
Report To:	Inverclyde Council	Date:	29 September 2011
Report By:	Chief Executive	Report No:	CE005/11/JWM/IM
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Subject:	Clyde Valley- Progress on Waste Treatment and Disposal Business Case		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Council of progress on the development of a potential shared service between seven of the Clyde Valley Councils for Waste management and to confirm the continued involvement of Inverclyde Council subject to ensure the satisfactory completion of the necessary due diligence with respect to the financial aspects of the Business Case.

2.0 SUMMARY

Context

- 2.1 Following the publication of the Arbutnott Clyde Valley Report 09, the Clyde Valley Community Planning Partnership (CVCPP) agreed to develop shared service proposals for Waste Management for the Clyde Valley Councils in response to significantly changing waste management legislation and projected significant reductions in financial settlements for Councils.
- 2.2 Landfill tax is increasing every year by £8 per tonne, until it reaches £80 by 2014 and new regulations have set targets for recycling which will require Councils to achieve 50% recycling of municipal waste arisings over 2013-17. A landfill ban has also been established which requires a maximum of 5% or less biodegradable waste to be land filled by 2017.
- 2.3 In parallel, a review of the Council's Waste infrastructure is being conducted in conjunction with Zero Waste Scotland. This will also include the availability of third party merchants with facilities to dispose of and treat residual waste and will allow effective comparison with the Clyde Valley Shared Service option in due course.

Waste Treatment and Disposal Business Case – 7 Councils Participating

- 2.4 Waste Management Services across the seven Clyde Valley Councils comprise of:
1. The collection, treatment and disposal of approximately 850,000 tonnes of municipal waste per annum. This is approximately 27% of all Municipal Solid Waste (MSW) generated annually in Scotland.
 2. Total budget for associated Waste Management Services across the Clyde Valley is approximately £100M per annum, with roughly 40% of this budget relating to collection services and the remaining 60% for treatment and disposal.
- 2.5 In June 2011 additional work was undertaken by the Waste Management Core Team and approved by the CVCPP, with the overall recommendation that all treatment and disposal activities should be undertaken by a new Organisation, that being a Corporate Model (Public-Public), as this was identified through the evaluation process to be the most beneficial, cost effective and suitable delivery vehicle, for the services identified. The specific responsibilities for the new Organisation were identified as:
- o Procurement of all contracts relating to the treatment and disposal of:
 - Residual Waste;

- Organic Waste; and
- Recyclate.
- Fleet, and other major procurements;
- Joint Waste Strategy development and management;
- Managerial control with regards to budgets, staffing, contracts, assets and all relevant waste management initiatives, captured within the treatment and disposal activities of the seven authorities.

2.6 It is also noted that there may be an option to include Collection services within 3-5 years. However, this proposal would only be considered and implemented following further detailed consideration and approval by the Council and is outwith the current remit to transfer all treatment and disposal activities only.

Current position

- 2.7 In June, the outline business case, taking management information from 2009/10 was presented at Clyde Valley level only, and the due diligence process had not started in individual Councils to validate the data and assumptions used in the model. Indicative savings and costs are shown in the body of this report.
- 2.8 Furthermore, it is now known that West Dunbartonshire Council has decided not to participate further in the Clyde Valley Waste Management Service and Glasgow City Council is making other arrangements for the treatment and disposal of their municipal waste. As a result, the current Business Case is now invalid and therefore needs to be revised.
- 2.9 To facilitate effective due diligence, and to validate the data and assumptions made, Councils including Inverclyde, have requested that updated management information using 2010/11 actuals along with known future year contract rates should be factored in to provide a more detailed and accurate model.
- 2.10 In the meantime, the CMT believe that it is still appropriate at this time for the Council to continue to work with other "like minded" Clyde Valley Councils to develop a revised waste treatment and disposal business case and to assist the Council in identifying the best solution for future consideration in light of current and changing legislation and reduced financial settlements.

3.0 RECOMMENDATIONS

The Council is asked to:-

- 3.1 Note the work thus far on the Clyde Valley Shared Service Business Case for the treatment and disposal of Council's municipal waste.
- 3.2 Agree to continue to participate in the further development of the Clyde Valley Business Case including the potential creation of a new organisation for the treatment and disposal of the Council's municipal waste.
- 3.3 Note that a further report will be submitted to the Council on the 1 December 2011 for further consideration when the:-
- Financial model and business plan has been reworked and can be accurately validated.
 - The necessary development work for establishing the new entity is at a more advanced stage.
- 3.5 To continue to participate in the preparation for the joint procurement process for residual waste subject to a further report to Council on 1 December 2011.

John W Mundell
Chief Executive

4.0 BACKGROUND

- 4.1 The Clyde Valley Community Planning Partnership (CVCPP) commissioned Sir John Arbuthnott to produce a report to examine existing shared services initiatives and joint working and identify opportunities for further development of shared and joint working. The report, Clyde Valley Review 09, was published in November 2009 and made a number of significant recommendations across various Council operations, one of which was to consider a shared service approach to waste management.
- 4.2 The CVCPP then agreed to the establishment of a number of work streams with a request that North Lanarkshire Council undertake the role of lead Council as far as the future management of waste activities was concerned. North Lanarkshire Council's Chief Executive chairs the Clyde Valley Waste Management Working Group which consists of a senior representative from each of the seven participating Councils and has endeavoured to identify the optimum waste management solution for these Councils in response to a dramatically changing context.
- 4.3 Unlike much of Europe, the UK has traditionally relied heavily on landfill to manage the disposal of waste. This is rapidly changing due to European, National and local policies on waste management which are aimed at reducing the amount of waste generated, increasing recycling and composting, recovering value and energy from waste and reducing reliance on landfill.
- 4.4 Landfill tax is increasing every year by £8 per tonne, until it reaches £80 by 2014. It is anticipated that this tax will continue to increase incrementally at this rate for the foreseeable future beyond this date.
- 4.5 The proposed Zero Waste (Scotland) Regulations 2011 identified key targets to be met in the disposal and Treatment of Waste are:
 - 2012-13 recycle 40% of Waste MSW arisings
 - 2013-17 recycle 50% of Waste MSW arising
 - 2017 landfill ban 5% or less biodegradable waste (date may be subject to review)

The Scottish government will be producing a final document detailing the implications of the Zero Waste (Scotland) Regulations which will incorporate the findings of the consultation exercise on the draft regulations.

- 4.6 In parallel, and as reported by officers at the Safe & Sustainable Committee on 30th August 2011, a review of the Council's Waste infrastructure is being conducted in conjunction with Zero Waste Scotland and the findings will be reported to a future committee along with our strategy to achieve our legislative targets. This will include the availability of third party merchants with facilities to dispose and treat residual waste and will allow effective comparison with the Clyde Valley Shared Service option in due course.

5.0 OUTLINE BUSINESS CASE – 7 COUNCILS PARTICIPATING

- 5.1 Waste Management Services across the seven Clyde Valley Councils comprises of The collection, treatment and disposal of approximately 850,000 tonnes of municipal waste per annum.
- 5.2 The total budget for associated Waste Management Services across the Clyde Valley is approximately £100M per annum, with roughly 40% of this budget relating to collection services and the remaining 60% for treatment and disposal. Inverclyde Waste arisings represents 6% of the above total tonnage and in financial terms, approximately 3% of the total budget.
- 5.3 In June 2011 additional work was undertaken by the Waste Management Core Team and approved by the CVCPP, with the recommendation that all treatment and disposal activities should be undertaken by a new Organisation, that being a Corporate Model (Public-Public), The specific responsibilities for the new Organisation were identified as:

- Procurement of all contracts relating to the treatment and disposal of:
 - Residual Waste;
 - Organic Waste; and
 - Recyclate.
- Fleet, and other major procurements;
- Joint Waste Strategy development and management;
- Managerial control with regards to budgets, staffing, contracts, assets and all relevant waste management initiatives, captured within the treatment and disposal activities of the seven authorities.

5.4 The Outline Business Case implies that there could be some cost avoidance benefits achieved by each Council through sharing waste treatment and disposal services, as well as the benefits of economies of scale associated with going to the market with a significant waste tonnage. A gate fee driven financial model was created that illustrated the cost avoidance achievable. The gate fee is the fee that Councils will pay to a commercial operator to treat and dispose of waste materials.

5.5 Based upon historical management information taking from financial period 2009/10 it has been indicated that cost avoidance across the Clyde was as detailed in the table below and is based on seven Councils participating in the group.

Clyde Valley Waste Management Review						
Totals	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Annual Costs (Do Nothing) £	56,518,537	59,884,505	67,690,390	68,829,301	69,850,227	75,895,054
Clyde Valley Costs (Treatment and Disposal) £	54,968,281	58,177,095	65,656,360	66,816,283	68,588,028	67,698,257
Cost Avoidance £	1,550,256	1,707,410	2,034,030	2,013,018	1,262,199	8,196,797

5.6 The indicative cost avoidance estimated for Inverclyde Council, based on seven Councils participating was:

Clyde Valley Waste Management Review						
Totals	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Annual Costs (Do Nothing) £	2,822,918	2,971,620	3,194,358	3,350,218	3,824,527	4,586,690
Clyde Valley Costs (Treatment & Disposal) £	2,624,580	2,763,966	2,984,967	3,128,401	3,725,472	4,293,084
Cost Avoidance £	198,338	207,655	209,392	221,817	99,056	293,607

5.7 The council should note that that all cost avoidance figures identified to be delivered in the early stages of the contract are in relation to the procurement costs of setting up a large scale residual waste diversion contract. It should also be noted that the Council has recently entered into new contracts which significantly reduced the cost of disposal and as a result, it is expected that once the figures are reworked the financial benefits of participation may become more marginal.

5.8 Distribution of costs for the creation of the new Organisation will be apportioned to each Council on a total waste arisings tonnage based methodology. Distribution of costs based on current residual waste tonnage will apply to the following:

- Residual Procurement Outline Business Case;
- Residual Procurement Project.

The table on the next page outlines the percentage of overall waste arisings within the seven Clyde Valley Councils.

Council	Total Waste Arisings 09/10	% Tonnage	Total MSW tonnage to Landfill	% Tonnage
East Dunbartonshire	69,301	8%	44,951	11.89%
East Renfrewshire	50,553	6%	32,340	8.55%
Glasgow City	326,987	38%	50,000	13.22%
Inverclyde	46,820	5%	32,626	8.63%
North Lanarkshire	222,397	26%	126,980	33.58%
Renfrewshire	92,298	11%	57,755	15.27%
West Dunbartonshire	48,550	6%	33,527	8.87%
Total	856,906	100%	378,179	100%

- 5.9 West Dunbartonshire has now withdrawn from the Group which will increase Inverclyde's percentage share of Waste tonnage contribution to the Clyde Valley total. This could lead to Inverclyde contributing additional costs associated with creating the new entity and the subsequent procurement process. Regardless of this, the business case will now need to be fully reworked to reflect the actual number of Councils proposing to participate subject to the appropriate due diligence.
- 5.10 Glasgow City Council is currently procuring their own residual waste contract and although 50,000 tonnes of waste arisings has been identified within the total, this tonnage cannot be committed as it is from Glasgow City Council's commercial waste stream.
- 5.11 By merging contracts and services across the participating Councils there will be TUPE transfers. Initial findings have identified 357 FTE employees associated with treatment and disposal activities across the Clyde Valley, with 10 FTE employees attributed to Inverclyde Council and potentially 20 employees working for Greenlight. This relates to a staffing budget across the Clyde Valley of approximately £12M, with £238,000 attributed to Inverclyde Council. This figure does not include Greenlight staff costs.
- 5.12 It is anticipated final identified employees will transfer into the new Organisation on day one to ensure a seamless transfer process. The new Organisation will determine over time the need for any reduction in employee numbers, contracts, assets and other transferable, for which the associated costs and overall savings will be redistributed to each of the Councils on a total waste arisings tonnage based methodology to ensure that all Councils benefit from the service alignment.
- 5.13 Based on the initial findings, and subject to refinements following the completion of the planned Service Review, the Detailed Business Case identified an employee cost saving of 5%, which was recognised as being conservative. A 5% cost reduction would equate to approximately £608,000 for the Clyde Valley. As a consequence, Inverclyde Council will acquire 5% of the treatment and disposal staff savings which is approximately £30,000.
- 5.14 Based on an NLC Grade 9 working a 37 hour week (salary band £24,559 – 29,681) and using the average severance packages that were distributed over the last two months within North Lanarkshire Council an average severance package of £52,000 has been factored into the Business Case.
- 5.15 Based on the above assumptions the severance costs associated with the 5% reduction in staff for Inverclyde would be estimated at approximately £51,000.
- 5.16 Should employee cost savings result in a 25% reduction in the treatment and disposal staff budget an additional saving of £2.4M across the Clyde Valley would be achieved of which approximately £133,000 is attributed to Inverclyde Council. It should be noted these costs and savings are additional to the 5% presented in previous sections.
- 5.17 It is also noted that there may be an option to include Collection services within 3-5 years. However, this proposal would only be considered and implemented following further Council consideration and approval, and is out with the current remit to transfer all treatment and disposal activities.

6.0 Residual Waste Procurement Process

- 6.1 The Residual Waste Procurement exercise and associated timescales are an integral aspect of the indicative cost avoidance figures identified in the outline business case. If the process is delayed the indicative cost avoidance benefits will also be delayed. Any delays could also impact on the Councils ability to comply with the Zero Waste Plan landfill bans that come into effect in 2017. Assuming that the further work required updating management information on residual waste confirms the indicative cost avoidance figures in the outline business plan, a procurement process could be undertaken prior to the formation of a new entity.
- 6.2 As a result of Renfrewshire Council preparing an Outline Business Case in 2010 for the procurement of residual waste treatment & disposal infrastructure, and as this team is still in place, the Core Team have identified them as project lead for this work package to enable the timely, cost effective and efficient completion of this report.
- 6.3 The Outline Business Case will now be revised to include all of the Clyde Valley Councils. SLR Consulting Limited has been engaged to produce this work by December 2011.
- 6.4 Any OJEU to be issued with regards to this process would be issued in the name of Renfrewshire Council, as lead authority for procurement, and transfer to the new organisation following implementation of the appropriate governance arrangements in July 2012.
- 6.5 Based on the apportioning methodology in section 4.6 the estimated costs for the completion of each of these projects, specifically for Inverclyde Council, are outlined below.

One Off Costs	Total	Cost to Inverclyde Council	ZWS/ Project Funded
Residual Procurement OBC	£70,000*	-	£70,000*
Creation of New Organisation	£180,000	9,836	-
Joint Waste Strategy	£100,000	-	£100,000
Service Review and Benchmarking	£100,000	-	£100,000
Residual Procurement Project	£1,250,000	107,839	-
	£1,700,000	£117,675	£270,000

*Funding secured from initial contributions from participating authorities for Clyde Valley Waste Initiative Project

7.0 Governance

- 7.1 Once Councils have agreed to participate in a shared service, a governance structure must be set up which facilitates key decisions to be made transparently and with the full involvement of all partners.
- 7.2 It is proposed that interim governance arrangements are put in place from Autumn 2011 that would shadow the final governance structure. This would comprise a shadow strategic board with elected member representation from all Councils involved. It is intended that this board will meet quarterly, set the strategic direction of the shared service and ensure it is established in line with partner Councils decisions. It is proposed that the Leader or the Depute Leader of the Council will represent Inverclyde, with the Convenor of Safe and Sustainable Committee nominated as substitute. Independent work will be commissioned to comment on appropriate governance arrangements for the new entity once established.

8.0 Conclusions

- 8.1 The financial assessment contained within the business case is based on 2009/10 outturn figures. The 2010/11 outturn figures are now available and show a drop in the tonnage of Inverclyde Council's residual municipal waste. In addition, Inverclyde Council entered into new contract arrangements for recycling and the treatment and disposal of waste with competitive rates which were effective from July of this year.

- 8.2 Furthermore, it is now known that West Dunbartonshire Council has decided not to participate further in the Clyde Valley Waste Management Service and Glasgow City Council is making other arrangements for the treatment and disposal of their municipal waste. As a result, the current Business Case is now invalid and therefore needs to be revised.
- 8.3 Therefore, it is essential for those Councils that have indicated their wish to continue to participate in the development of Shared Service for the treatment and disposal of waste, that further detailed analysis is undertaken to ascertain if a viable Business Case still exists to progress proposals.
- 8.4 Officers from Inverclyde Council will also conduct further analysis by using the actual 2010/11 tonnage outturn figures and for comparison purposes, applying the recently tendered and current contract rates. The Council will then be able to fully assess any derived advantages of the Clyde Valley Shared Service scheme for Inverclyde with a view to reporting back to the Council Meeting in December with a full analysis of the options and as a result, provide firm recommendations for the future treatment and disposal of the Council's municipal waste.
- 8.5 Therefore, in conclusion, the CMT believe that it is still appropriate at this time for the Council to work with other "like minded" Clyde Valley Councils to develop further waste treatment and disposal options to identify the best solution for Inverclyde Council's future consideration in light of current and changing legislation.

9.0 IMPLICATIONS

Legal

- 9.1 Further work has been commissioned by the Clyde Valley team to establish the most appropriate governance options for these proposals. Some Councils prefer proportionate representation and others, a "one Council - one vote" approach. This work will be reviewed by senior legal representatives from the participating Councils. The CMT would not recommend participation unless the "one Council - one vote" rule applied and this should be deemed an essential requirement.

Financial

- 9.2 As no firm decision is being sought from the Council at this point in time, there are no immediate financial implications.

Human Resources

- 9.3
- By merging contracts and services across the six Councils there will be TUPE transfers on day one of the formation of a new entity. The new entity would have full control of staff budgets and the outline business case has identified potential employee cost savings between 5-25%. Work will be required between Management and the Trade Unions on these proposals once the revised financial analysis has been completed. Appropriate consultation with potentially affected employees in advance of a further report to Council will also be required.

Equalities

- 9.4 The Business Case in relation to Waste Treatment and Disposal has not yet been subject to an equalities impact assessment and this will need to be undertaken as part of the next phase of implementation. The new organisation will need to give consideration to the different terms and conditions and rates of pay resulting from TUPE transfers of staff from the Clyde Valley Councils.