

Ian Williams
Director of Finance
London Borough of Hackney
Mare Street
London E8 1EA



5th January 2010

Dear Ian

Acknowledgement of Affordability Implications of Waste Management Proposals

As you are aware the North London Waste Authority has resubmitted its Outline Business Case to Defra. As part of the OBC resubmission the Authority in conjunction with its technical and financial advisers has reviewed and refreshed the technical costs and financial analysis underpinning the OBC. I am writing to you to:

- ▶ Summarise the revised financial metrics for the project and highlight the estimated affordability implications for the London Borough of Hackney
- ▶ Seek reaffirmation that the revised affordability position is within the affordability envelope agreed by Borough Cabinet / Executive in October 2008, as reflected in the letters of support at that time and supplied as part of the October 2008 OBC submission – a copy of your Authority's previous letter is attached as background.

In October 2008 the Council was informed that the total project cost of the Reference Project was estimated at £7.323 billion, potentially rising to £7.726 billion after taking account of the sensitivities included in the OBC. Based on current Levy distribution this implied a range of costs from £1.053 billion to £1.103 billion for the London Borough of Hackney.

As at December 2009 the total project cost of the Reference Project is estimated at £7.109 billion, potentially rising to £7.443 billion taking account of the sensitivities included within the OBC. Based on the current Levy distribution this means a range of costs from £1.006 billion to £1.041 billion for the London Borough of Hackney 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 (that amount requested in May 2009), based on the current Levy distribution this means a range of costs from £1.020 billion to £1.055 billion for the London Borough of Hackney.

The projected costs of the Reference Project are less than the "business as usual" (do minimal) option by £0.201 billion.

I would be grateful if you could sign below and return a copy to me to confirm for the benefit of the OBC resubmission that the costs quantified above (for both the £317million and £258.4 million PFI Credits) are within the affordability envelope agreed by your Authority in October 2008.

North London Waste Authority, Lee Valley Technopark, Unit 360, Ashley Road, Tottenham, London, N17 9LN

Tel: 020 8489 5508 Fax: 020 8489 1775 Email: cost@nlwa.gov.uk Web: www.nlwa.gov.uk

The Authority fully appreciates that the above costs are estimates and that they may change. However, should the estimates prove incorrect a further opportunity will be given to the Council to reconsider the affordability of the scheme prior to the parties becoming contractually committed.

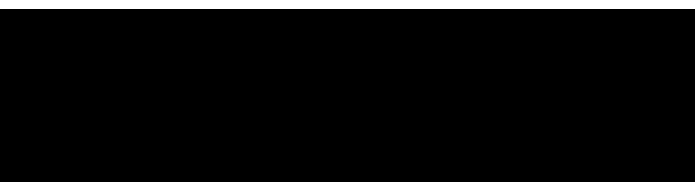
Yours sincerely,



Tim Judson

Director of Procurement

Sign



Authority

Hackney

Date

5/1/2010