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DEFRA  
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Horseferry Road  
London SW1P 2AL

29<sup>th</sup> October 2008

Dear Sir

**Acknowledgement of Affordability to Waste Management Proposals**

The full extent of the waste disposal and collection proposals included within the outline business case is clearly understood, and the financial implications of the actions and their impact on our constituent councils are fully appreciated by the North London Waste Authority. The Authority has fully engaged with its constituent councils who have acknowledged the scale of the waste disposal costs that will impact on their levy costs in future years and also the potential financial impact of the waste management proposals on their waste collection budgets.

The proposal for a procurement process consisting of new contracts for the delivery of recycling, treatment and disposal services has been fully presented to the Authority. The financial implications of the 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 sensitivity analyses around capital expenditure, operating expenditure, recycling income and LATs expenditure.

This Authority 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.

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 account the risk associated with LATs expenditure.

The Authority has provided indicative levy increases for either end of the envelope range together with an assessment of the financial impact on waste collection budgets to assist the Authority and its constituent councils in assessing the question of affordability. For its part, this letter gives the Authority's approval of the costs quantified being met, within the current affordability envelope, and subject to the sensitivities described above and outlined in more detail in the outline business case. The NLWA constituent councils have given a similar undertaking.

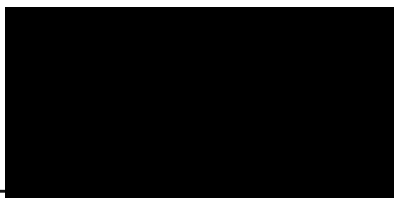
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It is acknowledged that the additional costs of both collection and treatment/disposal have been taken into account with overall affordability of waste management considered.

The Authority fully appreciates that the above costs are estimates and that they may change.

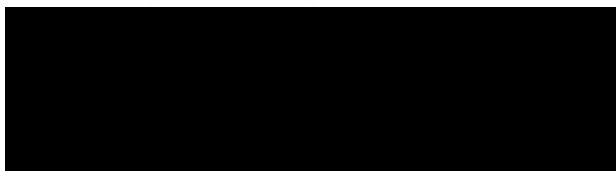
Yours faithfully



Councillor Clyde Loakes  
Chair of the North London Waste Authority



Moira Gibb  
Clerk to the NLWA



Mike O'Donnell  
Financial Adviser to the NLWA