

NORTH LONDON WASTE AUTHORITY	
REPORT TITLE: IMPROVEMENT PROGRAMME	
REPORT OF: DIRECTOR OF PROCUREMENT & HEAD OF WASTE STRATEGY AND CONTRACTS	
FOR SUBMISSION TO: AUTHORITY MEETING	DATE: 10 th December 2008
<p>SUMMARY OF REPORT</p> <p>This paper fleshes out the detail of the draft Improvement Programme that was identified in skeletal form in October Authority papers and included in the OBC. It potentially comprises 15 work streams that can improve the long term affordability position in comparison with the OBC reference project. There are elements that are geared to improvements in the short term as well.</p>	
<p>RECOMMENDATIONS</p> <p>The Authority is recommended to:</p> <ol style="list-style-type: none"> 1) Agree to the waste composition study being undertaken (section 3, Appendix B and separate budget report). 2) Note the advice on resources (section 4 and separate budget report), to approve the programme being taken forward (section 5) and specifically to comment on: <ol style="list-style-type: none"> a. High and low priority items within the overall programme; and b. Whether to fund a study related to potential waste collection efficiencies as an NLWA funded exercise or by invitations to Constituent Boroughs to fund the works. 	
<p>SIGNED: Director of Procurement</p> <p>Head of Waste Strategy and Contracts.....</p> <p>Date</p>	

1. Purpose of paper and summary

- 1.1 This paper identifies a draft programme relating to improvements that might be made to the quality and cost of the procurement programme when measured against the OBC reference project. The scope includes improvements that may not be driven out by the procurement process itself and the competitive tension between bidders that we seek to engineer and/ or where the reference project necessarily takes a prudent or conservative position. The underlying intention is to pursue these potential improvements in parallel with the procurement and to a timetable that allows emerging bidder solutions to take the improvements into account.
- 1.2 In identifying the possible improvement programme the paper focuses on those areas where there is the most to gain and/ or where there is seemingly the most opportunity for improvement. The paper focuses on the impact on the overall North London waste solution; there may clearly be differential impacts on individual Boroughs. In many instances there will also be a link to the proposed Inter Authority Agreement (IAA).
- 1.3 The overall context of this improvement programme is that 50% recycling performance across North London is a hugely challenging ambition, especially for those Boroughs that have a substantial proportion of flats. The base case reference project total system costs including the Waste Services and Fuel Use contract is £7.825 billion of which £4.152 billion relates to the waste collection and £3.672 billion relates to waste disposal costs. The total affordability gap for all the Constituent Boroughs for the base case is £2.487 billion and £2.889 billion after applying an upper threshold sensitivity based on 1% increase in the inflation rates used. The prime motivation behind this draft programme is to improve the prospects of delivering environmental ambitions and to reduce the revenue costs on the Constituent Boroughs of collection and disposal of waste.
- 1.4 Within each of the 15 identified improvement streams this paper provides a financial comment on whether the work required can be carried out by internal resources within the internal procurement project or strategy and contract teams, external advisers, by the Constituent Boroughs or through the commissioning of special work.

2. Scope of Paper

- 2.1. This report contains three appendices. Appendix A provides a more detailed description of the elements of the improvement programme. Appendix B contains a business case for expenditure on a waste composition study. Appendix C comprises a table providing further information relating to the current status, lead individual/team, future actions, timescale and potential savings/benefits relating to each workstream described in this paper.
- 2.2 In summary the draft programme includes 15 workstreams:
 - a) Securing London Waste and Recycling Board (LWaRB) support for some element of capital spend;
 - b) Short-term and interim arrangements for treatment and merchant capacity, and for use of recyclates;
 - c) Efficiency improvements in relation to existing waste disposal services;
 - d) Market development/ procurement approaches related to third-party income on recyclates, including new material recycling opportunities, improving material value on recyclate, maximising income from valuable materials; and high quality Materials Recycling Facility (MRF) performance;

- e) Different sources of funding including potential approaches to the European Investment Bank;
- f) Higher levels of electricity income;
- g) Higher levels of heat income;
- h) Fiscal measures relating to renewable energy incentives and carbon trading;
- i) Waste composition analysis;
- j) Waste prevention work;
- k) Trade waste;
- l) Landfill Allowance Trading Scheme (LATS);
- m) Minimising residual landfill;
- n) Third party income from rail transport linked to joint venture consideration;
and
- o) Possible efficiency improvements on waste collection.

3. Waste Composition Analysis

- 3.1. Accurate data on the composition of waste is considered essential to ensuring the cost-effective management of collection systems, disposal/treatment infrastructure and facilitating effective risk transfer. This work is essential in order to provide accurate data to potential bidders, the absence of which could lead to higher costs in the bids received. Therefore Members are requested to agree this work subject to suitable finance being identified.
- 3.2. Approval for this work is being sought ahead of other work streams as a reflection of the need to provide as much accurate data as possible at each stage to bidders, the fact that there is a very narrow time window to achieve this and the significant cost involved. The overall cost of this work is £250K for which suitable finance will need to be identified in 08/09 and 09/10 budgets. The budget report elsewhere on this agenda proposes provision for this cost.

4. Resource issues

- 4.1. It is impossible to be precise at this stage, but there is a reasonable prospect of this improvement programme securing a £400-500 million saving in nominal terms over the life of the long term contract compared to the projected 'reference project' costs of £3.672 billion and a similar saving of £400-500 million in the projected costs of waste collection. In this context, substantial investment in the necessary short-term resources to deliver the relevant work is clearly justified.
- 4.2. However, the cost of any improvement programme adds to short term budget pressures. We have therefore sought to identify the minimum additional resource that is required, to propose that progress on some will be dependent on finding efficiencies elsewhere within the delivery of the procurement programme and other NLWA activity and to identify choices where works may be funded by other means.
- 4.3. A piece of work that might best be resourced through contributions directly from the Constituent Boroughs relates to determining efficiency improvements on joint procurement of waste collection. The potential benefits of this would be determined by waste collection mapping exercises costing around £30,000 per participating Borough as set out under workstream O. No provision has been made for these within the Authority's proposed budgets. Members may feel that such studies may be best funded by individual Boroughs on a voluntary basis or they may feel that an NLWA-wide may be most appropriate, in which case resources would need to be provided. If the Members decide in principle to finance this through the NLWA then officers

will bring forward papers containing a full proposal at the next Authority meeting.

5. Conclusion

5.1. Ahead of 2009-10 budget review (see separate paper) and any action the Authority may choose to agree as a result of the Governance & Resources agenda item (see separate paper), this paper seeks Member views and decisions on:

- Approval of the overall programme being taken forward;
- Pursuing the waste composition study as soon as funds are identified as available (ideally in 2008-09 but possibly not until 2009-10);
- High and low priority items within the overall programme; and
- Whether to fund a study related to potential waste collection efficiencies either as a single NLWA budget item or by invitations to Constituent Boroughs to fund the works.

6. Comments of the Legal Adviser

6.1 The Legal Adviser has been consulted in the preparation of this report. Legal advice will be provided in connection with each workstream as it is brought forward, as necessary.

7. Comments of the Finance Adviser

7.1 The report seeks approval to proceed with a waste composition study at an estimated cost of c. £250,000. Given the importance attached to the study and the envisaged financial benefits the report suggests that the work, which would be undertaken over the course of a year, should ideally commence in February 2009 in order to synchronise with key stages of the procurement process. Whilst a provision has been included in the 2008-09 third budget review (£0.050m) and the 2009/10 budget forecast (£0.200m) reported to Members elsewhere on this agenda the ability to proceed at the earliest opportunity will depend on the Authority agreeing to commit to the proposed cost at this meeting (the Authority's next meeting is 9 February 2009).

7.2 The Authority has also been requested to offer its view on the options for undertaking waste collection efficiency studies in the boroughs. This has been estimated to cost in the region of £30,000 per borough, i.e. £210,000 in total. Given that this could be viewed as a borough collection cost no allowance has been made in the Authority's 2009/10 budget forecast referred to above. A proposal for the work to be led by the Authority would therefore add to the 2009/10 budget forecast.

7.3 The financial costs of undertaking the other work streams (on the basis set out in Appendix A) has been reflected in the proposed Procurement Costs budget referred to in the 2009/10 Budget Forecast. The report also acknowledges that some work areas (paragraph 4.2 above refers) could be dependent upon finding efficiency savings elsewhere within the delivery of the procurement programme and other Authority work activities.

Local Government Act 1972 – Access to information

Documents used: None

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