

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: UPDATE ON THE MAIN (LONG TERM) WASTE SERVICES PROCUREMENT	
REPORT OF DIRECTOR OF PROCUREMENT	
FOR SUBMISSION TO AUTHORITY	DATE 25 JUNE 2008
SUMMARY OF REPORT This paper provides a progress report on the procurement and seeks the Authority's agreement to a revised September timetable ambition for the submission of an Outline Business Case to Government and to a special Authority meeting at the end of July with that OBC submission in mind.	
RECOMMENDATION That the Authority agrees to a revised procurement timetable including an agreed Outline Business Case by end of September 2008 .	
Signed by Director of Procurement	
Date:	

1. Introduction and background

- 1.1 The Authority has previously taken a series of decisions relating to the procurement including agreeing to submit an 'Expression of Interest' to Government in relation to PFI Credit support for relevant capital expenditure and to fully investigate the possible technical options ('scenarios') that would deliver the Authority's ambitions in a cost effective way. DEFRA have now responded to the Authority's Expression of Interest - see copy at Annex A.
- 1.2 There are four main issues in relation to the timetable for completing an Outline Business Case (OBC):
- finalising a reference project;
 - finalising the scope of the procurement,
 - internal North London decision-making process, and
 - in the event that we are pursuing a PFI approach, the Government's criteria.

2. Reference Project

- 2.1 To complete OBC analyses in relation to the case for a PFI approach, the level of PFI support and affordability, we need to identify a 'reference' project'. In the context of an output specification led approach this reference project identifies an approach which the Authority considers to be a good and deliverable solution. It does not dictate the technical solution which bidders must deliver. The reference project is especially important to this Authority since we have allied decisions to make such as the acquisition and provision of sites.
- 2.2 The Authority has taken a wide-ranging and open approach to possible technical solutions that might be identified as the reference project, including the continued use of the Edmonton incinerator if that can be justified and secured. After an initial sift, we worked up an analysis in respect of 14 main possibilities, with two variations. On 6 May 2008 the Procurement Committee met to consider the outcome of this appraisal, with options to shortlist to 2 or 4 possibilities that required further work.
- 2.3 The Authority opted to commission further work on 4 scenarios. In agreeing this approach, the Procurement Committee also asked for further work to investigate a full Combined Heat & Power solution and additional Anaerobic Digestion treatment associated with high scoring scenarios.
- 2.4 The further work we are doing is designed to refine our view on the deliverability of each scenario. We are mapping site availability to each scenario (different technical solutions have different land requirements), seeking to identify a planning deliverability view, identifying any procurement issues and considering the potential impact on the competitiveness of the market response.
- 2.5 The volume of work involved in fully assessing this number of scenarios and the challenge of moving ahead with any decisions on site acquisition point to a slightly longer timetable than the June target we have had to date.

3. Scope of Procurement

- 3.1 There are four scope issues that we have been investigating and where final decisions have yet to be made:
- The inclusion or otherwise of Civic Amenity/ Household Waste Recycling Centres (HWRCs);
 - The pooling of recyclates and whether to invite bidders to offer an end market solution for this material;
 - Continued use of Edmonton in a way that may mean one new facility is not required for now;
 - In the event the waste services solution is producing a fuel, whether to run a separate procurement for that market solution.
- 3.2 Workstreams are in hand on each of these scope issues. On any one of these issues, we could be in a position to bring forward a substantive recommendation to the Authority by the end of June. However, with a slightly longer time period

for bringing forward recommendations we think the underlying analysis can be improved. In particular we think it would be helpful for initial Inter Authority Agreement discussions to take place in respect of how HWRC costs might be allocated to individual Boroughs and how a 'menu-pricing' arrangement might work in respect of recyclates (we have in mind that under the Inter Authority Agreement Boroughs might be charged different amounts for different material types, reflecting the disposal cost and any related income). And in respect of any separate procurement for fuel use we should like the opportunity for further discussions with Greater Manchester WDA to see if there are lessons from their experience of closing an arrangement with a fuel use solution which is slightly separate from their waste services solution.

4. North London decision making

4.1 The procurement and the associated OBC is a matter for the Authority and the OBC does not need to be formally approved by constituent Boroughs. There are three matters where formal Borough decisions are required:

- a. There are Government proposals to make Waste Disposal Authorities solely responsible for the provision of HWRCs, but at present either disposal or collection authorities can do so and the latter has been the practice in North London. In the absence of any legislative change, the inclusion of HWRCs within the scope of the contract - and the implied site transfer - requires decisions from those Boroughs that currently provide sites;
- b. On recyclates, the Memorandum of Understanding that Boroughs are currently signing agrees the broad principle of pooling this material. However, we think there is still a need for a formal decision within each Borough which takes account of transition arrangements and the desirability of short or long term price guarantees from bidders;
- c. Government are insisting that as the relevant council tax raising authorities, each Borough agrees the affordability envelope for the project. We anticipate that a number of Boroughs will see this as a 'key decision' and that they will need to understand the detail of the OBC analysis before agreeing any such affordability envelope.

4.2 We are working with Borough officers to organise decisions in respect of 'a' and 'b' by mid July so that these decisions are incorporated into a draft OBC which is used as the basis for substantive bilateral discussions with Boroughs about the detail of the OBC. These latter discussions would be designed to allow for the decision on affordability.

5. Government criteria

5.1 The DEFRA letter highlights at Annex A highlights some key issues concerning the timetable for any PFI submission and some key criteria that are especially relevant to our local timetable ambitions. In particular:

- The letter confirms that the Authority must submit an OBC by the end of October 2008 and for the procurement to be completed by March 2011 in

order to be sure of PFI support. It also makes clear that there may be a degree of competition for available resources, with an increasing risk the later the submission is made. This suggests we should be aiming for the earliest possible OBC submission date;

- The letter confirms Government's insistence that sites for facilities must be acquired prior to the procurement beginning, with acquisition completed by the time of OBC submission or a high degree of confidence of acquisition. This requires time given that we would not wish to pursue site acquisition until the reference project (and its site implications) are more certain.

6. Conclusion

6.1 For the reasons set out above I recommend that the Authority agrees the following process and revised timetable ambition for agreeing an OBC:

- Mid July: Borough decisions relevant to the project scope;
- 30 July: A special Authority meeting to agree a reference project and emerging OBC conclusions (as recommended in the report on meetings dates elsewhere on this agenda)
- Early September: Bilateral meetings with Boroughs
- Mid September: Borough agreement to affordability letters;
- September: Authority meeting to agree OBC for submission to Government.

7. Comments of the Legal Adviser

7.1 The legal adviser has no comments to add.

8. Comments of the Financial Adviser

8.1 The finance adviser has no comments to add.

Access to Information

Documents used in the preparation of this report:

Letter 30 May 2008 John Burns, WIDP, to Tim Judson, NLWA

6 May report to Procurement Committee on scenarios

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