

John Enright
Head of Development for WIDP
DEFRA
6th Floor, Area 6E
Ergon house
Horseferry Road
London SW1P 2AL

11th January 2010

Dear Sir,

Acknowledgement of Affordability to Waste Management Proposals

The full extent of the waste disposal and collection proposals included within the 11th December 2009 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 to the Authority. The financial implications of the proposals have been presented in terms of an envelope of costs which range from the reference project costs to the same costs subjected to sensitivity analyses around a two year delay with an uplift of 10% in capital costs.

This Authority has been informed (Authority meeting of 9th December 2009) that the total project costs of the Reference Project is estimated at £7.109 billion potentially rising to £7.443 billion after taking account of the sensitivities on the basis of the Authority receiving an award of £317 million in PFI credits. In the event that the Authority secures PFI credits of £258.4 million the Authority understands that the ranges would be £7.217 - £7.546 billion.


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 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.

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



Mike O'Donnell

Financial Adviser to the NLWA