those caused by the Authority) on any of the facilities which form part of the PFI Contract?

For the reasons set out above, this has been the case for all Works completed to date. As set out above, if the Newark and Worksop WTS's are delivered late, the Unitary Charge payable by the Authority will not increase and if the associated diversion at Sheffield is not achieved then the Authority's costs will be lower.

5. Please provide details of any exposure of the Authority to other construction risks such as covering environmental factors etc?

Redacted.

Availability risk

- 6. Please confirm that the contractor will take the risks (both pricing and volume) associated with the provision of lifecycle and maintenance of the facilities?**

Confirmed

- 7. Please provide details of all caps on deductions for non-availability and poor performance as proposed by the bidders?**

Redacted.

- 8. Where Caps on deductions have been proposed, please provide details of the significance of the maximum potential capped deduction (for each bidder) compared to the overall value of the contract?**

Redacted.

Demand risk

- 9. To identify whether there is a significant potential sharing of demand risk, please provide a summary analysis of the cash flows that are fully recovered by the PFI contractor at the Minimum Guaranteed Tonnage levels?**

Redacted

Residual Value risk

- 10. Please provide details of the arrangements for the assets on expiry of the PFI Contract and specifically as to which party the asset will revert to?**

All Assets will revert to the Authority with the exception of:

- a) the Sheffield facility
- b) the Freeth Street WTS

both of which were extant Veolia facilities before being used for the PFI Contract, and in respect of both the facilities are still substantially being used by other customers.

- 11. If applicable please provide details of any options (on expiry) retained by the Authority, in relation to acquiring any of the assets provided under the PFI Contract?**

N/A

Funding

12. Please provide details of the value of any proposed upfront capital contributions to be made by the Authority?

Redacted.

13. If applicable, please provide details surrounding the arrangements for making the capital contributions (including timing etc) and also provide details of any specific assets to which they may relate?

See above.