

Appendix C – Affordability Workstreams

Action	Status	Lead ¹	Actions	Timescale	Potential Savings/Benefits
Workstream A: Securing LWaRB support for some element of capital spend	<p>Head of Waste Strategy and Contracts under consultation with the Chair has delegated Authority, with the support of relevant constituent borough councils, to submit bids to the Fund should timescales preclude any bid coming to a future Authority meeting.</p> <p>Analysis of optimal HWRC network complete.</p>	Head of Waste Strategy and Contracts with input from the Procurement Team through Borough Liaison Manager.	<p>A meeting is being arranged between the procurement team and GLA at which the issue will be discussed. The Strategy and Contracts team will disseminate decisions of the forthcoming 12th December LWaRB meeting.</p> <p>Proposals to be developed iteratively as guidance becomes available.</p> <p>Potential sites to be identified.</p> <p>Ongoing discussions regarding transfer of existing HWRC's.</p>	Likely that there will not be an open bidding round in 08/09 but any bid is likely to be completed within the 09/10 financial year.	<p>The total projected capital expenditure on HWRC works is £26.7m in real terms in the OBC financial model, of which £9.5m 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.</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 and Interim arrangements for treatment/ merchant capacity for use of recyclates	<p>Received tonnage projections from Constituent Boroughs.</p> <p>OJEU for dry recyclables published.</p> <p>Currently in dialogue with the London Mayor for biodegradable wastes prior to OJEU.</p>	Head of Waste Strategy and Contracts with input from the Procurement Team through Borough Liaison Manager.	<p>Complete procurement process.</p> <p>Refine tonnage projections through ongoing modelling work.</p>	<p>Aiming to have a MRF contract in place by June 09 at the latest and an IVC/AD contract by December 09.</p> <p>The interim contract for residual waste under the Procurement Director is due to be signed in October 2010.</p>	<p>Gate fee cost savings are uncertain especially given the recent downturn in materials prices.</p> <p>Transport savings are likely to be more certain.</p> <p>Benefits from contracting direct to service provider rather than through LondonWaste. Greater flexibility and ability to novate contract post December 2014.</p>

¹ 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 contract team or in relation to the interim and long term procurements by the procurement team. Close liaison will continue throughout.

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Workstream C: Efficiency improvements in relation to existing waste disposal services	Currently in negotiation with LWL and WRG around the reduction of the minimum tonnage requirement.	Head of Waste Strategy and Contracts with input from the Procurement Team through Borough Liaison Manager.	Continue to negotiate. If agreement can be reached then put proposals to the Authority and discuss implications for those Boroughs that might be affected.	Aiming to be complete by March 2009.	Position has yet to be negotiated. If 35K tonnes per annum were diverted from Hendon to Edmonton this would save £0.66m per annum at 2009/10 costs levels or £19 per tonne through gate fees and landfill tax (which will increase year-on-year). This would need to also be balanced against any additional transport costs and any additional LATS income.
Workstream D: Market development/ procurement approaches related to third party income on recyclates	Engaged with WRAP and obtained provisional agreement for support. Seeking to obtain a view on price projections, the impact of economies of scale on prices, appropriate contract levels to obtain the appropriate balance of risk transfer against income and the economics of MRF gate fees.	Technical Officer in Procurement Team with input from the Strategy and Contract Team	Further engagement with WRAP and Technical Consultants.	Ongoing	Likely that all income from materials collected by Boroughs can be brought up to the same level as the current highest but this will depend on collection systems going forward.
Workstream E: Different sources of funding including potential approaches to the European Investment Bank (EIB)	No specific progress to date.	Finance officer in procurement team	Sounding out of external finance advisors re process, benefits and likely costs. Likely to be an additional cost associated with this that cannot be determined at this time.	Depending on the nature of the PQQ process will need to be resolved before the Pre-Qualification Questionnaire stage currently scheduled for Spring 2009.	Very uncertain in the current financial environment. Whilst any substantial direct financial benefits may or may not be felt under a challenging financial environment, fostering funding solutions may reduce the potential for delays and/or additional costs if shortlisted or preferred bidders have problems in banking their solutions.

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Workstream F: Higher levels of electricity income	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.	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 2009.	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 upside sensitivity reflecting this price. If this income were 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 G: Higher levels of heat income	Could obtain a view of trends in and affecting heat income going forward.	Fuel use procurement manager	Subject to funds being available commission study.	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 2009	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.

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Workstream H: Fiscal measures relating to renewable energy and carbon trading	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 can only be projected based upon the views of internal staff and external consultants.	Fuel use procurement manager	<p>Scrutinise guidance when it becomes available.</p> <p>Revise project costings based on revised ROC's profile.</p> <p>Obtain a view from Financial Consultants on tax within PFI vehicles to inform view on impact of ECA's.</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 2009	<p>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 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.</p> <p>There is no guarantee that enhanced income would be felt by the authority as this depends on the contact structure.</p>
Workstream I: Waste composition analysis	<p>Currently in negotiations with technical consultants ENTEC who have provided an outline proposal.</p> <p>Written business case.</p> <p>Initial discussions with Technical Officers with regards Borough specific data requirements.</p>	Technical Officer in Procurement Team with input from the Strategy and Contracts team	Subject to funding being identified refine proposal and undertake programme of analysis.	Work would need to begin urgently with first physical analysis needing to be conducted early in 2009. Data to be provided to procurement process at key points.	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.

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Workstream J: Waste prevention work	<p>Waste Prevention plan already adopted and being implemented.</p> <p>Waste collection modelling work is ongoing.</p> <p>Baseline and projected data within key datasets such as housing being reviewed and updated.</p>	Technical Officer in Procurement Team	<p>Ongoing input from Constituent Boroughs with regards waste modelling work.</p> <p>Assimilating research and studies reflecting future waste behaviour into models.</p>	Ongoing. The Authority will need a clear view of likely future waste arisings in advance of the OJEU stage currently scheduled for Spring 2009.	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.
Workstream K: Trade Waste	Meeting of the Trade Waste Working Group involving Technical Officers from the Constituent Boroughs and Authority Staff took place on 27/11/08.	Borough Liaison Manager	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.	Ongoing. Trade waste profiles and apportionment methodologies will need to be fully defined within the competitive dialogue stage currently scheduled for Summer 2009.	Detailed data on the economics of trade waste collections in the Constituent Boroughs is not available. However, a 2002 study indicated that 13% of waste presented at HWRC's nationally is trade waste.
Workstream L: LATS	Ongoing updates with regards potential trading strategies and profiles.	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.

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Workstream M: Minimising residual landfill	Ongoing analysis of options for diversion of waste from the bulky and CA site waste streams. Ongoing modelling of wider collection systems.	Technical Officer in Procurement Team	Modelling of waste collection with and without recycling target contribution from glass and grit fraction. Diversion from residual waste solutions is essentially a matter for dialogue and negotiation with bidders.	Any proposed solutions for process outputs will be best put to bidders in advance of the competitive dialogue stage currently scheduled for Summer 2009.	Uncertain at this stage.
Workstream N: Third Party Income from Rail Transport Linked to Joint Venture Consideration	At an early stage in consideration.	Sites and Planning Manager	Budgets contain provision for Transport Consultants to be commissioned to develop proposals.	Consultants to be engaged during 09/10.	Uncertain at this stage.
Workstream O: Possible efficiency improvements on waste collection	Paper has been produced by technical consultants to highlight potential opportunities and areas of investigation. Collection modelling work is ongoing.	Technical Officer in Procurement Team	Already undertaking modelling and facilitating debate around collection systems. Constituent Boroughs to be 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 will need clarity on collection systems for the Invitation to Submit Detailed Solutions (ISDS) stage currently scheduled for Summer 2009. 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 the sum of Net Present Value collection costs from 2015 onwards this indicates a saving of £200m over the life of the proposed contract.