

Tim Render
Assistant Director of Finance
London Borough of Waltham Forest
Room 206
Town Hall
Forest Road
Walthamstow
London E17 4JA

5th January 2010

Dear Tim

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 Waltham Forest
- ▶ 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 £7.725 billion after taking account of the sensitivities included in the OBC. Based on current Levy distribution this implied a range of costs from £0.916 billion to £0.975 billion for the London Borough of Waltham Forest.

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 £0.895 billion to £0.946 billion for the London Borough of Waltham Forest 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 £0.909 billion to £0.960 billion for the London Borough of Waltham Forest.

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.

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

Signed _____



Authority LONDON BOROUGH OF WALTHAM FOREST

Date 12-01-2010