



NORTH LONDON WASTE AUTHORITY

Memorandum of Information

Relating to procurement for the

FINANCIAL CONSULTANCY SERVICES CONTRACT

2015

Contents

DEFINITIONS & ABBREVIATIONS

INTRODUCTION

BACKGROUND INFORMATION

SITES

NORTH LONDON HEAT AND POWER PROJECT

OPTIONS

DEFINITIONS & ABBREVIATIONS

The following terms are used throughout the tender documents:

Term	Definition
Constituent Boroughs	The seven north London boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest
DCO	Development Consent Order
ERF	Energy Recovery Facility
EfW	Energy from Waste
GLC	Great London Council
RRC	Reuse and Recycling Centre
ITT	Invitation to Tender Questionnaire
LWL	LondonWaste Ltd
Members	The two elected councillors from each of the Constituent Boroughs, together forming the NLWA
MOI	Memorandum of Information
NLWA	North London Waste Authority
OJEU	Official Journal of the European Union
RTS	Rail Transfer Station

1. INTRODUCTION

- 1.1 This Memorandum of Information is designed to provide background and other relevant information for those who are considering tendering for North London Waste Authority's ("the Authority") Financial Services Contract. The detailed Scope of Services is set out in the Contract Conditions.
- 1.2 This document is one of the tender documents provided under Regulation 27 of the Public Contracts Regulations 2015. Potential tenderers are referred specifically to information contained on the Authority's website at www.nlwa.gov.uk which provides details of the background to the Authority, the waste collection authorities in the Authority's area and the Joint Waste Strategy.
- 1.3 The Authority's current waste management arrangements are largely met through a contract with LondonWaste Ltd (LWL) – the Authority's 100% owned company. The current contract lasts until 2025.
- 1.4 Financial services are required to support the Authority's residual waste strategy . Decisions are yet to be made on the funding or the procurement strategy for new waste disposal infrastructure, but more information on the North London Heat and Power Project and the options work is set out at sections 4 and 6 below.
- 1.5 A funding strategy, which reviews the cost, benefit and risk profile of the options available for the project will be required. The Financial Services Consultant will need to have experience of advising on private and public funding approaches including Public - Private Partnership (PPP) and loans from the Public Works Loan Board. Experience of procurement options for contracts to include design, build, finance or operate (DBFO) is also essential.
- 1.6 The Financial Services Consultant, with other advisers will advise on and prepare financial models for options for future residual waste services including assessing: the costs (capital and revenue), risks, robustness of service delivery and market deliverability of available solutions.

2. BACKGROUND INFORMATION

2.1 Background

2.1.1 The Authority is the second largest waste disposal authority in the UK, handling around 3% of the national municipal waste.

2.1.2 The Authority is a statutory authority, which was established in 1986 after the abolition of the Greater London Council ("GLC"). Its principal statutory responsibility is for the disposal of waste collected by the seven north London boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest (the "Constituent Boroughs"). The Constituent Boroughs are the waste collection authorities.

2.2 The Authority has managed its waste arisings predominantly through its waste treatment and disposal contract with LWL and the use of an energy from waste ("EfW") plant at the EcoPark site in Edmonton, together with rail transfer of waste to landfill from the Hendon transfer station, with road transfer to the EcoPark.

2.3 Duties

2.3.1 The Authority's duties include:

2.3.1.1 Processing, treatment and disposal of waste collected by each of the Constituent Boroughs;

2.3.1.2 management, transport and disposal of household waste from the Reuse and Recycling Centre ("RRC") network;

2.3.1.3 storage and disposal of abandoned vehicles (this is currently delegated to the Constituent Boroughs);

2.3.1.4 preparing a joint waste strategy for north London; and

2.3.1.5 delivering performance that is consistent with statutory recycling and composting targets and diversion performance targets.

2.4 Constitutional arrangements

2.4.1 The Authority has a membership of 14 elected members (the "Members"), two from each of the Constituent Boroughs. The Members are nominated normally on an annual basis, by the Constituent Boroughs.

- 2.4.2 The Authority's financial matters are conducted in accordance with the Financial Standing Orders, which can be found at Section D of the Authority's Standing Orders on the website at: <http://www.nlwa.gov.uk/governance-and-accountability/standing-orders>

2.5 Officers

- 2.5.1 The Constituent Boroughs provide officers to the Authority, for governance, management, staffing and support services. This includes a Financial Adviser, who is also the Director of Finance for the London Borough of Camden. Functions delegated to the Financial Adviser and the Head of Finance are set out in the Authority's Standing Orders.
- 2.5.2 The Authority has an internal team with an appropriate mix of knowledge, skills and experience covering waste, technical, commercial, financial, legal and project management matters.

2.6 Funding arrangements

- 2.6.1 The Authority's income base is a levy on the Constituent Boroughs. From 2008/09 onwards the Authority has charged the levy predominantly on a tonnage basis, with the exception of the costs associated with the removal of waste from the RRCs, which is based on council tax levels. An important part of our income base is also the charges (non-household and chargeable household) to the boroughs. Reuse and Recycling Centre (RRC) operating costs are levied from the host borough (the statement about the removal of residual waste remains true though)
- 2.6.2 There are plans to move to a menu pricing charging system based on the disposal costs of different waste streams to ensure a more equitable apportionment of the Authority's costs to the Constituent Boroughs.
- 2.6.3 Copies of the Authority's Financial Statements and Accounts are available on the corporate website at: <http://www.nlwa.gov.uk/governance-and-accountability/financial-statements>

2.7 Strategy

- 2.7.1 The joint strategy for North London has been adopted by the Authority and the seven Constituent Boroughs, and can be seen at http://www.nlwa.gov.uk/aboutus/our_strategy

2.7.2 For the current position and background relating to the North London Waste Plan, being prepared by the Constituent Boroughs in their capacity as local planning authorities in the area, to which NLWA is a consultee, see the relevant website: <http://www.nlwp.net/>

2.8 Regional governance

2.8.1 The regional governance arrangements in London are complex and include significant and far-reaching statutory powers for the Mayor and London Assembly. Notably, waste authorities in London are required to be in general conformity with the Mayor's Municipal Waste Management Strategy. The Mayor has powers of sign off and scrutiny, in relation to contracts and waste strategies by which he can ensure this conformity.

2.8.2 All spatial plans are required to be set within the context of the spatial plan for London (the "London Plan"), which takes a specific view with regards to the favouring of new and emerging waste treatment technologies over the more traditional EfW technologies.

2.9 Geography

2.9.1 North London is an area of approximately 30,000 hectares ("ha"). It is bounded by the M25 Motorway and Hertfordshire County Council to the north, the Edgware Road and West London Waste Authority area to the west, the M11 Motorway and the East London Waste Authority area to the east and by Westminster, the City of London and Tower Hamlets to the south.

Table 1: the areas of Constituent Boroughs in North London

Borough	Area (ha)
Barnet	8,677
Camden	2,178
Enfield	8,014
Hackney	1,904
Haringey	2,961
Islington	1,486

Waltham Forest	3,881
Total	29,101

3. SITES

3.1 Principal assets/infrastructure

3.1.1 In terms of meeting its waste disposal obligations, the Authority accesses the following:

3.1.1.1 an EfW plant and associated infrastructure at the EcoPark, Edmonton;

3.1.1.2 a rail and some road transport transfer facility at Hendon involving the transport of residual waste to landfill and by road to the EfW;

3.1.1.3 a waste transfer station at Hornsey Street; and

3.1.1.4 RRC sites.

3.2 LWL are the freehold owners of the EcoPark site at Edmonton and are in occupation of the other above sites under leases or licences.

3.3 **Edmonton EcoPark** (Land lying to the north of the North Circular Road), Advent Way London N18 3AG)

3.3.1 The Ecopark, a waste management complex of around 16 ha is located at the Junction of the A406 North Circular and the A1055 Meridian Way within the London Borough of Enfield, close to its borders with the London Boroughs of Haringey and Waltham Forest.

3.3.2 The Edmonton EfW plant has a capacity of over 500,000 tpa, and was constructed by the GLC in the 1970s. The facility generates around 55 megawatts of electricity, 85% of which is exported from the site. Ferrous metals extracted from the resultant ash are sent for recycling and the remaining ash is consigned to an onsite ash recycling facility.

3.3.3 The site also accommodates other waste management uses including residual waste transfer and recycling bulking, in vessel composting and bulky waste management.

3.4 Hendon rail transfer to landfill (Land and buildings at Tilling Road, Hendon, Cricklewood, London NW2 ILN)

3.4.1 The Authority utilises a rail transfer station in Hendon, near Brent Cross Shopping Centre. The Authority leases the site from Network Rail and sub-leases it to LWL. The permitted uses on the site are as a rail transfer station ("RTS") and for the bulking and transfer by road of separately collected recyclable and compostable wastes.

3.4.2 The London Borough of Barnet has regeneration proposals for the Brent Cross Cricklewood area and consideration is being given to an alternative location. For more information on the LB Barnet proposals refer to www.barnet.gov.uk.

3.5 Hornsey Street transfer station (Land on the North West side of Hornsey Street Waste and Recycling Centre, Hornsey Street, London N7 8HU)

3.5.1 LWL operates the Authority's waste transfer station at Hornsey Street in the London Borough of Islington.

3.5.2 The facility, which was opened in July 2004, accommodates the Authority's waste transfer station, the London Borough of Islington's depot and a RRC. The Authority has a 999-year leasehold interest in the main building, and a separate 999-year leasehold interest in the transport yard.

3.5.3 The waste transfer operation includes recycling bays for paper, scrap metal, glass, steel and aluminium cans, co-mingled materials, refrigeration equipment and construction waste. It also receives mixed organic waste and residual waste.

3.6 RRC Sites

3.6.1 LWL operates the Authority's RRC sites at:

3.6.1.1 Hornsey Street (Land on the North West side of Hornsey Street Waste and Recycling Centre, Hornsey Street, London N7 8HU)

3.6.1.2 Kings Road (Kings Road, Chingford, London E4 7HR)

3.6.1.3 Park View Road (Park View Road, Tottenham, London N17 9AY)

3.6.1.4 Regis Road (Regis Road, Kentish Town, London NW5 3EW)

3.6.1.5 South Access Road (South Access Road, Walthamstow, London E17 9AY)

3.6.1.6 Gateway Road, Leyton, London, E10 5BY

3.6.1.7 Western Road, Wood Green, London, N22 6UG

3.6.1.8 Summers Lane, (Summers Lane, North Finchley, London, N12 0RF)

3.6.2 The remaining RRC at Barrowell Green in LB Enfield is operated by the Constituent Borough or its contractors.

3.7 **Pinkham Way** (Land to the south of Pinkham Way, London, N11 3PW)

3.7.1 In addition to the operational sites listed above, the Authority owns land at Pinkham Way. This site is currently undeveloped. Assuming that the Authority can secure planning permission for suitable residual waste management facilities at the Edmonton site it has no immediate plans to develop the Pinkham Way site in Haringey for such use. However, Pinkham Way will remain an asset for the North London Waste Authority due to its strategic location and planning designation as an employment site.

4. NORTH LONDON HEAT AND POWER PROJECT

- 4.1 The North London Heat and Power Project is a project for the replacement of the existing Energy-from-Waste (EfW) facility with a new and more efficient Energy Recovery Facility (ERF) which will produce energy from municipal waste. Having a greater efficiency than the existing EfW, the new ERF will surpass the requirement under the Waste Framework Directive (Directive 2008/98/EC) to achieve an efficiency rating in excess of the prescribed level, and will therefore be classified as a recovery operation rather than disposal.
- 4.2 The application for a Development Consent Order will cover the construction, operation and maintenance of:
- 4.2.1 an Energy Recovery Facility (ERF) generating electricity using residual waste as a fuel and capable of an electrical output of around 70 MWe (gross). The ERF will comprise tipping hall and one way access and exit ramps, a waste bunker with two overhead cranes, two process lines (with each line having a capacity of 350ktpa), consisting of a moving grate, furnace, boiler and a flue gas treatment plant, stack and facilities for the recovery of incinerator bottom ash for recycling, a steam turbine for electricity generation, heat off-take equipment, air cooled condenser(s), plant control and monitoring systems and offices.
- 4.3 The construction and operation of associated development;
- 4.3.1 The permanent and/or temporary compulsory acquisition of land and/or rights for the Project;
- 4.3.2 Permanent or temporary extinguishment of easements, restrictions and other rights over or affecting land for the Project;
- 4.4 Site preparation and construction will be phased over a number of years and it is expected that the earliest construction would commence is 2019/20, although this may be later. Construction will be implemented in a phased manner to ensure that essential waste management operations remain functioning throughout. This is especially relevant for the existing EfW facility and associated support facilities.
- 4.5 The stages of the Project are as follows:
- Phase 1a – site preparation and enabling works;
 - Phase 1b – construction of RRF, EcoPark House and commence use of Laydown Area;
 - Phase 1c – operation of RRF, EcoPark House and demolition/ clearance of northern area;

- Phase 1d – construction of ERF;
- Phase 2: commissioning of ERF alongside operation of EfW facility, i.e. transition period;
- Phase 3: operation of ERF, RRF and EcoPark House, demolition of EfW facility; and
- Phase 4: operation of ERF, RRF and EcoPark House, i.e. final operational situation.

4.6 The Authority has held two rounds of consultation as part of the Project: the first round (28 November 2014 - 27 January 2015) and gave everyone the chance to help shape the plans. During the second round (May – June 2015) the Authority consulted on the details of the plans, and is now finalising its application for submission to the Planning Inspectorate.

4.7 Further information on the project is available on the project website <http://www.northlondonheatandpower.london/>

5. LOCAL HEAT NETWORK

The Authority is currently negotiating, in conjunction with LondonWaste Ltd, for a Heat Supply Agreement with associated lease of land at the southern end of the EcoPark, with Lee Valley Heat Network, a company set up by and wholly owned by London Borough of Enfield. The agreement would allow for the supply of hot water to a District Heating Energy Centre on the EcoPark site, with onward transmission in line with the LVHN district heating network proposals. Initially, the hot water would be supplied from the existing EfW, with in principle agreement to continue the supply from a future ERF on site.

6. OPTIONS

6.1 The Authority has decided to pursue planning for a replacement ERF at the EcoPark, following the ending of the long term procurement. See corporate website <http://www.nlwa.gov.uk/news/newsdetail/2013/09/27/north-london-waste-authority-decides-to-end-procurement-process>. Details of the planned application are in section 4 above.

6.2 When the DCO application has been determined, a decision will be required by the Authority on the next steps for residual waste management, including decisions on the procurement of plant and operational contracts.

6.3 At that point, the Authority will review the options available for management of residual waste, including:

- 6.3.1 Do minimum – ongoing use of existing EfW with timely reviews for next steps;
 - 6.3.2 New build of ERF with public finance;
 - 6.3.3 New build with increased recycling assumption;
 - 6.3.4 Wholly market solution, whether within or outside the UK, and including the possibility of pre-treatment of waste at the EcoPark.
 - 6.3.5 New build of ERF with PPP/DBFO contract
 - 6.3.6 Build from within the existing EfW.
- 6.4 These scenarios are being developed, and will be presented to the Authority for consideration and approval in December 2015. The approach proposed will cover the areas to be considered in assessing the operations, which will include: cost, funding, procurement, technology, planning, risk. The intention is to carry out the work to assess these options during 2016, so that a decision on the way forward can be made in 2017.
- 6.5 The options/scenarios will require assessment for cost and deliverability, and the criteria will be set out at the start of the work. Advice and analysis will be required from the technical, financial and planning consultants, with legal advice on the options as required. Consultants will need to work together and take each others work as inputs to their own work to ensure that the Authority has a complete view of each option against the assessment criteria, in order to make a decision.
- 6.6 The financial consultant will be asked to advise on capital funding for the options, and on the calculation of revenue costs. The scenarios and the criteria will be largely developed prior to the start of the work anticipated in this contract.

END