

## Appendix EE Improvement Programme

Workstream	Status	Lead <sup>1</sup>	Actions	Timescale	Potential Savings/Benefits
Workstream A: Securing LWaRB support for some element of capital spend	Expression of interest submitted to LWaRB for £8.75m to contribute to the development of the HWRC network. This is at stage 2 of 3.	Head of Waste Strategy and Contracts with input from the Procurement Team through Technical Officer / Special Projects Manager.	<p>Expression of Interest accepted by the board. At subsequent meeting the Authority was advised that bids would be developed in an iterative gateway process culminating in a final business case (Stage 3) if the Authority were successful at Stage 2 (Project Health Check),</p> <p>Potential sites to be identified, optimal configuration to be determined and any match-funding and levy arrangements to be agreed with all constituent Boroughs alongside the ongoing discussions regarding transfer of existing HWRC's.</p> <p>May progress as a suite of borough bids rather than an Authority bid.</p>	Though not formally confirmed, the next gateway is anticipated as circa December 09 / January 2010 and submission of the final business case March 2010 if the project proceeds	<p>The total projected capital expenditure on HWRC works is around £25m in real terms, of which £10m is land costs. Associated professional fees are likely to be in the region of £2.8m and may be able to be included in the overall budget; this will be confirmed before the bid is approved.</p> <p>It is likely that the Authority would only be able to attract a proportion of this from funding. The amount will depend upon funding rules on leverage, eligibility and bid size. It will also depend on competition which is likely to be high.</p>
Workstream B: Short-term arrangements for treatment/ merchant capacity for use of recyclates	<p>MRF contract awarded to Bywaters and Greenstar with c.£800k savings and more waste-types being recyclable locally / fewer rejects.</p> <p>Organics contract procurement delayed by consideration of potential changes at LondonWaste Ltd.</p>	Head of Waste Strategy and Contracts.	Review organics procurement business case in January / February 2010.	<p>MRF contract started October 09</p> <p>Organics contract review as stated.</p>	<p>MRF contract savings / benefits noted across.</p> <p>Organics procurement savings / benefits are limited to tonnage beyond that already contracted to LWL. Anaerobic digestion of food waste to produce energy would be a possible outcome.</p>
Workstream D: Efficiency improvements in relation to existing waste	Terms agreed with Freightliner regarding the renewal of the lease at Hendon. Finalising negotiations with LWL and WRG around the reduction of	Head of Waste Strategy and Contracts	Finalise commercial negotiations. Liaise with Boroughs if any are affected operationally.	Aiming to be complete by December 2009.	The Authority has secured the flexibility to bulk transport residual waste from Hendon to the Edmonton Incinerator for energy recovery. Additional transport

<sup>1</sup> The lead officer or team currently identified may change over time. Depending on the outcomes of initial affordability modelling, work will either be progressed in relation to current services by the strategy and contracts team or in relation to the interim and long term procurements by the procurement team. Close liaison will continue throughout.

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disposal services	the minimum tonnage requirement at Hendon.				costs will be offset by LATs and Landfill Tax savings.
Workstream E: Market development/ procurement approaches related to third party income on recycles	The procurement team has recently received a proposal from London Remade, in relation to a commission to research and develop market opportunities with an emphasis on materials with limited markets.	Main Waste Procurement Manager	Consider London Remade proposal and, if acceptable, commission work.	To emerge from London Remade proposal	It is thought that all income from materials currently collected and consigned to Market by Boroughs can be brought up to the same level as the current highest but this will depend on collection systems going forward.  There could be substantial savings from increased revenue from the sale of materials. Work in developing markets could also ensure that materials that would otherwise be sent for disposal are recycled.
Workstream F: Different sources of funding including potential approaches to the European Investment Bank (EIB)	The Authority has registered with the Treasury Infrastructure Finance Unit to enable treasury assistance via WIDP.  Paper presented to the Authority on alternative funding which took into consideration various options. The report concluded that on balance, PFI presented the most economically viable solution for the Authority.	Interim Procurement /Finance Manager in procurement team	OJEU sufficiently flexibility to enable various forms of funding including hybrid solutions.  Whilst the procurement team will continue to monitor market trends, current levels of uncertainty define that further work should wait until an appropriate stage of the procurement process	Revisit the funding options at an appropriate stage of the procurement process.	Various sensitivities were carried out and a hybrid of funding (i.e. EIB and capital contribution) using PFI but with different funding sensitivities. However, due to the dynamic nature of the market more definitive savings can only be derived during the procurement process.
Workstream G: Higher levels of electricity income	Undertaking engagement with technical and other consultants to obtain a good indication of short and a reasonable indication of medium term prices.	Fuel use procurement manager	Subject to funds being available commission study.  Investigate opportunities to develop power purchase agreement with local consumers via the procurement.	Information will be needed at all key stages but detailed data is most useful in advance of the competitive dialogue stage currently	The reference project prudently assumes a long term wholesale electricity income of £36/MWh. As a reflection of prices currently being offered for medium term contracts (i.e. around £60MWh for 10 years) the Authority's technical consultants have conducted an up-side sensitivity reflecting this price. If this income were

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			In house team developing knowledge base and preparing position paper for consideration.	scheduled for Summer 2010.	maintained for the first 10 years of the contract (after which it reverts to the lower level of income) based on the reference project then income to the project would increase by £60m and if maintained for 15 years it would increase by £92m. There is no guarantee that enhanced income would be felt by the authority as this depends on the contact structure.
Workstream H: Higher levels of heat income	<p>Obtain a view of trends in and affecting heat income going forward.</p> <p>Officers have met with several boroughs to identify any district heating opportunities. The general conclusion is that whilst from a policy perspective there is an appetite for renewable energy / district heating, the timetable for delivery and energy demand may not fit with the procurement.</p>	Fuel use procurement manager	<p>Subject to funds being available commission study.</p> <p>In house team developing knowledge base and preparing position paper for consideration.</p> <p>Meetings arranged and ongoing with local organisations regarding existing and proposed heat networks / decentralised energy and any potential for opportunities related to the fuel use procurement.</p> <p>Meeting planned with the LDA head of strategy to investigate possible opportunities for collaborative working, Green Enterprise District and grant opportunities relevant to heat infrastructure.</p>	Information will be needed at all key stages but detailed information is most useful in advance of the competitive dialogue stage currently scheduled for Summer 2010	<p>Extremely uncertain. Income to the project will be greater where it can access existing heat user or users is adjoining or where transfer network is not to be financed through the project. There is no guarantee that enhanced income would be felt by the authority as this depends on the contact structure.</p> <p>Details of the renewable heat incentive (RHI) when finalised could potentially result in an additional income stream.</p>
Workstream I: Fiscal measures relating to renewable energy and	The government's broad intentions are in the public domain but much will depend upon the detail which is yet to be published. The income and costs associated with the market based mechanisms	Fuel use procurement manager	<p>Scrutinise guidance when it becomes available.</p> <p>Revise project costings based on revised ROC's profile.</p>	Information will be needed at all key stages but detailed data is most useful in advance of the competitive	The reference project prudently assumes a ROC income of £36/MWh. These have been recently trading at around £53/MWh. If income were to be increased to this level within the reference project then an

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carbon trading	can only be projected based upon the views of internal staff and external consultants.		Obtain a view from Financial Consultants on tax within PFI vehicles to inform view on impact of ECA's.  Monitor policy development in relation to RHI's and ascertain relevance to the procurement and bidders.	dialogue stage currently scheduled February 2010 onwards.	additional £48m of income would be generated. An enhanced or extended ROC system would be likely to generate higher levels of income per MWh (depending on the technology) over a longer period of time.  There is no guarantee that enhanced income would be felt by the authority as this depends on the contact structure.
Workstream J: Waste composition analysis	Business case agreed by Authority.	Procurement Team Technical Officer with input from the Strategy and Contracts team	Circulate press release and manage media relations. Disseminate results and incorporate them into models.	First Three-week sampling period ran from 14/09/09. Second sample scheduled for Feb 10.	Significant savings through reducing risks to bidders in the procurement processes, ensuring output specifications (especially the fuel use specification) can be accurately defined and ensuring that bids can be effectively assessed. Additional operational and other benefits to the Authority and Constituent Boroughs. Immediate visible cost savings most likely to arise by pooling costs and resources with Constituent boroughs needing to conduct similar exercises.
Workstream K: Waste prevention work	Waste Prevention plan already adopted and being implemented.  2008/09 and provisional 09/10 figures show a considerable drop in waste arisings but this is difficult to disentangle from the effects of the credit crunch.  2008/09 activity won LARAC award and was short-listed twice in National Recycling Awards.	Strategy and Contracts Team Policy & Development Manager	Ongoing input from Constituent Boroughs with regards waste modelling work.  Evaluate Love Food Hate Waste project alongside wider delivery of the waste prevention plan.  Implement and then evaluate the agreed activities for 'Watch Your Waste Week' and European Week of Waste Reduction  Develop 2010/11 waste prevention implementation plan.	Ongoing. The Authority will need a clear view of likely future waste arisings in advance of the OJEU stage currently scheduled; as noted however, this is difficult with the effects of the credit crunch.	Considerable. A sensitivity analysis applied to the Reference Project incorporating a low waste growth profile (0% after 09/10) generated savings of circa £300m over the lifetime of the project over the Base Reference Case in nominal terms

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	The Authority lead the 'Love Food, Hate Waste' programme in Sept 09 and co-ordinated the 'Watch Your Waste Week' and participation in the European Week of Waste Reduction again.				
Workstream L: Trade Waste	<p>The Trade Waste Working Group involving Technical Officers from the Constituent Boroughs has met.</p> <p>Options paper and basic model circulated to Boroughs.</p> <p>LATS values are currently low.</p>	Procurement Team Technical Officer	Issue to be progressed through engagement with Technical Officer, Director of Environment and IAA working group groupings. Strategic decisions will need to be informed and taken regarding future trade waste policies. Refinement of HWRC network to include measures to restrict the depositing of Trade Waste.	Ongoing. Trade waste profiles and apportionment will need to be fully defined within the competitive dialogue stage.	To be determined.
Workstream M: LATS	<p>Ongoing updates with regards potential trading strategies and profiles.</p> <p>LATS values are currently negligible.</p>	Finance Officer	Continue to update as new information or circumstances present themselves.	Ongoing to 2020 when current LATS regime is projected to end.	The Authority's Financial consultants estimated that the reference project would generate £287m from sales of LATS permits which has not been included in the affordability analysis because of Defra/Treasury rules. The actual values to date have, however, been less than projected.
Workstream N: Minimising residual landfill	<p>Ongoing analysis of options for diversion of waste from the bulky and CA site waste streams.</p> <p>Ongoing modelling of wider collection systems.</p>	Procurement Team Technical Officer	<p>Modelling of waste collection with and without recycling target contribution from MBT outputs.</p> <p>Diversion from residual waste solution is essentially a matter for dialogue and negotiation with bidders although the draft Main Waste Output Specification currently contains challenging targets for this.</p>	Any proposed solutions for process outputs will be best put to bidders in advance of the competitive dialogue stage.	Uncertain at this stage.

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			Consider results emerging from workstream E 'Market Development' and the potential to minimise landfill .		
Workstream O: Possible efficiency improvements on waste collection	<p>Paper has been produced by technical consultants to highlight potential opportunities and areas of investigation.</p> <p>Collection modelling work is ongoing.</p> <p>Outline proposal for round mapping to determine potential savings has been circulated.</p>	Procurement Team Technical Officer	<p>Already undertaking modelling and facilitating debate around collection systems.</p> <p>Constituent Boroughs have been presented with an optional programme of work to explore feasibility and benefits of joint working around collection systems. The first stage of this process has been priced at £30K per Borough. The Authority is currently investigating whether a bid to the Capital Ambition Programme might result in a financial contribution to this.</p>	The Authority will need clarity on collection systems for the Invitation to Submit Detailed Solutions (ISDS) stage currently scheduled for Summer 2010. Timescales for joint working are a matter for the Constituent Boroughs.	Studies indicate that collection costs can be reduced by as much as 10 to 15% through joint procurement. If a 10% saving is applied to non-inflated collection costs from 2015 onwards this indicates a saving of £200m over the life of the proposed contract.
Workstream P: 50 % Club	To be progressed via a working group involving all Constituent Boroughs, led by Kevin O'Leary, LB Islington Director of Environment and attended by technical officers. Terms of reference agreed and inaugural meeting held on Tuesday 8 <sup>th</sup> September. Ongoing monthly meetings being held.	Procurement Team Technical Officer			Most cost effective method of meeting 50% recycling targets. Feeds into P 'Efficiency improvement on waste collection systems'. Additional potential to develop joint collection systems
Workstream Q: Stimulation of local employment opportunities through the procurement	Investigate possibility to provide economic benefits of the procurement to the Constituent Boroughs in the form of employment and training opportunities similar to the Olympics 2012 approach	Special Projects Manager	<p>Conduct market research to ascertain strategy adopted by similar regeneration schemes.</p> <p>Ensure that OJEU and contract documentation contain appropriate clauses to ensure a consistent approach by bidders and a method to evaluate responses</p>	Initial work prior to publication of OJEU	<p>Stimulation of the economy local to the development.</p> <p>Training and employment opportunities for local people.</p>

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			<p>Investigate possible funding streams available from Learning and Skills Council and similar training and enterprise organisations.</p> <p>Mapping of current and planned training provision and labour supplies.</p>		