

## MUNICIPAL YEAR 2010/2011 REPORT NO. 206

**MEETING TITLE AND DATE:**

Cabinet 9<sup>th</sup> March 2011

**REPORT OF:**

Director - Environment

**Agenda – Part: 1**

**Item: 10**

**Subject:** Approval of the Inter Authority Agreement Statement of Principles between the North London Waste Authority and Enfield Council (**KD 3129**)

**Wards: All**

**Cabinet Member Consulted: Cllr Chris Bond**

Contact officer and telephone number: Nicky Fiedler, Head of Waste, Street

Scene & Parks 020 8379 2016 E mail: [Nicky.fiedler@enfield.gov.uk](mailto:Nicky.fiedler@enfield.gov.uk)

### 1. EXECUTIVE SUMMARY

- 1.1 This paper sets out the 12 key principles forming the basis for an Inter Authority Agreement (IAA) between the North London Waste Authority (NLWA) and its seven Constituent Boroughs, of which Enfield is one. Whilst not legally binding, these principles give the NLWA the ability to discuss the shape of future disposal provision with current bidders. This in turn will reduce the risk and potential costs of the project to the boroughs.
- 1.2 In its final form the IAA will be a legally binding document that will govern the interface between the signatory authorities (Barnet, Camden, Enfield, Islington, Hackney, Haringey and Waltham Forest and the NLWA) with regard to waste management, over the life of the NLWA's proposed future waste management contracts. These are currently in the process of being procured and are expected to last 30 years or more. The IAA will be brought back to full Council for final approval which is currently anticipated to be in the summer 2011.
- 1.3 The 12 key principles at this stage recognise that Constituent Boroughs are not in a position to fully commit final decisions in relation to a number of aspects of the IAA at this time. The IAA document therefore contains a number of areas of flexibility and mechanisms for change to allow Constituent Boroughs to make binding commitments later into the procurement process prior to calling for final tenders and financial close.

## **2. RECOMMENDATIONS**

- 2.1 Cabinet is recommended to adopt the 12 Principles set out in Appendix 1 (principles 4 & 8 as amended in the report) and delegate authority for approval of any minor amendments to the Cabinet Member for Environment, Street Scene and Parks.
- 2.2 Further key decisions relating to the IAA as it develops will be brought back to Cabinet.
- 2.3 To delegate authority to the Cabinet Member for Environment, Street Scene and Parks in consultation with the Cabinet Member for Finance, Facilities and Human Resources in consultation with the Director - Environment to approve the tonnage projections for the new contract to inform the procurement process ahead of June 2012.
- 2.4 The fully developed IAA will be agreed by Full Council prior to financial close.

## **3. BACKGROUND**

- 3.1 The North London Waste Authority's (NLWA's) current Main Waste Disposal Contract with London Waste Limited (LWL) expires in December 2014. The NLWA in partnership with the constituent boroughs is now in the process of procuring a replacement contract.
- 3.2 In October 2008 the NLWA submitted an Outline Business Case (OBC) to Central Government for PFI credits to underpin the procurement. In the months prior to this, in line with central government expectations, Enfield and the other constituent boroughs approved:
  - The formal adoption of the North London Joint Waste Strategy and retrospective environmental impact assessment.
  - An Affordability envelope (Appendix 2) – a signed letter accepting and acknowledging each borough's share of the NLWA's future waste treatment costs based on a reference project (a fully worked up example of how the PFI project might be delivered) and the associated waste collection costs.
  - A Signed Memorandum of Understanding (Appendix 3) - a high level document that reflects many of the principles in the proposed IAA.
  - A Statement of Principles (Appendix 4) - that contained more specific principles to be included in a future IAA. The approval is also contained in Appendix 5.

- 3.3 A revised OBC was accepted by Government in early 2010, and just under £258m of PFI credits were awarded to NLWA. The decision was then reconfirmed by the Coalition Government in July 2010.
- 3.4 Following the award the following progress has been made:
- An OJEU notice was issued in spring 2010.
  - Pre-Qualification Questionnaire (PQQ) was issued spring 2010.
  - Invitation to Submit Outline Solutions was issued (ISOS) summer 2010 and re issued in December 2010.
  - Plans to issue Invitations to Submit Detailed Solutions (ISDS) June 2011.
- 3.5 However on the 20<sup>th</sup> October 2010 as part of the Comprehensive Spending Review, Defra withdrew the support of £258m in PFI credits to the North London Waste Authority procurement alongside six other waste PFI projects. The award was worth £500 million in cash terms over a 25 year period.
- 3.6 In the light of this the NLWA and the boroughs will now need to consider options for reducing the cost of the future services and for increasing income, reflecting the loss of the PFI credit support. Work is progressing on this.
- 3.7 The NLWA has reported that it has already received a strong market response to the ISOS and the evaluation is being completed. The evaluated bidder ISOS responses will be considered at the NLWA meeting in April 2011 within the wider context with the options going forward.
- 3.8 Prior to the loss of PFI support the NLWA had intended in January 2011 to engage in detailed dialogue with a shortlisted field of bidders (the Invitation to Submit Detailed Solutions (ISDS) Stage). To date, the Authority has supplied bidders with working assumptions relating to aspects of the boroughs as the Waste Collection Authorities (WCAs) activity.
- 3.9 At ISDS, the Authority would require a significant degree of certainty for bidders within which they could develop solutions to form the basis for negotiations with the NLWA. The reason why such certainty is required is in order to maximise value for money by reducing bidders pricing risk into their bids, and ensuring optimisation of sizing of facilities
- 3.10 In order to provide certainty of the information on which the procurement is based, and operational efficiency, both during the NLWA's procurement process, however this moves forward, and during the operational phase of the NLWA's future contracts an IAA is required. At this stage this is a set of 12 Principles that will be

developed and built on as the procurement process moves forward. The flexibility in these principles is set out below.

- 3.11 The purpose of the inter-authority agreement is to establish a clear and accountable framework under which the authorities can work together with the NLWA in the context of the Joint Municipal Waste Management Strategy, to deliver their respective responsibilities through the new contract.
- 3.12 The inter-authority agreement at this stage is a set of 12 principles which will be developed during dialogue with bidders to become a detailed legal document that will have binding commitments for the life of the 30 year contract.
- 3.13 At the Invitation to Submit Detailed Solutions (ISDS) stage, which could be as early as June 2011, the NLWA is proposing to seek that boroughs approve a 'full legally binding' Inter Authority Agreement (IAA) which will become the contractual interface between the boroughs and the NLWA and waste disposal contractor for the term of the contract for 25 – 30 years.

### **Approval of the IAA Principles and other key decision dates**

- 3.14 The NLWA approval for the IAA principles was given at the Authority meeting on the 9<sup>th</sup> February 2011 and appendix 5 sets out the approval and updates of each borough.

### **The principles**

#### Principle 1 – Boroughs identify their preferred collection strategy subject to a final review of projected gate fees.

- 3.15 This principle seeks to gain commitment from the boroughs to start to move towards identifying the collection systems that they intend to use for collecting waste, recycling and composting over the life of the waste disposal contract, i.e. the next 30 years. Of particular relevance is the extent to which materials will be delivered commingled or source separated so that bidders can size appropriate facilities accordingly. Enfield has collected recycling commingled since 2004 and the new wheeled bin service is based on this method of collection in the future.
- 3.16 Enfield has an agreed collection strategy which was approved by the then Cabinet in October 2008 in KD 2656 and is now to be roll out across the borough during 2011/12. In summary the report approved Option 3a for the borough, which was to implement the following wheeled bin service, which retained a weekly collection of all materials as follows:

Houses (detached, semi detached and suitable terraced)

- A weekly collection of mixed dry recyclables (glass, cans, paper, card and plastic) using wheeled bins from as many properties as possible;
- A weekly collection of garden and food waste (mixed) using wheeled bins from as many properties as possible. However, we will endeavour to promote home composting to all residents who are able to compost in order to minimise waste arisings;
- A weekly collection of residual waste using wheeled bins from as many properties as possible;

3.17 The October 2008 Cabinet report also approved the capital and revenue investment required to deliver this borough wide based on the anticipated performance.

Principle 2 – Residual waste is confirmed as in the contract and it is an NLWA decision to award the contract.

3.18 Enfield as a Waste Collection Authorities (WCA) is obligated by section 48 of Section II of the Environmental Protection Act (as amended) to deliver for disposal all of the waste that is collected through our function as a WCA to the Waste Disposal Authority (WDA) – the NLWA. This does not apply to waste collected for recycling and composting. Therefore Enfield is required to consign residual waste to the NLWA making the requirement of Principle 2 not an option.

Principle 3 – An eight authority commitment to work towards our recycling targets which includes the consideration of kitchen waste collection (a separate strategy to be developed)

3.19 Enfield like all other boroughs signed up to the North London Joint Waste Strategy in 2008 and so is committed to achieving the recycling targets. Enfield has worked on joint bids to the London Recycling Fund and joint bids on communication to WRAP. Within the current committed collection system Enfield collects kitchen and garden waste commingled (in the same wheeled bin) and so is committed to collecting kitchen waste as it accounts for a significant proportion of the organic waste stream. To this end kitchen caddies and starter liners have been provided in the wheeled bin pilot in response to residents' requests to collect food waste in the kitchen.

Principle 4 – (original text) HWRCs to be transferred to the NLWA subject to agreement to 'transfer value' and overall service specification. NLWA to develop proposals for a capital investment programme covering the refurbishment of HWRCs and possible new sites. This programme to be shared with Boroughs for comment in advance of presentation to the Authority for decision.

**(Proposed text) - In principle, to consider the transfer, and any amendments to, levying arrangements of HWRCs to the NLWA subject to financial, organisational and operational arrangements being satisfactory to Enfield and demonstrating value for money.**

- 3.20 This principle seeks commitment to how the proposed transfer of HWRC's from Boroughs might happen. Those such as the London Borough of Enfield who currently operate facilities need to consider the terms on which they may transfer them (including any provision for compensation) and how the costs associated with the development and operation of the HWRC network (including new sites) will be levied in the future. Bilateral meetings have taken place with the boroughs and one took place on the 8<sup>th</sup> November in Enfield.
- 3.21 In the light of this it is proposed that this principle be amended, as highlighted above, to provide boroughs the option to do this as is the spirit in the other principles. As set out in 3.12.1 the IAA Principle 4 seeks to agree the transfer of Barrowell Green Recycling Centre to the NLWA ahead of any repeal of the Refuse Disposal and Amenity Act 1974. The NLWA is currently working on developing a business case for the transfer of the HWRC network from the boroughs to the NLWA. To do this the NLWA have considered different models to apportion the costs which would form part of the levy and require unanimous agreement to change.
- 3.22 Transfer of the site should only be considered once the financial impacts of this could be fully modelled for Enfield. It is anticipated that by transferring all of the sites to the NLWA under one contract this would deliver economies of scale and follows the processes in place in other parts of London and beyond. Typically, the HWRCs are not usually operated by the waste collection authorities such as Enfield; however, residents often view them as local services.

Principle 5 – That Boroughs agree to consider menu pricing upon consideration of the costs as set out in Principle 6

- 3.23 The cost of NLWA services provided to its Constituent Boroughs - of which Enfield is one - is recovered via the levy. The levy comprises two elements; the household waste element which is apportioned in line with the number of tonnes of household waste each Borough delivered to the Authority two years prior to the levy year. The other cost element of the levy, which includes the costs of transporting and disposing of HWRC waste and the costs of administering the Authority, is apportioned using the number of Council Tax Band D properties in each Borough for the levy year.
- 3.24 This is the default levy arrangement for statutory Joint Waste Disposal Authorities such as the NLWA. Any alternative levy arrangements in future would require unanimous written agreement from all Boroughs, which this principle is seeking to progress.
- 3.25 The current levy does not incentivise recycling as all wastes are levied at the same rate and as such this is why Enfield delivers recycling outside of the NLWA levy, as do Barnet, Hackney and Waltham Forest

for source separated materials for recycling. In principle this is a more favourable position, however close consideration needs to be given to the transitional arrangements and the future rates in the menu pricing which link to Principle 6.

- 3.26 This principle therefore considers how the NLWA's costs could be charged back to the Boroughs in future. The proposal in the IAA is to move from the current 'default tonnage based levy' to a system of 'menu pricing' where the cost of treating each waste type is reflected in the rate charged to the boroughs.

Principle 6 – At a given date in the procurement, NLWA will provide Boroughs with treatment costs reflecting bid positions, to allow costs to be assessed and a position taken on recycling.

- 3.27 This allows Enfield and other boroughs the option to review collection systems based on real bidder information. Previously, Enfield has used the OBC menu prices to make collection decisions. Should the rates from bidders not look favourable, Enfield can opt in Principle 7 to deliver recycling and organic waste outside of the NLWA contract and has market intelligence to compare the rates.

Principle 7 – There is an individual Borough 'opt-out' covering i) recycling (whether source-segregated or commingled) and ii) the treatment of separately collected organic wastes.

- 3.28 This principle seeks that Boroughs such as Enfield who currently have contracts themselves for recyclables to decide if their materials for recycling and composting will be delivered to the NLWA for the life of the proposed new contract or whether they will continue to contract direct with providers. Boroughs will be able to make informed decisions on this once firmer rates are known from bidders. Currently Enfield benefits financially from contracting direct (not through the NLWA) for the bulking and processing of its commingled recycling and mixed garden and food waste. Further by contracting directly this reduces risks on guaranteed tonnages and maintains flexibility in the specification as market development opportunities arise. To note, however, once the waste is not included in the contract it would not allow Enfield to change its decision without possible consequences. This decision can be made at a later date.

Principle 8 – (original text) Based on bid proposals (and previous decision on transfer to NLWA) the decision to include HWRCs in the contract to be made by NLWA

**(Proposed text) - Based on the value for money considerations of the constituent boroughs, evaluate whether to include HWRCs in the contract to be made by NLWA**

- 3.29 It is proposed that this principle is amended as highlighted to allow a value for money consideration and borough involvement to be part of the decision making process. Subject to transfer in Principle 4, this would then be reasonable for the NLWA to demonstrate value for money by benchmarking the bidders' proposals with proposals for shorter term contracts outside of the main contract.

Principle 9 – Boroughs support the NLWA's position with bidders in relation to the 70% Guaranteed Minimum Tonnage (GMT) on the basis that Boroughs will not be penalised unless the Authority receives a contractual default. This position on GMT will only be changed on the basis of improved value for money prior to the 'Call for Final Tenders'.

- 3.30 The contract that the NLWA intend to enter into will, in most cases, require the contractor to borrow money from banks to build new facilities. In borrowing the money the successful contractors will need to evidence to the banks that they can pay the money back over the lifetime of the contract. They will therefore require the NLWA to guarantee a substantial proportion of the tonnages that they expect to provide to the contractor over this period.
- 3.31 Such guarantees, or Guaranteed Minimum Tonnage (GMT) would be required for the three main waste streams – waste for recycling, waste for composting and the types of residual waste that can be processed by the Contractor's facilities. They are reflected as a percentage of the baseline tonnage projection to be established by the NLWA and, ultimately, the Boroughs.
- 3.32 Where the tonnages dip below the GMT the contractor would pass on additional costs associated with paying back the bank that would otherwise be met by the tonnage above the GMT threshold. As a starting point, if below the GMT it would be assumed that the Authority would have to pay the cost of consigning an amount of waste equal to the shortfall even though this waste was not actually delivered (what is termed a 'tip or pay' arrangement). The residual waste baseline projection and GMT are therefore particularly key due to the relatively high costs associated with these facilities.
- 3.33 As GMT applies to overall tonnages, rather than being applied to individual Borough projections, any implications rest only with the total net tonnage. Therefore, if separate instances of divergence occur from the agreed baseline tonnages on a Borough-by-Borough basis but these cancel each other out sufficiently to not produce a shortfall against the GMT, then there are no additional financial implications. Where the NLWA's contractor seeks to recoup additional costs because of tonnage shortfalls, the NLWA will seek to in turn recoup them from the Boroughs responsible for the shortfall through a system of banded menu prices.
- 3.34 Critical to the establishment of the GMT and avoidance of additional costs will be baseline projections by waste stream which are being



worked on. These would need to take into account both changes in the proportion of different waste streams as - for example - recycling and composting levels increase. Additionally, they would need to account for changes to the amount of waste overall due to changes in the number of households, the amount of waste that each household produces, changes to the levels of trade waste and major changes to the composition of waste that are not subject to risk transfer. However, projecting 25 years ahead has significant risk.

- 3.35 The NLWA has been working on a programme of modelling since 2007 and more recently to compare the cost and recycling/composting performance of different systems for dry recyclates, collecting organic waste and restricting residual waste to support the previous requirement from Defra to demonstrate a 50% recycling rate in 2020. To this end, and to support borough decisions on collection systems, 8 models are being considered across all boroughs.
- 3.36 Consistent underlying modelling assumptions within the models have been devised through the Borough Officer '50% Group' in consultation with WRAP and in line with WRAP's evidence base.
- 3.37 The models have been developed by Entec on behalf of the NLWA, and Enfield officers have provided the baseline data to Entec to input in to the models. Outputs of the models have been shared with Enfield officers; however, the outputs do not align with the performance levels seen from the Enfield collection method based on the cabinet decision in October 2008 to roll out wheeled bins across the borough. Further work is planned from NLWA on this prior to final tonnages being agreed.
- 3.38 Even once the modelled projections are accurate and reflect the pilot performance to date, it would still be preferable to seek that GMT and/or borough projections can be refreshed every 5 years to reflect changes in the waste stream, composition and collection systems and habits.

Principle 10 – Any change mechanisms necessary to update the IAA for 'Financial Close' are included in this Agreement

- 3.39 This provides the change mechanisms within the IAA principles as they are at this stage, which will incorporate the changes necessary to reach the final form of the document at financial close.

Principle 11 – NLWA will set up a dialogue opportunity for Borough Officers to meet collectively with bidders prior to the 'Call for Final Tenders'

- 3.40 Borough officers will meet with bidders prior to call for final tenders.

Principle 12 – Recycling performance will be reported at Borough and NLWA levels. Boroughs report all recycling activity within their boundaries with the support of NLWA

- 3.41 This states that recycling performance will be reported at a local and NLWA level.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 To seek further amendments to the 12 Principles where areas of clarification or change are required.
- 4.2 To defer the decision to adopt the 12 Principles due to the withdrawal of PFI support until the future direction of the procurement is confirmed and agreed. This would then allow the principles to reflect the direction. However, this approach could alert bidders of a lack of uncertainty and lack of commitment from the boroughs.
- 4.3 Not to approve the 12 Principles in the IAA.

#### **5. REASONS FOR RECOMMENDATIONS**

- 5.1 The NLWA procurement process for the replacement of the main waste disposal contract in 2014 is underway and in January 2011, prior to the withdrawal of PFI credit support, it was anticipated that it would progress to the stage of Invitations to Submit Detailed Solutions (ISDS). This could still be the case however the future direction will be updated on at the April 2011 NLWA meeting.
- 5.2 As bidders will invest significant resources to this stage of the procurement, and subject to any amendments or changes, an IAA is desirable to ensure that the best value for money can be delivered in solutions that best meet the needs of the boroughs for the next 30 years. As such there are key areas as set out in the report that boroughs are being asked to start considering how they wish to proceed to inform the solutions coming forward or any alternative approach.
- 5.3 By boroughs agreeing to a set of principles to scope discussions providing levels of certainty this will help to minimise the levels of risk transfer and in turn reduce the costs of the project to boroughs going forward in the procurement.
- 5.4 The statement of principles is the first stage in the process and will continue to develop over the coming months through ISDS or any alternative approach.

#### **6. COMMENTS OF THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES AND OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

- 6.1.1 At this stage, the Council is being asked to adopt the 12 principles as a forerunner to the fully developed IAA. Clearly, in a context where a number of boroughs are required to work collectively on such a

significant procurement and yet find the best possible value for money solution individually, a framework of this type is desirable, and its adoption as it is presently written allows sufficient flexibility for Enfield to continue to influence its own financial position.

6.1.2 However, as the IAA is negotiated and fully developed between now and June, thorough financial modelling of its various aspects will need to be undertaken and the Council will need to be fully appraised of the likely financial impact of each individual decision that it is being asked to agree to, prior to signing the final document. The signing of the final IAA will represent a significant financial commitment for the Council for a period of 25 years.

6.1.3 The withdrawal of the PFI credit support announced in the Comprehensive Spending Review implies that the NLWA will have to explore alternative options for delivering the services. Any alternative procurement route that it recommends will also need to be subject to a thorough financial appraisal to ensure that it remains viable for Enfield into the longer term future.

## **6.2 Legal Implications**

6.2.1 This report relates to the adoption of the IAA principles which will form the basis of the IAA agreement. The IAA will be a legally binding agreement between the constituent boroughs and North London Waste Authority. The IAA will govern the relationship between the boroughs and the NLWA in relation to the new waste contract. The IAA is necessary at this stage to provide some level of certainty to potential bidders through the procurement process of the new waste contract.

6.2.2 The Council must ensure it is content with the IAA principles as they will form the basis of the legally binding agreement. Once the IAA is signed, the NLWA could in theory take action against any constituent borough that does not comply with the terms, such action, could take the form of an injunction to force an action required under the agreement.

6.2.3 The request to agree IAA principles instead of the full IAA at this stage is an acknowledgement of the legally binding nature of the IAA and the need for all boroughs to be agreeable to the principles.

6.2.4 The NLWA is a body created by the Local Government Act 1985, decisions within the NLWA are governed by its standing orders, which provides that decisions are made by majority vote. Therefore LBE could in theory, be made to follow the principles in any event if a decision was made at the NLWA that all boroughs should comply with it. It is therefore more advantageous for LBE to be an active party to the negotiation of the IAA principles and final agreement.

6.2.5 In relation to principle 9 regarding the transfer the HWRC to NLWA. Currently there are two conflicting pieces of legislation relating to waste disposal. Which are section 1 of the Refuse Disposal (Amenity) Act

1978 (RDA), and section 51 of the Environmental Protection Act 1990 (EPA).

Section 1 of the Refuse Disposal (Amenity) Act 1978 provides:-

- It shall be the duty of a local authority to provide places where refuse, (other than business waste), may be deposited at all reasonable times free of charge by persons resident in the area of the authority.

Section 51 of the Environmental Protection Act 1990 provides:-

- It shall be the duty of each waste disposal authority to arrange for the disposal of the controlled waste collected in its area by the waste collection authorities; and
- for places to be provided at which persons resident in its area may deposit their household waste, free of charge.

6.2.6 It is anticipated that s1 of the RDA will be repealed shortly removing the duty for LA's to run CA sites. Removal of the duty would not however prevent the Council running civic amenity sites. The Council could still choose to run them by virtue of the s2 well being powers under the Local Government Act.

## **7. KEY RISKS**

Care should be taken with each of the IAA principles as they will form the basis of the legally binding agreement covering the NLWA's proposed future waste management contracts that are expected to last for 30 years or more.

In particular issues and risks identified under "Key Areas within the IAA Principles" such as the collection of commingled materials need to be considered both for now and for likely future trends.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

The replacement of the main waste disposal contract supports the delivery of front line waste, recycling and street cleansing services for the next 30 years for all residents.

### **8.2 Growth and Sustainability**

The cost of waste disposal is increasing significantly year on year and by diverting waste for recycling and or composting is more cost effective and sustainable in the longer term.

### **8.3 Strong Communities**

None.

## **9. PERFORMANCE MANAGEMENT IMPLICATIONS**

The replacement main waste disposal contract will put in place more advanced waste treatment technologies that have lower carbon impacts and support the boroughs delivering higher recycling performance.

### **Background Papers**

Cabinet report 2008.



**Proposed Approach to the IAA – Main Principles (amended principles 4 & 8)**

*Location in draft IAA*

*Clause 8 and Schedule 1*

*Clauses 5.1.1 and 5.1.2*

*Clause 9*

*Clause 11 and Schedule 4*

*Clause 15 and Schedule 3*

*Clauses 6 and 9*

*Clause 9*

1. Boroughs identify their preferred collection system subject to a final review of projected gate fees.
2. Residual waste is confirmed as in the contract and it is an NLWA decision to award the contract.
3. An eight authority commitment to work towards our recycling targets which includes the consideration of kitchen waste collection (a separate strategy to be developed)
4. **In principle, to consider the transfer, and any amendments to, levying arrangements of HWRCs to the NLWA subject to financial, organisational and operational arrangements being satisfactory to Enfield and demonstrating value for money.**
5. That Boroughs agree to consider menu pricing upon consideration of the costs as set out in Principle 6.
6. At a given date in the procurement, NLWA will provide Boroughs with treatment costs reflecting bid positions, to allow costs to be assessed and a position taken on both recycling and menu pricing.
7. There is an individual Borough 'opt-out' covering i) recycling (whether source-segregated or co-mingled) and ii) the treatment of separately collected organic wastes.
8. **Based on the value for money considerations of the constituent boroughs, evaluate whether to include HWRCs in the contract to be made by NLWA**

---

*Schedule 7 incorporated by specific clause*

*Clause 6*

*Clause 9*

9. Boroughs support the NLWA's position with bidders in relation to the 70% Guaranteed Minimum Tonnage (GMT) on the basis that Boroughs will not be penalised unless the Authority receives a contractual default. This position on GMT will only be changed on the basis of improved value for money prior to the 'Call for Final Tenders'.
10. Any change mechanisms necessary to update the IAA for 'Financial Close' are included in the Agreement
11. NLWA will set-up a dialogue opportunity for Borough Officers to meet collectively with bidders prior to the 'Call for Final Tenders'.
12. Recycling performance will be reported at Borough and NLWA levels. Boroughs report all recycling activity within their boundaries with the support of NLWA

25/10/10

---



**AFFORDABILITY LETTER (amended version by Cabinet in 2008)**

**DRAFT AFFORDABILITY LETTER FROM LBE TO NLWA**

Dear

Acknowledgement of Waste Management Proposals

The full extent of the waste collection proposals included within the outline business case is clearly understood and the financial implications of the actions are fully appreciated.

In addition, the Council has been made aware of the North London Waste Disposal Authority's proposals for a procurement process consisting of new contracts for the delivery of a recycling, treatment and disposal services. The financial implications of these proposals have been presented in terms of an envelope of costs which range from the basic reference project costs to the same costs subjected to certain sensitivity analyses around capital expenditure, operating expenditure, recycling income and LATS expenditure. The Council has requested access to the financial model in order to facilitate additional sensitivity analyses. This has not yet been provided.

This Council has been informed that the total project cost of the Reference Project is estimated at £7.323 billion potentially rising to £7.725 billion after taking account of the sensitivities. Based on current Levy distribution this means a range of costs from £1.046 billion to £1.119 billion for the London Borough of Enfield.

The projected costs of the Reference Project are less than the "business as usual" (do minimal) option by £0.495 billion at the pre LATS sensitivity rising to circa £0.904 billion after taking into accounts the risk associated with LATS expenditure.

The North London Waste Authority has provided indicative Levy increases for either end of the envelope of costs to assist in assessing the question of affordability.

The Council fully appreciates that the above costs are estimates and that they may change. Enfield Council requires further opportunity to be given to the Council and NLWA to review the affordability and equitability of the Reference Project and other schemes to address waste management proposals prior to the London Borough of Enfield giving its agreement.



**Memorandum of Understanding**