

Defra PFI Credits approval letter

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Richard Flinton
Corporate Director, Business and Environment
Services
North Yorkshire County Council
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Your ref:
Our ref: North Yorkshire/PFI
Date: 11 September 2008

Dear Richard,

City of York and North Yorkshire Waste PFI project

I am writing in lieu of the fact that formal confirmation that the York and North Yorkshire Waste PFI project was endorsed by the Project Review Group (PRG) was not provided at the time the project was endorsed last in July of last year. Please accept my sincere apologies for this oversight.

This letter is to inform you that consideration of the outline business case (OBC) submitted in May 2006 for the York and North Yorkshire Waste PFI project has been completed. I am pleased to be able to tell you that your project was endorsed by the Project Review Group (PRG) on 23 July 2007 as ready to enter into procurement. We expect that central Government revenue support will be given based on PFI credits of £65 million. Your scheme should be developed so that it is affordable within this offer.

Conditions

Support for this project depends on the project continuing to meet all the published criteria in the Department for Communities and Local Government *Local Government PFI Project Support Guide*, available at www.local.communities.gov.uk/pfi/pfigrant.htm. In particular, you are reminded of the requirements on the use of standardised contract documentation; and on sharing documentation, including publication of your OBC (barring any sensitive information) on your website as soon as possible.

This letter is without prejudice to any other consent that may be required, for example, in connection with planning legislation.

Procedures

Please keep in touch with us about your project so that we can assess progress. We will monitor your progress during procurement and particularly at ISOS and preferred bidder. We have agreed that you are aiming to reach these stages by January 2008 and December 2008.



In particular, you are reminded of the requirements to negotiate a contract based on standardised contract documentation; comply with the Government's commitment to achieving "Better Public Buildings"; and share documentation with this Department or other local authorities procuring a similar project at no cost. Standardised contract documentation should be taken to mean 'Standardisation of PFI Contracts' (Version 4), available at

http://www.hm-treasury.gov.uk/documents/public_private_partnerships/ppp_index.cfm . Any derogations are expected to be exceptional and must first be agreed with HM Treasury in line with its 21 March 2007 implementation letter. It is strongly advised that compliance with the standardised contract should be settled prior the appointment of a preferred bidder.

Your project should reach financial close by no later than December 2010. Failure to achieve financial close by this date could mean withdrawal of support for the project and you must therefore notify this Department with an explanation of the reasons if you should need an extension to the deadline.

The Department must be informed immediately if the scope, contract, need for credits, timetable, or any other aspect of the project is changed in any material way from the case agreed. If that happens you will need to obtain the Department's written agreement to all proposed changes in good time before the contract is signed. You will not be able to rely on existing letters as entitling your authority to a PFI credit and failure to secure prior agreement to deviations will invalidate any undertaking by the Department or PRG to support your scheme.

You should send a Final Business Case (FBC) to this Department before you select a preferred bidder. The FBC should provide re-assurance that the project continues to support the aims and outputs approved at OBC, and that the procurement process has been such as to ensure VfM. It should set out any proposed derogations to the standard contract conditions for each 'final tender' being assessed by the authority and these need to be agreed with the Department. Any post-preferred bidder risks should be highlighted. You should note that this project was selected for a second stage review. This review will cover the contract and continued affordability. Note that it is a Departmental requirement that you (the authority) meet with Defra (WIDP) to discuss the process before closing the Competitive Dialogue process.

We will formally issue PFI credits on the basis of a letter from the authority confirming the date financial close was reached and reporting any post-FBC changes. In doing so we will provide you with details of how and when revenue support can be claimed as set out in the Local Government PFI Annuity Grant Determination for the financial year in which grant is first claimed. The interest rate which will be applied in calculating grant for your project will be 5.9%, and the scaling factor of 1. Your authority will need to ensure that funds are available to cover that part of the payments to the contractor which will not be met by central Government.

You will be eligible for grant when the first permanent asset is completed, which should be taken to mean when the beneficial treatment of waste begins. For your project, the first permanent asset has been agreed to be a Mechanical & Biological Treatment facility. Credits will be phased for your project as set out in the table below.

Phase	Facility	PFI Credits	Year
1	MBT	£38.25m	2012/13
2	EfW	£26.75m	2013/14

Revenue support is not intended to match or correlate directly to the payments that arise under a PFI contract. However, the Government is committed to supporting good PFI projects and to assisting the development of PFI in the local authority sector. Its policy is therefore to maintain revenue for PFI projects in the long term, consistent with the long-term nature of PFI contracts, even though formally such support cannot be guaranteed.

Yours sincerely



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WIDP Programme Director

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